



# Board Charter

**NOTE: THIS BOARD CHARTER HAS BEEN ALIGNED TO THE KING IV RECOMMENDATIONS.**



## **INTRODUCTION**

The board of directors of Merafe Resources Limited (“the Company” or “Merafe Resources”) acknowledges the need for a board charter as recommended in the Report on Corporate Governance for South Africa, 2016 (King IV).

This board charter is subject to the provisions of the 2008 Companies Act, the Company's Memorandum of Incorporation, King IV and any other applicable law or regulatory provision. If there is any conflict between the Charter and the Memorandum of Incorporation, the latter shall prevail.

## **COMPOSITION**

The Board assumes responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role in according with King IV.

The board comprises a balance of executive and non-executive directors, with a majority of non-executive directors. A majority of the non-executive directors is independent. The size of the board should also be considered taking account of the need for a sufficient number of members that qualify to serve on the committees of the board.

Directors are appointed through a formal process and the Remuneration and Nomination Committee assists with the process of identifying suitable candidates to be proposed to the shareholders. Non-executive directors will be appointed for a three-year term and Non-Executive Directors will not ordinarily serve more than three terms. Directors serving for longer than three terms will be subjected to a more rigorous review of their independence and performance by the Board, through the Remuneration and Nomination Committee. Non-Executive Directors may continue to serve in an independent capacity for longer than nine



years if upon an assessment by the Board conducted every year after nine years, it is concluded that the member exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making. Directors retiring by rotation in the normal course of events will be recommended through the Remuneration and Nomination Committee for re-election or otherwise based on past performance, contribution and the objectivity of business decisions.

The chief executive officer and the chief financial officer are *ex officio* members of the board.

A formal induction programme is established for new directors.

Inexperienced directors will be developed through mentorship programmes.

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

## **ROLE OF THE BOARD**

The role of the board is to: -

- (a) Act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles.
- (b) Adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Company over time.
- (c) Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - Contributing to and approving the 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.
  - Consider opportunities in risk.
- (d) Provide effective leadership on an ethical foundation.
- (e) Ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates.
- (f) Ensure that the Company's ethics are managed effectively.
- (g) Ensure that the Company has an effective and independent audit committee.
- (h) Be responsible for the governance of risk.
- (i) Be responsible for information technology (IT) and information governance.
- (j) Ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards.
- (k) Ensure that there is an effective risk-based internal audit.
- (l) Appreciate that stakeholder's perceptions affect the Company's reputation.
- (m) Ensure the integrity of the Company's integrated report and ensure that reports issued by the Company enable its stakeholders to make informed assessments of the Company's performance, and its short, medium and long-term prospects as required by King IV.
- (n) Act in the best interests of the Company by ensuring that individual directors:
- adhere to legal standards of conduct.
  - are permitted to take independent advice in connection with their duties following the procedure set out further in this document.
  - disclose real or perceived conflicts to the board and deal with them accordingly.
  - deal in securities only in accordance with the policy adopted by the board
- (o) Commence business rescue proceedings as soon as the Company is financially distressed
- (p) Elect a chairperson of the board that is an independent non-executive director.
- (q) Appoint and evaluate the performance of the chief executive officer.



- (r) Consider gender and race diversity in its composition at least annually and whenever a new board appointment is considered (refer to the Board Diversity Policy – attached as Annexure A for reference).
- (s) Consider and satisfy itself, on an annual basis, on the competence, qualifications and experience of the company secretary, and must confirm this by reporting to shareholders in its annual report that the board of directors has executed this responsibility. The board should also ensure that the company secretary maintains an arms-length relationship with the board and that the company secretary should ideally not be a director. The board must specifically consider these two points and provide motivation in its communication to shareholders in the annual report as to why it believes that there is an arms-length relationship between itself and the company secretary.

The board should do everything necessary to fulfil its role set out above.

## **COMMITTEES**

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

- Audit and Risk Committee;
- Remuneration and Nominations Committee; and
- Social, Ethics and Transformation Committee;

The board delegates certain functions to well-structured committees but without abdicating its own responsibilities. Delegation is formal and involves the following:

- (a) Formal charters are established and approved for each committee of the board.
- (b) The committees' charters are reviewed once a year.
- (c) The committees are appropriately constituted with due regard to the skills required by each committee.
- (d) The board establishes a framework for the delegation of authority to management.



Every member of the Board is entitled to attend any committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair; does not have a vote; and is not entitled to fees for such attendance, unless payment of fees is agreed to by the board and shareholders.

## MERAFE RESOURCES GUIDELINES

### Corporate Governance

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Merafe Resources must be led by an effective Board that controls and monitors the business of the Company.

It is the responsibility of the Board to encourage, support and manifest good corporate governance. The Board should be guided by the recommendations of the King Report on Corporate Governance for South Africa (hereafter “King IV Report”) and the JSE Limited (JSE).

The Board will determine corporate policy, strategy and Company structure. This will be done with the aim of generating profit, enhancing shareholder value in the long term, while keeping the wider interests of the society in which Merafe operates in mind. At the same time the directors will ensure that the Company’s business is conducted within the ethical guidelines determined by the Board. It will also assess the Company’s risk profile and its plans to manage risk.

To this end the majority of the Board will be non-executive directors and the majority of those being independent non-executive directors with the capability and integrity to protect the interests of the Company’s shareholders.

In carrying out its responsibilities, the Board requires the full support of the executive and senior management of the Company, if it is to achieve the agreed strategy, goals and performance criteria of Merafe’s business within the confines of the ethical standards it has adopted.



## Responsibilities of the Board

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The Board is responsible for:

- Compliance with the Companies Act, JSE Listings Requirements, Financial Markets Act, Income Tax Act, Mining Charter, and all relevant legislation and those regulations that are applicable to the businesses in which it is engaged;
- Conducting its duties and responsibilities in accordance with the Company's memorandum of incorporation;
- Appointments to and removals from the Board shall be subject to the review by and advice of the Remuneration and Nominations Committee;
- The Board will approve the charters and amendments thereto for each Board committee and the members thereof;
- Recommending, through the Remuneration and Nominations Committee, directors' fees to shareholders for approval;
- Succession planning for executive management;
- Monitoring the activities of the executive management;
- Appointment and removal of the Public Officer in terms of the Income Tax Act;
- Appointment and removal of auditors through the Audit Committee and Company Secretary in terms of the Companies Act;
- The Company shall have sound operational and financial systems in place at all times, the effectiveness of which shall be monitored by internal control mechanisms;



- Preparation of the annual financial statements. The financial statements shall fairly present the results of the Company and provide adequate information on the activities of the Company so shareholders can gain a full appreciation of the important issues affecting the Company.

## Strategic Planning and Performance

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The Board will determine the Company's **purpose** and **values**. It will then determine the strategy to achieve this within the agreed value system that will, inter alia, embrace the need to make sustainable development an integral part of the Company's business. In doing this it will exercise leadership, enterprise, integrity and judgment so as to achieve continuing prosperity for the Company. It will oversee executive management's implementation of the Company's agreed strategy.

To this end the Board will consider and approve:

- Corporate strategy and structure for Merafe Resources at least once a year, including the determination of the businesses in which the Company should operate;
- The Company's Black Economic Empowerment strategies;
- Significant transactions – including mergers, acquisitions and disposals;
- Annual budget (including capital expenditure). Management will prepare the budget for the year ahead and seek Board approval;
- Employee performance schemes; executive management to measure performance;
- Major new project proposals. Once approved, the Board will monitor the progress of such projects; and





- The Board will measure its performance as a whole, as well as that of its committees, and the executive, annually.

Systems are to be devised to verify that the Company complies with all relevant laws, regulations and codes of best business practice. Key risk areas are to be identified and adequate control measures are to be implemented to protect the Company against undue risk.

## Board Appointments

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There must be a clear balance of power and authority at board level to ensure that no one director has unfettered powers. (JSE LR 3.84a)

The Company shall have a CEO and a chairperson and these positions must not be held by the same person. (JSE LR 3.84b)

The Company shall have a full time executive financial director. (JSE LR 3.84f)

Directors are to be persons of integrity and the Board must possess a balance of skills pertinent to the effective functioning of the Company. The Board's profile should equate, as far as practically possible, to that of the society in which the Company operates. The Remuneration and Nominations committee is responsible for recommending to the Board suitable persons for appointment as directors within defined parameters set by the Board, the Board's composition and removal of unsuitable directors. This committee is charged with the evaluation of the Board as a whole.

The retirement by rotation and the election of directors will be put to shareholders at each annual general meeting of the Company. Such proposals shall be accompanied by a short curriculum vitae for each such person.



The board shall annually approve the Board Diversity Policy and review the status of the female and black representation on the board relative to the policy, both as recommended by the Remuneration and Nominations Committee.

## Finance

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The Board is responsible for approving all capital funding proposals – be it by way of stock exchange listings or long-term borrowings. Control of Merafe’s unissued share capital will reside with the Board subject to shareholders granting the underlying authority.

The Board will determine the Company’s dividend policy and will consider and approve any dividend recommendation by management.

## Accounting and Financial Compliance

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Management will submit to the Board via the Audit and Risk Committee, and the Board will approve, annual financial statements, preliminary and interim reports, prepared in accordance with the adopted accounting policies.

Any new or amended accounting policies, including those required by statute, South African Statements of Generally Accepted Accounting Practice, International Financial Reporting Standards of the International Accounting Standards Board, or the JSE, will be subject to Board approval.

Management will be responsible for the preparation of hedging policies, which are subject to evaluation by the Audit and Risk Committee and thereafter by the Board.

Management is responsible for the management of risks and insurance policies which are subject to evaluation by the Audit and Risk Committee and thereafter by the Board.

The Audit and Risk Committee will assist the directors by providing assurance as to:



- Identification and quantification of the broader strategic and significant business risks facing the Company;
- The establishment of attendant controls/ management assurance;
- The installation of an effective risk management process, its integration into the day-to-day activities of the Company and the monitoring thereof;
- Sustainable development; and
- Information Technology and Information Governance systems.

The Audit and Risk Committee will assist the Board by providing assurance of the adequacy and efficiency of the Company's internal control systems for both the Company itself and those of its operating companies. In doing so, it will independently identify and assess the significant risks facing the Company.

It will monitor the implementation and compliance with the Company's Code of Ethics. It will also review the work of the internal and external audit functions and will guide and monitor the Company's internal controls on behalf of the Board.

## Shareholders

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The Board will be responsible for:

- Convening shareholder meetings;
- Issuing letters of representation and forms of proxy for shareholders meetings;
- The adoption and amendments to the MOI for approval by shareholders;



- Keeping shareholders advised timeously of any information that is material to the Company; and
- Approval of Integrated Annual Report

The Board must approve, or alternatively delegate authority for the approval, of media announcements and circulars. The Board must also approve a policy for executive management to conduct interviews with the media.

In developing its disclosure of information policy, the Board will endeavour to provide an appropriate balance between the individual interests of stakeholders and the best interests of the Company's operations. In doing so, the Board will be mindful that active engagement with stakeholders helps provide strategic planning and risk management insights.

Apart from meeting statutory and regulatory reporting requirements, the Board will encourage the Company to adopt accepted principles of good reporting. It will further encourage the Company to be open, transparent, honest, understandable, clear and consistent in its messages to the media, bearing in mind that its stakeholders are not all experts in financial and technical areas.

## Operational and Related Matters

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The Board will determine and delegate certain levels of authority and responsibility to the Company's executive pertaining to the negotiating of contracts, capital expenditure and operational matters.

The Board will define levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to management. These levels of authority will be reviewed from time to time.

The Board shall oversee sustainable development and monitor the following:



- Code of Ethics - A Code of Ethics is in place, disseminated widely throughout the Company and reviewed from time to time so as to reflect the principles, norms and standards that need to be adhered to in the conduct of the Company's activities, internal relations and interactions with external stakeholders. The differing cultural values and norms of the employee body will be catered for as best as possible in this code;
- Code of Conduct - Determine a corporate code of conduct that addresses conflicts of interest, particularly relating to directors and management; See also below.
- Insider Trading - Define and communicate procedures regulating the dealing in the Company's securities by directors and management so as to conform to the requirements of the Securities Services Act and the JSE Listings Requirements;
- Sustainable development - The Audit and Risk Committee is required to advise the Board on the efficiency of the Company's management systems pertaining to safety, health and environmental matters, HIV/Aids and community development, to alert the Board where the Company is non-compliant with the relevant legislation and regulation and to regularly monitor the implementation and performance results;
- HIV/Aids policy in terms of which the Company and its operations will develop strategies. The Company and its operations will provide regular reports to the Board via the Risk Committee on progress made in implementation;
- Human relations matters - The Board recognises the importance of the Company's human capital – both latent and potential – and the need for developing its employees by encouraging them to become involved with, and to identify with, the successful performance of the Company;
- Employment Equity - The Board is cognisant of the Employment Equity Act and will monitor management's progress towards meeting the Company's transformation targets and the targets contained in the Socio-Economic Empowerment Charter and the Mining Scorecard;



- Manage the succession planning process for senior management including the appropriate training for potential incumbents;
- Strategic aspects of the labour relations policies and processes adopted by the Company's operating companies so as to assist in achieving the best outcomes for the Company;
- Occupational Health and Safety Act appointments as well as the Company's occupational and health practices as prescribed by legislation and regulation;
- Remuneration, performance incentives, share incentive schemes via the remuneration committee;
- Pension and retirement funds - inclusive of the establishment of such funds, the appointment of Company trustees and the level of contributions;
- Legal proceedings - this will include the institution by and defence of actions by the Company;
- Supplier interest matters; and
- Social responsibility programmes - here the Board will establish the extent of funding to be provided and the broad parameters of the programmes, bearing in mind the importance of fostering sustainable development within the societies in which the Company operates.

## Meeting Procedures

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### ***Frequency***

The board must hold sufficient scheduled meetings to discharge all its duties as set out in this charter but subject to a minimum of four meetings per year.



Meetings in addition to those scheduled may be held at the instance of a board member.

The chairperson of the board may meet with the chief executive officer and the chief finance officer and/or the Company Secretary prior to a board meeting to discuss important issues and agree on the agenda.

### ***Attendance***

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

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

The company secretary is the secretary to the board.

If the nominated chairperson of the board is absent from a meeting, the lead independent director will act as chairperson.

Attendance of the meeting by members and invitees may be via video or teleconference and such members / invitees will be regarded as being present for that meeting.

### ***Agenda and minutes***

The board must 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. The annual plan must ensure proper coverage of the matters laid out in the this charter: the more critical matters will 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 plan.



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A detailed agenda, together with supporting documentation, must be circulated, at least 5 days prior to each meeting to the members of the board and other invitees.

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

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

### ***Quorum***

A representative quorum for meetings is as provided for in the Company's Memorandum of Incorporation.

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

## **Other matters**

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### **ACCESS TO MANAGEMENT**

Non-executive directors shall have access to management. The protocol to be followed by non-executive directors for requisitioning documentation from, and setting up meetings with, management is set out below:

- (a) Requests should be channelled to the CEO or FD.
- (b) The nature of the documentation required, or purpose of the meeting should be indicated.

### **INDEPENDENT PROFESSIONAL ADVICE**





With the prior notification to the Chairperson or the Chief Executive Officer and with their prior approval, the Board or any of its individual members, may take independent advice on matters relating to the Company at the expense of the Company. A formal mandate is to be entered into between such independent advisor and the Company is to be facilitated by the FD, or if it is the FD seeking advice, then the CEO.

## **DISCLOSURE AND CONFLICTS OF INTEREST**

Members of the Board will comply with the group's Code of Business Ethics and Conduct, particularly in so far as it applies to conflicts of interest. In particular, Directors are obliged timeously to disclose their direct or indirect interests in:

- a) Any other company, partnership, trust or legal entity; or
- b) Any contract or proposed contract which is of significance to the business of the Company's business and which is entered into or to be entered into in pursuance of a resolution taken or to be taken at a meeting of Directors of the Company or by any Director or officer of the Company who has been authorised by the Directors of the Company to enter into such contract.

At the beginning of each meeting of the Board, directors are required to declare whether any of them has any conflict of interest in respect of any matter on the agenda. Any such conflicts shall be proactively managed as determined by the Board and be made subject to legal provisions.

Full disclosures should be in writing and be submitted to the Company Secretary who will submit it to the Board at the first subsequent Board meeting thereafter. Enduring, material conflicts of interest are regarded by the Board as incompatible with the fiduciary duties of Directors. Failure to make disclosures of interest constitutes a criminal offence in terms of the Companies Act.



The Board will continually seek to improve its compliance with King IV. To this end it will assess and identify aspects where the Company does not comply and implement policies and practices to ensure these shortcomings are addressed on annual basis.

### Living Document

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This Charter is intended to be a dynamic, living document and the Board undertakes to review and update it annually.

### EVALUATION AND REMUNERATION

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Evaluation - The Board must perform an evaluation of its effectiveness at least every two years and report the outcomes to the Board. The performance of individual Directors will normally be evaluated when they are required to retire by rotation and offer themselves for re-appointment.

Remuneration – Board members shall be entitled to such remuneration as considered by the Remuneration and Nominations Committee annually and as recommended by the board to shareholders, for approval at the annual general meeting.

### APPROVAL

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This Charter was reviewed and approved by the Board on 27 November 2020.

### Review

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This Charter will be reviewed annually against current legislation and practice.



# Board Diversity Policy

## Introduction

In terms of paragraph 3.84(i) of the JSE Limited Listings Requirements, the board of directors or the nominations committee, as the case may be, must have a policy on the promotion of broader diversity at board level.

The diversity policy must specifically focus on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience (“**Diversity Indicators**”).

An issuer must confirm in its annual report that it has a board diversity policy and report on:

- how it has considered and applied such policy in the nomination and appointment of directors;
- if applicable, the reasons why any of the Diversity Indicators have not been applied; and
- the progress in respect of agreed voluntary targets in respect of the Diversity Indicators.

## Policy

- (a) Merafe Resources Limited (“**Merafe**” or the “**Company**”), supports the principles and aims of broader diversity at board level.
- (b) The voluntary targets set by the board of directors of Merafe (“**Board**”) are as follows:
  - (i) At least 30% of the board should comprise of women.
  - (ii) The majority of the board should be black.
- (c) With regard to the remaining Diversity Indicators (i.e. culture, age, field of knowledge, skills and experience), the following applies:
  - (i) No voluntary targets are set.



- (ii) The Company's nomination committee ("**Nomination Committee**") and the Board will take into account the above remaining Diversity Indicators when considering the nominations and appointments to the Board, on a case by case basis.
  
- (d) The Nomination Committee shall, annually, review the voluntary targets by measuring the actual female and black representation on the Board against the voluntary targets ("**Diversity Review**") and make recommendations to the Board, based on the outcome of the Diversity Review.
  
- (e) The Nomination Committee, in nominating and recommending the appointment of directors to the Board, shall take into account the requirements of this policy document.
  
- (f) To comply with the JSE Limited Listings Requirements, the Company must report to shareholders in its annual report on how the Board or the Nomination Committee, as the case may be, have considered and applied the policy of broad board diversity in the nomination and appointment of directors, and if/where applicable, the Board or the Nomination Committee must further report progress in respect thereof on agreed voluntary targets.
  
- (g) The obligations under this policy are in addition to the requirements of the Broad-Based Black Economic Empowerment Codes 2019, as amended from time to time.

## **Approval**

This policy was approved by the Nomination Committee on 17 February 2020 and will be reviewed annually.