

CALGRO M3 HOLDINGS LIMITED
(Reg No. 2005/027663/06)

Appointment of Directors to the Board Policy

1. Definitions

The following terms shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings, namely:

- 1.1 **“Act”** means the FICA Amendment Act No 2 of 2017;
- 1.2 **“Committee”** means the Remuneration & Nomination Committee;
- 1.3 **“Board”** means the board of directors of Calgro M3;
- 1.4 **“Company”** means Calgro M3 Holdings Limited, Registration Number: 2005/027663/06;
- 1.5 **JSE”** means Johannesburg Stock Exchange Limited;
- 1.6 **“PIP”** for the purpose of this Policy means a domestic prominent influential person being an individual who holds, including in an acting position, for a period exceeding six months, or has held at any time in the preceding 12 months, a list of positions included in Schedule 3A of the Act. It includes positions such as:
 - 1.6.1 A prominent public function, this includes the function of President, Minister, Premier and others;
 - 1.6.2 A top position in a company dealing with an organ of state where a company provides goods and/or services to an organ of state with a transactional value in excess of an amount determined by notice in the Government Gazette;
 - 1.6.3 Heads of international organisations;
 - 1.6.4 A person who holds the position of head, or other executive directly accountable to that head, of an international organisation based in South Africa.
- 1.7 **“PEP”** means a politically exposed person being an individual with a high profile political role, or who has been entrusted with a prominent public function.
- 1.5 **“Policy”** means this Appointment of Directors to the Board Policy.

2. Introduction

The Listings Requirements of the JSE states in rule 3.84 (a) that *“There must be a policy evidencing a clear balance of power and authority at board of directors’ level, to ensure that no one director has unfettered powers of decision-making”* The JSE further requires

that a Company disclose in its annual financial statements whether compliance with this specific requirement has been met.

King IV also states that the Directors should be appointed through a formal process and shall be constituted of suitable individuals reflecting diversity in terms of skills, experience and demographics and shall be unitary with executive, non-executive and independent non-executive Directors in order to execute its mandate to effectively control and manage the affairs of the Company.

3. Purpose of the Policy

The purpose of this policy is to provide the principles, criteria and procedures for the appointment to the Board of the Company and matters connected therewith.

4. Principles/Criteria to be observed

Candidates for appointment to the Board shall:

- 4.1 Have a reputation for integrity, honesty and service of adherence to high ethical standards.
- 4.2 Demonstrate business acumen, financial literacy, experience and ability to exercise sound judgement in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company.
- 4.3 Have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board and its Committees.
- 4.4 Be able to engage meaningfully in Board deliberations and challenge when they have a serious concern.
- 4.5 Not have, nor appear to have, a conflict of interest that would impair the candidate's ability to represent the interests of all the Company's stakeholders and to fulfil the responsibilities of a Director;
- 4.6 Shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis prescribed by law.
- 4.7 A person is ineligible to be a Director of a Company if the person:
 - is a juristic persons;
 - is an un-emancipated minor, or is under a similar legal disability; or
 - does not satisfy any qualification set out in the Company's Memorandum of Incorporation.
- 4.8 A person is disqualified to be a Director of a Company if the person:
 - is an un-rehabilitated insolvent;
 - is prohibited in terms of any public regulation to be a Director of a Company;
 - has been removed from an office of trust on account of misconduct; and
 - has been convicted, in the Republic or elsewhere, of fraud, theft, forgery, perjury or offence involving dishonesty.

5. Procedure

- 5.1 The Board shall delegate its authority to the Committee to periodically assess the skills required to competently discharge the Board's duties, having regard to the strategic direction of the Company.
- 5.2 The assessment in 5.1 shall also be done for the purposes of filling in casual vacancies on the Board.
- 5.3 A report on the outcome of that assessment shall be provided to the rest of the Board.
- 5.4 All Board members are required to assist with the identification and nomination of potential candidates.
- 5.5 In the event of a PIP being considered for nomination as a Director, the Committee is required to make a determination whether the appointment of the PIP as a Director presents a higher risk to the Company (especially from a reputational perspective). In the event of a positive determination, the Committee shall take further reasonable measures, which may include obtaining declarations and determining the source of the PIP's wealth (as well as their associates and family members). The Board notes that PIP's will be subject to greater scrutiny, but that the potential risks associated with appointing a PIP as a Director justifies the application of more intrusive and stringent preventative measures. The process is preventative in nature and should not be interpreted as stigmatising PIPs by suggesting that they are involved in illicit activities. For the appointment of a Director with a PIP status, the Committee will recommend the appointment of such a PIP to the Board and the Board will exercise its discretion on whether to approve or decline the appointment.
- 5.6 In the event of a PEP being considered as a Director, the Committee shall identify whether a nominated candidate is a PEP and ensure that the necessary due diligence is applied. By setting up this process, the Committee will ensure that it is able to appropriately manage any legal and reputational risks that may arise from the appointment of a PEP as a Director. For the appointment of a Director with a PEP status, the Committee will recommend the appointment of such a PEP to the Board and the Board will exercise its discretion on whether to approve or decline the appointment.
- 5.7 The Committee shall, as and when it considers appropriate, but in any event on each occasion on which an existing director retires, assess the skills represented on the Board by the remaining Non-Executive Directors and determine whether they meet the required skills identified, and if not, determine how to rectify the situation.
- 5.8 The Committee, having regard to the skills required and the skills represented, shall implement a process for the identification of suitable candidates for appointment to the Board.
- 5.9 In determining the process for the identification of suitable candidates, the Committee may procure an appropriately qualified independent third party to assist with the identifying process.
- 5.10 The Committee shall:
 - screen the candidates;
 - ensure that the Company Secretary does the proper checks on the candidates to ensure that the candidates are not disqualified from acting as Directors;

- ensure that the candidates' backgrounds have been investigated as required by the Listing Requirements of the JSE and the Companies Act, 2008;
- make recommendations on appointments to the Board having due regard to the issues of diversity and the appropriate balance of Executive, Non-Executive and Independent Directors;
- ensure that the candidate is free of any conflict of interest between the duties that he/she will owe to the Company and his/her private interest;
- categorise the capacity of Directors as Executive, Non-Executive and Independent directors according to the categorisation contained in the Listings Requirements of the JSE;
- ensure that the candidate who will be appointed as an Independent Director passes all the independency tests as set out in the Companies Act, 2008 as amended, and the Listings Requirements of the JSE;
- ensure that only candidates who have sufficient time to effectively fulfil the role of a Board member, will be appointed as Non-Executive Directors to the Board;
- compile a short list of the candidates based on the Board approved attributes being looked for;
- conduct interviews with the shortlisted candidates;
- ensure that the Board is kept apprised of the progress of its interaction with the shortlisted candidates.
- make recommendations to the Board on candidates it considers appropriate.

5.11 Once the Board has considered the recommendations of an appropriate candidate by the Committee, the Board shall have an interaction with the candidate before appointment of such a candidate is confirmed.

5.12 Once a candidate is appointed, a formal procedure is activated by the Company Secretary who ensures that:

- a Schedule 21 declaration is completed and sent to the JSE within 14 days of effective date of appointment;
- the appropriate SENS announcement is disseminated;
- notice of the appointment of the new Director shall be included in the Company's next publication of listing particulars, interim report or annual financial statements; and
- an induction programme commences for the new Director.

6. Resignation, Retirement, Removal and Termination of Contract

6.1 Resignation by an Executive Director will automatically end his membership to the Board, unless the Board decides otherwise. A Non-Executive Director's resignation will be in terms of their Letter of Appointment.

6.2 The procedure for retirement is governed by the Board Charter and the retirement age is 65 and 70 for Executive and Non-Executive Directors respectively.

6.3 Disqualification and the removal of a director will be governed in terms of Sections 69 & 71 of the Companies Act 2008, as amended.

6.4 Termination of Executive Directors' contracts will be recommended by the Remuneration & Nomination Committee and confirmed by the Board.

7. Review

This policy shall be reviewed annually by the Remuneration & Nomination Committee who shall recommend any proposed changes to the Board for approval.
