

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 integrated annual report of the Company from time to time; |
| 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, 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 members of the Board 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/s 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 directors (Board) of the Company acknowledges the need for a board charter as recommended in the King IV Report on Corporate Governance for South Africa (King IV or the Code). This board charter (Charter) is subject to the provisions of the Companies Act, No. 71 of 2008, as amended from time to time (the Companies Act), the Company's memorandum of incorporation (MOI), the listings requirements of the JSE Limited, as amended from time to time (the Listings Requirements) and any other applicable law or regulatory provision (as amended or substituted from time to time).
- 2.2 In the event of any conflicts between this Charter and the MOI, the MOI will prevail.
- 2.3 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 achieving the Group's strategy, operating performance and financial results within the Group's corporate governance framework. The Board should exercise its leadership role by:
- 2.3.1 approving policy and planning that give effect to the direction provided;
 - 2.3.2 overseeing and monitoring of implementation and execution by management; and
 - 2.3.3 ensuring accountability for organisational performance by means of, among others, reporting and disclosure.

The Board is responsible for ensuring complete, timely and relevant disclosure of the above to all Stakeholders.

- 2.4 The purpose of this Charter is to:
- 2.4.1 The purpose of this Charter is to set forth the Board's role and responsibilities as well as the requirements for its composition and meeting procedures, noting that the Company is subject to the corporate governance requirements of the Companies Act, and following its listing on the JSE, the Company will also be subject to: (i) the mandatory corporate governance requirements set forth in the

- Listings Requirements; and (ii) the recommended corporate governance practices set forth in the Code;
- 2.4.2 regulate how the Board must conduct itself in the interests of all Stakeholders in accordance with the principles of good corporate governance as encapsulated in the King Report; and
- 2.4.3 ensure good corporate governance throughout the Group in line with the requirements of the King Report.
- 2.5 The formal lines of authority and approvals are documented in the Governance Authorities. These will be reviewed annually by the Board.
- 2.6 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 governance set out in the King Report, as incorporated in the Listings Requirements.
- 2.7 This Charter will be deemed to be accepted by, and be binding upon, all members of the Board and/or Board Committee members from time to time, from their acceptance of appointment as Directors and/or Board Committee members, as the case may be, without any further action required.
- 2.8 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 Nominations 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 must comprise a balance of executive and non-executive directors . 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 non-executive Directors shall serve a term of no more than 9 years on the Board in order to maintain the Board's independence. Where a non-executive Director serves tenure in excess of 9 consecutive years on the Board, that Director shall be subject to an annual independence assessment by the Board and/or an external party as agreed by the remaining Board members.
- 3.1.5 The Board shall strive to ensure that its effectiveness is enhanced by its composition reflecting an appropriate mix of knowledge, skills and experience, as well Board diversity. Specifically, it should set and disclose targets for diversity representation in its membership.
- 3.1.6 Directors are to be appointed through a formal and transparent process and the nomination committee assists with the process of identifying suitable candidates to be proposed to the shareholders of the Company for election, with due regard to: (i) the election and eligibility and disqualification criteria for the election and continued appointment of directors as prescribed by the Companies Act; and (ii) the relevant provisions of the Listings Requirements and the Code.
- 3.1.7 A formal programme must be established by the company secretary for the induction and ongoing development of new directors, which programme should generally focus on highlighting to the fiduciary duties owed by directors and the corporate governance requirements to which the directors would be required to observe as prescribed by the Companies Act and the Listings Requirements, including, but not limited to, the disclosure and transparency obligations and director dealing in securities requirements prescribed in section 3 of the Listings Requirements.
- 3.1.8 Continuing professional development programmes must be implemented, which programmes will ensure that directors receive

regular briefings on changes in risks; laws and the business environment of the Company.

- 3.1.9 Non-executive Directors must advise the Chairman of other planned board appointments. Executive Directors will require the approval of the Nominations 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.
- 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 Nominations 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 internal self-assessment procedure to review its mix of skills, performance during the year, the contribution of individual Directors and the effectiveness of its committees. Every three years, the Board shall conduct an independent assessment.
- 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 **Board Chairman and Deputy Chairman**

- 3.2.1 The leadership of the Board is the responsibility of the Chairman, who shall hold office for a period of 1 (one) year from the date of his or her appointment, provided that he or she may only be appointed for a maximum of 10 (ten) consecutive terms.
- 3.2.2 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.
- 3.2.3 The Chairman shall, where possible, be an independent non-executive Director. Irrespective of whether the Chairman is an independent non-executive director or not, the Board shall appoint (i) a lead independent non-executive Director, as envisaged in the King Report, subject to the nominations for appointment made by the Nomination and Remuneration Committees and/or (ii) a Deputy Chairman of the Board, who shall be an independent non-executive Director and this/these appointment(s) will be disclosed with reasons and justifications.
- 3.2.4 If an independent non-executive member of the Board has been appointed as the lead independent Director, the role and responsibilities assigned to the position shall be disclosed.
- 3.2.5 The role and responsibilities of the Chairman shall include:
- 3.2.5.1 providing leadership to the Board and the Company;
 - 3.2.5.2 presiding over the Board and shareholder meetings;
 - 3.2.5.3 presiding over the Nominations Committee;
 - 3.2.5.4 participating in Board Committees, subject to appointment by the Nominations Committee and the Board;

- 3.2.5.5 responsibility for ensuring the proper and effective functioning of the Board and integrity of the Board governance process;
- 3.2.5.6 monitoring Board performance; and
- 3.2.5.7 conducting annual assessments of the Board Committees and their respective chairmen.
- 3.2.6 The role and responsibilities of the Deputy Chairman or lead independent non-executive Director shall include:
 - 3.2.6.1 leadership of the Board in the absence of the Chairman;
 - 3.2.6.2 acting, to the extent necessary, as an intermediary between the Chairman and other members of the Board;
 - 3.2.6.3 dealing with shareholders' concerns where contact through normal channels has failed to resolve concerns, or where such contact is inappropriate;
 - 3.2.6.4 chairing discussions and decision-making by the Board on matters where the chair has a conflict of interest.

3.3 **Delegation**

- 3.3.1 The Board shall establish and annually review the composition and chairmanship of the following Board committees:
 - 3.3.1.1 Audit Committee;
 - 3.3.1.2 Risk Committee;
 - 3.3.1.3 Nominations Committee;
 - 3.3.1.4 Remuneration Committee; and
 - 3.3.1.5 Social and Ethics Committee.
- 3.3.2 formal charters are established and approved for each committee of the Board;
- 3.3.3 the committees' charter are reviewed by the Board once a year; and

3.3.4 the chairperson of each committee will report back to the Board regularly and immediately after a committee's meeting on the general principle of transparency and full disclosure.

3.3.5 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 the approval of codes of conduct and ethics policies that address the key ethical risks of the Group as well as articulate and give effect to the Board's direction on organisational ethics;

4.2.2 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;

4.2.3 that it assumes responsibility for corporate citizenship by setting the Company's core purpose and values strategy and giving direction for how it should be approached and addressed by the Group;

4.2.4 that it assumes responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions;

- 4.2.5 that it satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports;
- 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 overseeing and monitoring, on an ongoing basis, how the consequences of the Company's activities affect its status as a responsible corporate citizen, which oversight and monitoring should be performed against measures and targets agreed with management in all of the following areas:
 - 4.3.1.1 the workplace (including employment equity; fair remuneration; and the safety, health, dignity and development of employees);
 - 4.3.1.2 the economy (including economic transformation; prevention, detection and response to fraud and corruption and responsible and transparent tax policy);
 - 4.3.1.3 society (including public health and safety; consumer protection; community development; and protection of human rights);
 - 4.3.1.4 the environment (including responsibilities in respect of pollution and waste disposal; and protection of biodiversity);
 - 4.3.2 ensuring that the codes of conduct and ethics policies provide for arrangements that familiarise employees and Stakeholders with the Company's ethical standards, including:
 - 4.3.2.1 publishing the Company's codes of conduct and policies on the Company's website or other platforms or through other media as appropriate;

- 4.3.2.2 the incorporation by reference, or otherwise, of the relevant codes of conduct and policies in supplier and employee contracts; and
- 4.3.2.3 the incorporation of the codes of conduct and ethics policies in employee induction and training programmes;
- 4.3.3 exercising ongoing oversight over the management of ethics and in particular overseeing that it results in the following:
 - 4.3.3.1 application of the Company's ethical standards to the processes for the recruitment, evaluation of performance and reward of employees, as well as the sourcing of suppliers;
 - 4.3.3.2 having sanctions and remedies in place for when the Company's ethical standards are breached;
 - 4.3.3.3 the use of protected disclosure or whistle-blowing mechanisms to detect breaches of ethical standards and dealing with such disclosures appropriately;
 - 4.3.3.4 the monitoring of adherence to the Company's ethical standards by employees and Stakeholders through, among others, periodic independent assessments;
- 4.3.4 scanning the environment to understand and anticipate economic, industry and competitive threats likely to affect the Group;
- 4.3.5 setting the direction for how risk should be approached and addressed within the Group;
- 4.3.6 exercising ongoing oversight of risk management and, in particular, oversee that it results in the following:
 - 4.3.6.1 an assessment of risks and opportunities emanating from the triple context in which the Company operates and the capitals that the Company uses and affects;
 - 4.3.6.2 an assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving organisational objectives;

- 4.3.6.3 an assessment of the Company's dependence on resources and relationships as represented by the various forms of capital;
- 4.3.6.4 the design and implementation of appropriate responses;
- 4.3.6.5 the establishment and implementation of business continuity arrangements that allow the Group to operate under conditions of volatility, and to withstand and recover from acute shocks;
- 4.3.6.6 the integration and embedding of risk management in the business activities and culture of the Group;
- 4.3.7 ensuring that external reports disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements including:
 - 4.3.7.1 a brief description of the nature, scope and extent of the assurance functions, services and processes underlying the preparation and presentation of the report; and
 - 4.3.7.2 a statement by the Board on the integrity of the report and the basis for this statement, with reference to the assurance applied;
- 4.3.8 approving an internal audit charter that defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted;
- 4.3.9 monitoring on an ongoing basis that internal audit follows an approved risk-based internal audit plan and reviews the organisational risk profile regularly, and proposes adaptations to the internal audit plan accordingly;
- 4.3.10 ensuring that internal audit provides an overall statement annually as to the effectiveness of the Group's governance, risk management and control processes;
- 4.3.11 ensuring that an external, independent quality review of the internal audit function is conducted at least once every five years;

- 4.3.12 reviewing and evaluating the present and future strengths and weaknesses of the Group;
- 4.3.13 annually approving and reviewing the Group's competitive strategy and sustainability and adopting business plans and budgets for the achievement thereof;
- 4.3.14 retaining full and effective control of the Group, monitoring and directing management's implementation of Board approved strategies, plans and budgets;
- 4.3.15 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;
- 4.3.16 ensuring that appropriate framework and systems are in place to ensure regulatory and legal compliance;
- 4.3.17 ensuring that a relevant system of policies and procedures is operative to ensure control and the devolution of authority and responsibility;
- 4.3.18 ensuring that the governance of technology and information is addressed, and exercising ongoing oversight of technology and information management, including having an information technology governance charter, with policies, processes and mechanisms to ensure that technology and information management delivers the Group's strategic objectives and in particular that it results in the following:
 - 4.3.18.1 integration of people, technologies, information and processes across the Group;
 - 4.3.18.2 integration of technology and information risks into Group-wide risk management;
 - 4.3.18.3 arrangements to provide for business resilience;

- 4.3.18.4 proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;
- 4.3.18.5 management of the performance of, and the risks pertaining to, third-party and outsourced service providers;
- 4.3.18.6 the assessment of value delivered to the Group through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;
- 4.3.18.7 the responsible disposal of obsolete technology and information in a way that has regard to environmental impact and information security;
- 4.3.18.8 ethical and responsible use of technology and information;
- 4.3.18.9 compliance with relevant laws;
- 4.3.18.10 the leveraging of information to sustain and enhance the Group's intellectual capital;
- 4.3.18.11 an information architecture that supports confidentiality, integrity and availability of information;
- 4.3.18.12 the protection of privacy of personal information;
- 4.3.18.13 the continual monitoring of security of information;
- 4.3.18.14 a technology architecture that enables the achievement of strategic and operational objectives;
- 4.3.18.15 the management of the risks pertaining to the sourcing of technology;
- 4.3.18.16 monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the Group and its business model;
- 4.3.19 approving the annual budget;

- 4.3.20 approving specific financial and non-financial objectives;
- 4.3.21 reviewing investment capital and funding proposals;
- 4.3.22 defining levels of materiality and authority for commitments made on behalf of the Group;
- 4.3.23 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;
- 4.3.24 reviewing the Group's audit requirements and ensuring that the Company has an effective risk-based internal audit;
- 4.3.25 acting in the interests of the Group's Stakeholders;
- 4.3.26 approving the preliminary financial statements, Annual Report and other reports and announcements to shareholders;
- 4.3.27 considering the declaration of dividends;
- 4.3.28 commencing Business Rescue proceedings as soon as the Company is Financially Distressed;
- 4.3.29 reviewing the Board's composition, structure and succession;
- 4.3.30 reviewing succession planning and endorsing senior executive appointments and high-level remuneration issues;
- 4.3.31 reviewing the CEO's performance through the Nominations and Remuneration Committees; and
- 4.3.32 reviewing non-executive Directors' remuneration.

5. Disclosures:

- 5.1 The Board shall be responsible for ensuring that the Company makes the appropriate disclosures pursuant to the Companies Act, the King Report and the Listings Requirements including, in relation to matters regarding:
 - 5.1.1 ethics;

- 5.1.2 corporate citizenship
- 5.1.3 risk;
- 5.1.4 technology and information; and
- 5.1.5 compliance;
- 5.2 The disclosures contemplated in 5.1 above shall include:
 - 5.2.1 an overview of the arrangements for governing and managing the subject matter in question;
 - 5.2.2 key areas of focus during the reporting period;
 - 5.2.3 measures taken to monitor compliance with, and/or the effectiveness of, the applicable policies and standards as well as how the outcomes were addressed;
 - 5.2.4 planned areas of future focus relative to each subject matter;
- 5.3 Further to 5.2 above;
 - 5.3.1 the disclosure in relation to risk shall include the objectives, key risks that the Group faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels;
 - 5.3.2 the disclosure in relation to technology and information shall include the objectives, significant changes in policy, significant acquisitions and remedial actions taken as a result of major incidents;
 - 5.3.2.1 **dealing in securities:** deal in securities only in accordance with the applicable provisions of the Listings Requirements, the Financial Markets Act, No. 19 of 2012 and other applicable laws and regulation. Without limiting the generality of the foregoing, directors should have regard to (and familiarise themselves with) paragraphs 3.63 through 3.74 of the Listings Requirements

6. Meeting Procedures

6.1 Frequency

6.1.1 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.

6.1.2 At least four Board meetings will be held annually.

6.2 Quorum.

6.2.1 A representative quorum for meetings is as provided for in the MOI.

6.2.2 Individuals in attendance at Board meetings by invitation may participate in discussions but they do not form part of the quorum for, and may not vote at, Board meetings, with due regard to the eligibility, disqualification and qualification criteria prescribed by the Companies Act and other applicable laws and regulation

6.3 Attendance.

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

6.3.2 Board members must attend all scheduled meetings of the Board, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson or company secretary.

6.3.3 If the nominated chairperson of the Board is absent from a meeting, the members present must elect one of the members present to act as chairperson.

6.4 Agenda and minutes

6.4.1 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.

6.4.2 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.

6.4.3 Minutes of all Board Committee meetings shall also be included in the next Board meeting's agenda.

6.5 **Written Resolutions.**

6.5.1 A resolution in writing signed by a majority of the members of the Board at the time when such resolution is signed by the first of such members, shall be as valid and effectual as if it had been passed at a meeting of the Board duly called and constituted, provided that: (i) each member shall have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates; and (ii) decision making in such manner shall not detract from the requirements for frequency of meetings as set forth in this Charter.

6.5.2 Any proposed resolution referred to in the paragraph 6.5.1:

6.5.2.1 may be signed, in any electronic form and in any number of counterparts, all of which, taken together, shall constitute one and the same document; and

6.5.2.2 may, in signed or unsigned form, be conveyed or transmitted by telefax, email or any other form of electronic means, subject to any conditions decided upon by the Board.

7. Any such resolution should be tabled at the next meeting of the Board for noting

8. **Remuneration**

8.1 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.

8.2 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.

9. Evaluation

9.1 Annually –

9.1.1 the Board shall perform evaluation and assessments of the Chairman, the CEO and the Company Secretary; and

9.1.2 all Board Committees shall perform self-assessments.

9.2 The findings of the assessments, together with the Board and Committee chairmen's formal responses, shall be presented to the Board for its consideration.

9.3 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.