

# WOOLWORTHS HOLDINGS LIMITED

## BOARD CHARTER

### 1. INTRODUCTION

The Board of directors of WHL Holdings Limited (“the company” or “WHL”) acknowledges the need for a Board Charter which documents its role, responsibilities, membership requirements and procedural conduct as recommended in the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”).

This Board Charter is subject to the provisions of the Companies Act 71 of 2008, as amended (“the Companies Act”), the company's Memorandum of Incorporation (“MOI”), the JSE Listings Requirements and any other applicable law or regulatory provision.

This Charter is supplemented by the following policies:

- Appointment of Directors Policy;
- Board Diversity Policy; and
- WHL Delegation of Authority.

### 2. PURPOSE OF THE BOARD CHARTER

The purpose of this charter is to set out the Board’s role and responsibilities as well as the requirements for its composition and meeting procedures.

### 3. COMPOSITION

The company has a unitary Board, which is suitably constituted and comprises a balance of Executive and Non-Executive Directors, with a majority of Non-Executive Directors. A majority of the non-executive directors are classified as independent. In terms of the MOI, the Board consists of a minimum of four directors and a maximum of 20 directors.

Directors are appointed through a formal and transparent process, in accordance with the Appointment of Directors and Board Diversity Policies. The Nominations Committee is mandated with the responsibility of identifying suitable candidates for consideration by the Board and to be proposed for election by the shareholders.

The Board is structured to ensure an appropriate mix and balance of knowledge, skills, experience, diversity and independence appropriate to the strategic direction of the Group.

The Group Company Secretary is the secretary to the Board.

### UNDERTAKINGS BY DIRECTORS

Directors appointed to the Board should:

- conduct themselves according to the highest standard of personal and professional integrity, set the standard and promote ethical behaviour and compliance with laws and regulations within the organisation;
- have sufficient working knowledge of the organisation, its industry, the economy, society and environment in which it operates;
- be aware of the statutory and regulatory requirements affecting the direction of the company;
- act with due care, skill and diligence, and take reasonably diligent steps to become informed and contribute independent views to matters under consideration by adding value to Board deliberations; and
- regularly attend meetings of the Board and Board Committees on which he or she serves.

#### **4. INDUCTION OF NEW DIRECTORS**

An induction programme is established for new directors to facilitate their understanding of the company and the environment in which it operates. The induction programme includes, *inter alia*:

- the company's and Group's operating environment including its MOI, applicable laws and regulations, the governance framework and Board Charter and Committee terms of reference;
- the Group's annual reports; and
- the directors' roles, fiduciary duties, responsibilities and obligations in terms of the Companies Act, JSE Listings Requirements and King IV.

A letter of appointment will be issued to new directors as part of the induction programme, of which the Board Charter will form an integral part.

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

#### **5. PERIOD OF OFFICE**

Directors appointed by the Board after the last Annual General Meeting ("AGM"), retire by rotation at the first subsequent AGM and are eligible for election by shareholders. At least one-third of all directors are subject to retirement by rotation at each AGM and are eligible for re-election.

A Non-Executive Director is eligible to serve up to a nine-year period with three terms of three years, subject to the rotation periods as stated in the MOI. A Non-Executive Director may serve for longer than nine years subject to an annual independence assessment by the Board. Such Non-Executive Director will retire in accordance with the retirement provisions in the MOI, i.e. after the three year period, unless otherwise decided by the Board. The termination of an employment contract of an Executive Director will result *ipso facto* in the termination of his or her membership of the Board.

#### **6. DIRECTOR REMUNERATION**

The Remuneration Committee shall make recommendations to the Board on the annual fees payable to Non-Executive Directors for their contribution as members of the Board; major subsidiary Boards; and their respective Board Committees. An hourly fee will be paid for ad hoc advisory services. All fees will be subject to shareholder approval tabled at each preceding Annual General Meeting.

Executive Directors will not receive fees for their services as directors of any company within the Group as they are paid as employees in accordance with their employment contracts.

The Board shall report on the remuneration in the Annual Integrated Report in terms of the requirements of the Companies Act, the JSE Limited and King IV.

#### **7. ROLE AND RESPONSIBILITIES**

The role and responsibilities of the Board are to: -

- 7.1 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 and ethical corporate governance principles:
  - (i) steer and set direction with regards to both:
    - the organisation's strategy; and
    - the way in which specific governance areas are to be approached, addressed and conducted;
  - (ii) approve policy and planning that give effect to the company strategy;
  - (iii) oversee and monitor implementation and execution of the strategy by management; and
  - (iv) ensure accountability for organisational performance through reporting and disclosures.

- 7.2 oversee and monitor 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;
- 7.3 consider the Group's strategy against the six capital resources;
- 7.4 exercise on-going oversight of the management of ethics within the Group that promote ethical behaviour within the company;
- 7.5 approve the Group financial objectives including, capital expenditure, treasury, capital and funding proposals;
- 7.6 appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - governing and regularly reviewing and evaluating the enterprise-wide risk management and compliance processes;
  - contributing to and approving the Group's 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;
  - oversee production of a strategy that will facilitate sustainable outcomes;
  - considering sustainability as a business opportunity that guides strategy formulation; and
  - oversee the company's performance against agreed targets and objectives;
- 7.7 provide effective leadership on an ethical foundation;
- 7.8 ensure that the company has an effective and independent Audit Committee;
- 7.9 be responsible for the governance of risk;
- 7.10 oversee and be responsible for the governance of information and technology within the Group;
- 7.11 monitor the company's compliance with applicable laws and consider adherence to non-binding rules, codes and standards;
- 7.12 ensure that there are effective risk-based internal controls and audit processes;
- 7.13 adopt a stakeholder-inclusive approach and consider stakeholders' perceptions of the company's reputation;
- 7.14 review and oversee the integrity of the company's Annual Integrated Report and the relevant disclosures in terms of King IV reporting;
- 7.15 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 in accordance with paragraph 18 below;
  - disclose real or perceived conflicts to the Board and deal with them accordingly;
- 7.16 commence business rescue proceedings as soon as the company is financially distressed;
- 7.17 elect a Chairman of the Board that is a Non-Executive Director;
- 7.18 appoint and evaluate the performance of the Group Chief Executive Officer ("Group CEO") against agreed performance measures and targets;
- 7.19 consider the Group CEO's membership of additional professional positions including other organisations outside the Group;
- 7.20 approve termination of the Group CEO's employment contract, when applicable;
- 7.21 Directors are expected to devote sufficient time and effort to prepare for meetings in order to participate fully, frankly in Board discussions and bring the benefit of their particular knowledge, experience, skills and abilities to bear;
- 7.22 review the succession plan for its directors including the Chairman and Group CEO; and
- 7.23 approve the Group's Governance Framework that articulates and gives effect to its direction on relationships and the exercise of authority across the Group.

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

## **8. ROLE OF THE INDIVIDUAL DIRECTOR**

In the performance of their fiduciary duties, directors of the Board are required to act in good faith and for a proper purpose, exercise due care and skill in the best interests of the Group and not for any self-interest, in accordance with sections 76 and 77 of the Companies Act and King IV recommendations.

Members of the Board are expected to conduct themselves according to the highest standard of personal and professional integrity and set the standard for Group-wide ethical conduct and promote ethical behaviour and compliance with laws and regulations.

## **9. BOARD LEADERSHIP**

The responsibilities for the running of the Board and the company are distinct tasks. The roles of Chairman and Group CEO shall be separate with a clear division of responsibilities.

### **9.1 Role of the Chairman**

The Board should elect a Chairman who can provide the direction necessary for an effective Board. The Chairman should be appointed by the Board every year after carefully monitoring his independence and factors that may impair his independence. Any factor affecting the independence of the Chairman should be weighed against the positive factor of continuity of the Chairman.

The Chairman of the Board should be independent and free of conflicts of interest at appointment, failing which; the Board must appoint a Lead Independent Non-Executive Director (“LID”). In situations where the independence of the Chairman is questionable or impaired, a LID should be appointed for as long as the situation exists.

The Chairman shall be responsible for, *inter alia*:

- 9.1.1 setting the ethical tone for the Board and the Group;
- 9.1.2 providing overall leadership to the Board without limiting the principle of collective responsibility for Board decisions, while at the same time being aware of the individual duties of Directors;
- 9.1.3 identifying and participating in selecting Directors (via a Nominations Committee), and overseeing a formal succession plan for the Board, including the Group CEO and certain senior management appointments such as the Group Finance Director (“Group FD”);
- 9.1.4 formulating (with the Group CEO and Group Company Secretary) the yearly work plan for the Board against agreed objectives, and playing an active part in setting the agenda for Board meetings;
- 9.1.5 presiding over Board meetings and ensuring that time in meetings is used productively. The Chairman should encourage collegiality among Directors without inhibiting candid debate and creative tension among Directors;
- 9.1.6 managing conflicts of interest. It is not sufficient merely to table a register of interests. All internal and external legal requirements must be met. The Chairman must ask affected directors to recuse themselves from discussions and decisions in which they have a conflict, unless they are requested to provide specific input, in which event they should not be party to the decision;
- 9.1.7 acting as the link between the Board and management and particularly between the Board and the Group CEO;
- 9.1.8 being collegial with Directors and management while at the same time maintaining an arm’s length relationship;
- 9.1.9 ensuring that directors play a full and constructive role in the affairs of the Group and taking a lead role in the process for removing non-performing or unsuitable directors from the Board;
- 9.1.10 ensuring that complete, timely, relevant, accurate, honest and accessible information is placed before the Board to enable directors to reach an informed decision;
- 9.1.11 monitoring how the Board works together and how individual directors perform and interact at meetings. The Chairman should meet with individual directors once a year about evaluating their performance. The Chairman should know Directors’ strengths and weaknesses;
- 9.1.12 mentoring to develop skill and enhance directors’ confidence (especially those new to the role) and encouraging them to speak up and make an active contribution at meetings. The mentoring role is encouraged to maximise the potential of the Board;
- 9.1.13 ensuring that all directors are appropriately made aware of their responsibilities through a tailored induction programme, and ensuring that a formal programme of continuing professional education is adopted at Board level;
- 9.1.14 ensuring that good relations are maintained with the company’s major shareholders and its strategic stakeholders, and presiding over shareholders’ meetings;

- 9.1.15 building and maintaining stakeholders' trust and confidence in the company;
- 9.1.16 upholding rigorous standards of preparation for meetings by for example, meeting with the CEO before meetings and studying of the meeting information packs distributed; and
- 9.1.17 ensuring that decisions by the Board are executed.

The Chairman's ability to add value to the Group, and the Chairman's actual performance against criteria developed from his formalised role and functions should form part of a yearly evaluation by the Board. The Chairman should meet with the Group CEO or the Group FD or the Group Company Secretary or all three before a Board meeting to discuss important issues and agree on the agenda. With regard to serving on other Committees:

- the Chairman should not be a member of the Audit Committee;
- the Chairman should not chair the Remuneration, Risk and Compliance and Social and Ethics Committees, but may be a member of the Committees; and
- the Chairman should be a member of the Nominations Committee and may also be its Chairman, if categorised as independent.

There should be a succession plan for the position of the Chairman.

## 9.2 Role of the Lead Independent Director ("LID")

The main function of a LID is to provide leadership and advice to the Board, without detracting from the authority of the Chairman, when the Chairman has a conflict of interest. Such assistance may be provided:

- at any Board meeting (including meetings of Committees of the Board) or at any other meeting of the company;
- at any meeting the Chairman might initiate with the LID;
- in any consultations that any other director or executive of the Group might initiate with the LID; and
- in any consultation that the LID might initiate.

9.2.1 The LID should at all times be aware that the role is that of support to the Chairman and Board and not in any way to undermine the authority of the Chairman. His role fulfils the following functions:

- to lead in the absence of the Chairman;
- to serve as a sound board for the Chairman;
- to act as an intermediary between the Chairman and other members of the Board;
- to deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate;
- to strengthen the independence on the Board if the Chairman is not an Independent Non-Executive Director; and
- to chair discussions and decision-making by the Board on matters where the Chairman has a conflict of interest;

9.2.2 The LID should also chair the Board meetings which deal with the succession of the Chairman and the Chairman's performance appraisal.

9.2.3 The term of the LID's appointment will depend on the circumstances of the company and could either be an on-going appointment or one of limited duration for so long as the actual or perceived lack of independence or conflict of interest of the Chairman endures.

9.2.4 The role of the LID and deputy Chairman, if one is appointed, may be combined.

9.2.5 The term of the LID's appointment will be reviewed annually concurrently with the appointment of the Chairman of the Board for so long as the actual or perceived lack of independence or conflict of interest of the Chairman endures.

## 9.3 Role of the Group CEO

The Board should appoint the Group CEO whose duties and responsibilities include the following:

- 9.3.1 developing the Group's strategy for consideration and approval by the Board;
- 9.3.2 serving as the chief link between management and the Board by leading the implementation and execution of approved strategy, policy and operational planning;
- 9.3.3 setting the tone in providing ethical leadership and creating an ethical environment;
- 9.3.4 recommending or appointing the executive team and ensuring proper succession planning

- and performance appraisals;
- 9.3.5 developing and recommending to the Board yearly business plans and budgets that support the Group's long-term strategy;
- 9.3.6 being accountable and reporting to the Board the performance of the Group and its conformance with compliance imperatives;
- 9.3.7 establishing an organisational structure for the Group which is necessary to enable execution of its strategic planning;
- 9.3.8 ensuring that the assets of the Group are adequately maintained and protected;
- 9.3.9 ensuring that the Group complies with all relevant laws and corporate governance principles; and
- 9.3.10 ensuring that the Group applies all recommended best practices and, if not, that the failure to do so is justifiably explained.

#### **9.4 Role of the Group Company Secretary**

The role of the Group Company Secretary is important for providing guidance on corporate governance and legal responsibilities and coordinating the functions of the Board, its Committees, and other companies within the Group. The Board, via the Nominations Committee, is responsible for the appointment and removal of the Group Company Secretary and should empower her to properly fulfil her duties. The performance and independence of the Group Company Secretary should be evaluated annually by the Board via the Nominations Committee.

The Board should ensure that the Group Company Secretary has the necessary competence, gravitas and objectivity to fulfil her responsibilities at the highest level of decision-making within the Group. The Group Company Secretary will not be a director of WHL.

The Group Company Secretary should:

- 9.4.1 assist the Nominations Committee and ensure that the procedure for the appointment of directors is properly carried out;
- 9.4.2 assist in the proper induction, orientation, on-going training and education of directors, including assessing the specific training needs of directors and executive management in their fiduciary and other governance responsibilities;
- 9.4.3 provide guidance on directors' responsibilities and duties and how such responsibilities and duties should be properly discharged in the best interests of the Group;
- 9.4.4 provide a central source of guidance and advice to the Board, and within the Group, on matters of good governance, changes in legislation and compliance;
- 9.4.5 have a direct channel of communication to the Chairman and should be available to provide comprehensive practical support and guidance to directors, with particular emphasis on supporting the Non-Executive Directors, the Chairman of the Board and the Chairmen of Committees;
- 9.4.6 ensure that statutory books, the Board Charter and Board Committees' terms of reference are appropriately maintained in accordance with legislation and King IV as relevant;
- 9.4.7 be responsible for the proper compilation and timely circulation of Board papers and for assisting the Chairman of the Board and Committees with drafting of yearly work plans;
- 9.4.8 have the duty to obtain appropriate responses and feedback to specific agenda items and matters arising from earlier meetings in Board and Committee deliberations. The Group Company Secretary's role should also be to raise matters that may warrant the attention of the Board;
- 9.4.9 ensure that the proceedings of Board and Committee meetings are properly recorded and that minutes of meetings are circulated to the directors in a timely manner, after having been reviewed by the Chairmen of the Board and relevant Committees;
- 9.4.10 assist the Board with the performance evaluation of the Board, its Committees, and relevant subsidiaries;
- 9.4.11 have unfettered access to the Board, but maintain an arms-length relationship;
- 9.4.12 keep abreast of and inform the Board of current governance thinking and practice; and
- 9.4.13 facilitate directors' meetings with management and the requisitioning of documentation by directors, as and when necessary.

## **10. BOARD COMMITTEES**

The Board is authorised to form Committees to facilitate efficient decision-making, promote independent judgement, and assist with the balance of power and the execution of its duties. Committees are constituted with due regard to members' skills, qualifications and experience to effectively fulfil their duties.

The Board has six standing Committees, namely the Audit and Social and Ethics Committees (which are also statutory committees in terms of the Companies Act) and the Nominations, Remuneration, Sustainability and Risk and Compliance Committees.

Board Committees should:

- observe the same rules of conduct and procedure as the Board;
- act on behalf of the Board when specifically so authorised; and
- ensure transparency and full disclosure when reporting to the Board, except where the Committee has been mandated otherwise.

Formal terms of reference are established and approved for each Committee and reviewed annually. The Nominations Committee oversees the effective collaboration among Committees through cross-membership, where appropriate.

## **11. DELEGATION**

The Board delegates certain functions to well-structured committees, subsidiary Boards and the Group CEO, but without abdicating its own responsibilities. Delegation is formal and involves the following:

### **Executive Management**

- the implementation and execution of approved strategy, through policy and operational plans mandated to management through the Group CEO;
- delegating authority to the Group CEO and management to facilitate efficient decision making;
- all Board authority conferred on management is delegated to the Group CEO. In turn the authority, decision-making and accountability of management will operate within the framework of this authority in terms of strategic direction risk and value;
- delegating to management the responsibility for implementation and execution of the codes of conduct and ethics policies and having sanctions and remedies in place in the event of a breach in the organisation's ethical standards;
- delegation limits are set by taking into account the balance between making efficient decisions close to the business activity and the need for the Board and management to oversee areas of significant impact on the WHL Group in terms of strategic direction, risk and value;
- delegation limits have been established in response to risk profiles and expectations; and
- the authority to approve a transaction is taken to include the authority to terminate or cancel a transaction including the authority to terminate a contract evidencing the transaction (subject to dispute settlement delegation limitations).

## **BOARD MEETING PROCEDURES**

### **12. FREQUENCY AND QUORUM**

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. The meetings will be held at such times and at such venues as the Board deems appropriate. Meetings in addition to those scheduled may be held at the request of a Director.

A representative quorum for meetings is as provided for in the company's MOI i.e. a majority of directors for the time being in office. Individuals in attendance at Board meetings by invitation may participate in discussions but do not form part of the quorum for Board meetings.

Board and Committee meeting dates are set up two years in advance and these are tabled at Board meetings for the Board's notice and approval. Short notice periods for meetings may be given for special ad hoc meetings.

### **13. 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 on any issues discussed at the meeting.

Directors must attend all scheduled meetings of the Board and relevant Committees, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairman or Group Company Secretary.

The Chairman may at his discretion authorise the use of audio or video conferencing facilities to facilitate participation in a Board meeting should attendance in person not be possible.

If the nominated Chairman of the Board is absent from a meeting, the members present must elect one of the members present to act as Chairman. In the event that there is a LID and the LID is present, he will act as Chairman.

A director, who absents himself from Board meetings for three consecutive meetings without leave of the Board and is not represented at any such meetings, may be required to vacate his office should the Board so resolve.

### **14. AGENDA, BOARD PAPERS AND MINUTES**

The Group Company Secretary and the Chairman should establish an annual work plan for each year so 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 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. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with Board papers, must be circulated to the Board and other invitees at least one week prior to each meeting. All matters to be discussed and/or voted on at Board meetings must be present on the agenda for that Board meeting. Any Director may request, through the Group Company Secretary and Chairman, that any matter requiring Board deliberation be added to the agenda.

Directors should be entitled to have access to all relevant information to assist them in the discharge of their duties and responsibilities; and to enable them to make informed decisions. Directors agree that the maintenance of the confidentiality of Board proceedings is of paramount importance.

The minutes of the meetings must be completed as soon as possible after the meeting and circulated to the Chairman for review thereof. The minutes must be formally approved by the Board and Committees at the next scheduled meeting.

### **15. DISCLOSURE AND CONFLICTS OF INTEREST**

Directors must avoid any conflicts of interests in accordance with section 75 of the Companies Act. Any conflict of interest in respect of matters on the agenda, should be disclosed at the beginning of each meeting, such conflicts should be proactively managed. If any matter is to be discussed at a meeting of the Board which would involve one or more directors having a conflict of interest, those conflicted directors:

- shall not receive the relevant papers;
- shall not be present at the meeting when the matter is being discussed; and
- shall not participate in any decision on the matter.



A declaration of all financial, economic and other interests held by directors and their related parties must be tabled at each Board meeting and duly confirmed and signed by each director at least annually.

#### **16. INDEMNIFICATION AND DIRECTORS AND OFFICERS INSURANCE**

The company will pay the premiums for Directors and Officers Insurance for cover in the event that Directors and Officers are exposed to certain wrongful acts such as error, misleading statements, omission, neglect or breach of duty, in the course of discharging directors' duties within the necessary authority.

#### **17. BOARD AND COMMITTEES' PERFORMANCE EVALUATION**

The performance evaluation of the Board, its Committees and individual directors must be conducted at least every two years. Every alternate year, the Board will consider its progress against the agreed outcomes of the prior evaluation process if any.

The evaluation of the Chairman will be managed by the LID, or an Independent Non-Executive Director, in the event of the LID's absence.

#### **18. INDEPENDENT PROFESSIONAL ADVICE**

Any member of the Board is empowered to consult independent experts when necessary and within his duties as a director of the Company. All requests for independent, professional advice should be directed in writing to the Chairman and/or the Group Company Secretary. Costs incurred as a result of the independent advice, will be borne by the company, subject to approval by the Chairman.

#### **19. COMPLIANCE WITH THE CHARTER**

The Board shall be required on an annual basis, to confirm on whether it has fulfilled its responsibilities in accordance with this Charter.

#### **20. REVIEW OF THE BOARD CHARTER**

This Charter is subject to an annual review by the Board.