

**DIS-CHEM PHARMACIES LIMITED**  
**2005/009766/06**  
**BOARD CHARTER**  
**(approved at a meeting of the Board of directors)**

**1 INTRODUCTION**

The Board of directors (**Board**) of Dis-Chem Pharmacies Limited, a public company registered in South Africa under registration number 2005/009766/06 (the **Company**) acknowledges the need for a Board Charter as recommended in the Code of Governance Principles for South Africa (**Code**) as contained in the King Report on Governance for South Africa 2009 (**King IV**). This Board Charter (this **Charter**) is subject to the provisions of the Companies Act 71 of 2008 (the **Act**), the Company's Memorandum of Incorporation, (**MOI**) the Listings Requirements of the JSE Limited (the **JSE Listings Requirements**) and any other applicable law or regulatory provision, in each case, as amended or substituted from time to time. In the event of any conflicts between this Charter and the company's MOI, the MOI will prevail.

**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**

- 3.1 The Board must comprise a balance of executive and non-executive directors, with a majority of non-executive directors. A majority of the non-executive directors must be independent (as contemplated in the Codes). Any director that participates in a share incentive/option scheme, will not be regarded as independent.
- 3.2 Directors are 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.
- 3.3 As a minimum, two executive directors must be appointed to the board, namely the chief executive officer and the chief finance officer.
- 3.4 A chief information officer will be appointed to guide information technology (IT) in the Company and its subsidiaries (**Group**), and will liaise with and receive appropriate assistance from the audit and risk committee as necessary.
- 3.5 A formal induction programme is established for new directors.
- 3.5.1 Inexperienced directors are developed through a mentorship programmes.
- 3.5.2 Continuing professional development programmes are implemented which ensure that directors receive regular briefings on changes in risks, laws and the environment.

**4 ROLE AND RESPONSIBILITIES**

- 4.1 The Board assumes ultimate accountability and responsibility for the performance and affairs of the Company and, in doing so, effectively represents and promotes the legitimate interests of the

Company and its shareholders. The Board, at all times, will retain full and effective control over the Company and will direct and supervise the business and affairs of the Company. The Board does, however, not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management.

- 4.2 The Board is committed to ensuring good corporate governance throughout the Company in line with the requirements of King III and the Code. The role and responsibilities of the Board are to: -
- 4.2.1 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 to build and maintain stakeholders' trust and confidence in the Company along sound corporate governance principles. In this regard, the Board will be expected to:
- 4.2.1.1 Acquire a working knowledge and understanding of the Company's business and the laws, regulations and processes that govern its activities;
- 4.2.1.2 Be able to make sound business decisions and recommendations;
- 4.2.1.3 Exercise judgement independently; and
- 4.2.1.4 Exercise stewardship at all times and uphold the highest degree of ethics in all forms of conduct;
- 4.2.2 Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
- 4.2.2.1 Contributing to and approving the strategy;
- 4.2.2.2 Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
- 4.2.2.3 Identifying key performance and risk areas, which includes the responsibility of setting the Company's level of risk tolerance and limits for its risk appetite on an annual basis and monitoring the same accordingly;
- 4.2.2.4 Ensuring that the strategy will result in sustainable outcomes; and
- 4.2.2.5 Considering sustainability as a business opportunity that guides strategy formulation;
- 4.2.3 Provide effective leadership on an ethical foundation;
- 4.2.4 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;
- 4.2.5 Ensure that the Company's ethics are managed effectively;
- 4.2.6 Ensure that the Company has an effective and independent audit committee;
- 4.2.7 Be responsible for the governance of risk;

- 4.2.8 Be responsible for IT governance, which includes ensuring that information assets are identified, managed and treated as important business assets;
- 4.2.9 Ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards;
- 4.2.10 Ensure that there is an effective risk-based internal audit for approaching the Group's control environment which must be aligned with the risk assessment process;
- 4.2.11 Appreciate that stakeholder's perceptions affect the Company's reputation;
- 4.2.12 Ensure the integrity of the Company's integrated report;
- 4.2.13 Act in the best interests of the Company by ensuring that individual directors:
  - 4.2.13.1 Adhere to legal standards of conduct;
  - 4.2.13.2 Are permitted to take outside or other independent advice as it deems necessary in connection with their duties following an agreed procedure;
  - 4.2.13.3 Disclose real or perceived conflicts to the Board and deal with them accordingly; and
  - 4.2.13.4 Deal in securities only in accordance with the policy adopted by the Board;
  - 4.2.14 Commence business rescue proceedings as soon as the Company is financially distressed;
  - 4.2.15 Report on the effectiveness of the Company's system of internal control;
  - 4.2.16 Elect a chairman of the Board that is an independent non-executive director; and
  - 4.2.17 Appoint and annually evaluate the performance of the chief executive officer.
- 4.3 The Board will comply with all relevant legislation and be required to maintain strict confidentiality of all information relating to the business of the Company, except to the extent that disclosure is required by law or regulation.
- 4.4 The Board will have unrestricted access to all Company information, records, documents and property. The company secretary will assist the Board by providing any required information or document.
- 4.5 The Board should do everything necessary to fulfil its role set out above.

## 5 **DELEGATION**

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

- 5.1 Formal terms of reference are established and approved for each committee of the Board.
- 5.2 The committees' terms of reference are reviewed by the Board once a year.

- 5.3 The committees are appropriately constituted with due regard to the skills required by each committee.
- 5.4 The Board establishes a framework for the delegation of authority to management.
- 5.5 The Board will, as a minimum, establish an audit and risk committee, a social and ethics committee and a remuneration and nomination committee.
- 5.6 The chairman of each committee will report back to the Board regularly immediately after the committee's latest meeting on the general principle of transparency and full disclosure.

## 6 **MEMBERSHIP**

- 6.1 The size of the Board will be sufficiently large to ensure a wide range of skills, knowledge and experience without compromising common purpose, involvement, participation and a sense of responsibility among the members necessary to meet the Company's strategic objectives.
- 6.2 The office of the chairman and chief executive officer will be separate. There will at all times be a clearly-defined division of responsibilities in both offices to ensure a balance of authority and power. Where the chairman is not an independent non-executive director, a lead independent director shall be appointed in accordance with the Code.
- 6.3 On appointment, new directors will undergo an induction programme to facilitate their understanding of the business environment and markets in which the Company operates. This programme will be facilitated by the company secretary and will include, *inter alia*, information and guidance on:
- 6.3.1 Group structure and business objectives;
  - 6.3.2 Financial performance of the business;
  - 6.3.3 Reciprocal expectations;
  - 6.3.4 Familiarisation through site visits and consultation with senior management; and
  - 6.3.5 Corporate policies and procedures and information on directors' roles and responsibilities in terms of legislation, regulatory requirements and best practice.
- 6.4 All directors will undergo continuing professional development and will be required to attend regular briefings on changes in legislation, governance and the business environment.
- 6.5 The directors will be individuals of calibre and credibility, with the necessary skills, experience and diversity required for an effective Board.
- 6.6 The termination of service of any executive director for whatever reason will result in the resignation of that director from the Board.

## 7 MEETING PROCEDURES

### 7.1 Frequency:

7.1.1 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.

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

### 7.2 Attendance:

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

7.2.2 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 chairman or company secretary.

7.2.3 The company secretary is the secretary to the Board.

7.2.4 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.

### 7.3 Agenda and minutes

7.3.1 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.

7.3.2 Unless under exceptional circumstances, a detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Board and other invitees. The chairman may meet with the chief executive officer and chief finance officer and/or company secretary prior to a meeting to discuss important issues and agree the agenda.

7.3.3 Board members must be fully prepared for Board meetings to be able to provide appropriate and constructive input on matters for discussion.

7.3.4 To support quality decision-making, directors will be informed in an efficient and timely manner prior to meetings and, as far as possible, be provided with sufficient information to prepare adequately on all agenda points to be discussed.

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

#### 7.4 Quorum

7.4.1 A representative quorum for meetings is as provided for in the Company's MOI.

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

#### 7.5 Evaluation

The evaluation of the Board, its committees and individual directors, including the chairman, must be performed at least annually.

### 8 **INDIVIDUAL ROLES AND RESPONSIBILITIES**

#### 8.1 Chairman

The Chairman:

8.1.1 Will be an independent non-executive director;

8.1.2 Is responsible for representing the Board to shareholders and indirectly to other stakeholders relating to performance;

8.1.3 Is responsible for ensuring the integrity and effectiveness of the governance process of the Board;

8.1.4 Must, in collaboration with the company secretary, ensure the contents and order of the agenda are correct; is responsible for maintaining regular dialogue with the chief executive officer over all operational matters; and will consult with the remainder of the Board promptly on any matter that gives him/her cause for major concern;

8.1.5 Will act as facilitator at Board meetings to ensure that no director, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that the relevant opinion among members is forthcoming and discussions result in logical and understandable outcomes; and

8.1.6 Will play a crucial role in ensuring the Board is properly led.

#### 8.2 Chief Executive Officer

The Chief Executive Officer is responsible for:

8.2.1 Ensuring the Company achieves the strategic and financial objectives approved by the Board;

8.2.2 Monitoring and managing the day-to-day operational requirements and administration of the Company;

8.2.3 Developing and recommending business plans, policies and objectives for consideration by the Board and taking into consideration business, economic and political trends that may affect the operations of the Company;

8.2.4 Submitting reports, financial statements and consolidated budgets for consideration by the Board;

- 8.2.5 Implementing all approved plans, policies and programmes;
- 8.2.6 Overseeing the financial management of the Company including financial planning, cash flow and management reporting;
- 8.2.7 Involving himself in Group affairs via the executive committee;
- 8.2.8 Acting as chairman of the executive committee;
- 8.2.9 Overseeing plans for compliance with legislation applicable to the Company and the Group, and designing and implementing appropriate compliance structures, processes and systems, with the assistance of the audit and risk committee and, where necessary, external counsel; and
- 8.2.10 Not causing or permitting any practice, activity or decision by or within the Company that is contrary to commonly accepted good business practice, good corporate governance or professional ethics.
- 8.3 Company Secretary
- 8.3.1 The Company Secretary or, in the absence of the company secretary, the person to whom the function has been delegated, will be the secretary of the Board.
- 8.3.2 The Board will recognise the pivotal role to be played by the company secretary in achieving good corporate governance and empower this individual accordingly.
- 8.3.3 The company secretary is accountable to the Board to:
  - 8.3.3.1 Guide the directors collectively and individually on their duties, responsibilities and powers;
  - 8.3.3.2 Make directors aware of any law relevant to the Company and keeps the Board informed of relevant laws, rules, codes and standards including any changes;
  - 8.3.3.3 Report any failure on the part of the Company or a director to comply with the MOI or the Act;
  - 8.3.3.4 Ensure Board procedures are followed and reviewed regularly;
  - 8.3.3.5 Ensure applicable rules and regulations for conducting the affairs of the Board are complied with;
  - 8.3.3.6 Facilitate a programme for the induction and ongoing development of directors;
  - 8.3.3.7 Maintain statutory records in accordance with legal requirements;
  - 8.3.3.8 Guide the Board on how its responsibilities should be properly discharged in the best interest of the organisation;
  - 8.3.3.9 Keep abreast of, and inform, the Board of current and new developments regarding corporate governance thinking and practice; and
  - 8.3.3.10 Fulfil all other functions assigned to the position by the Act and by any other legislation.

- 8.4 Individual directors
- 8.4.1 Non-executive directors may meet separately with management, without executive directors present.
- 8.4.2 Directors act jointly when discharging their duties and no individual director has authority to act on behalf of the organisation unless specifically authorised or requested by the Board.
- 8.4.3 Directors are jointly and severally accountable for Board decisions and actions.
- 8.4.4 Directors have to declare and avoid conflicts of interest with the Company and must account for any advantages gained in discharging their duties on behalf of the Group.
- 8.4.5 Directors who have a real or prospective interest in any of the businesses of the organisation should declare this interest at a Board meeting as soon as they become aware of such specific interest.
- 8.4.6 On first appointment and once every year, or at any time when circumstances change, all directors will, in good faith, disclose to the Board for recording any business or other interest that is likely to create a potential conflict of interest, including:
- 8.4.6.1 All business interests, direct or indirect in any other company, partnership or business venture;
- 8.4.6.2 Membership to trade, business or other economic companies;
- 8.4.6.3 Shareholding, share options and/or other interests in the Company;
- 8.4.6.4 Any direct or indirect interest in any transaction with the Company; and
- 8.4.6.5 Any gifts, monies, commissions, benefits or other favours extended or received from any party because of any business dealings with the organisation.
- 8.4.7 Directors acknowledge that the fiduciary responsibilities of any director of the Company serving on a subsidiary board are as stringent as such director's fiduciary responsibilities to the Company.

## 9 **REPORTING**

- 9.1 The Board will report in accordance with the disclosure requirements included in the Act, the Listings Requirements of the JSE Limited and King IV.
- 9.2 The Chairman or, in his absence, another director, will attend the annual general meeting of the Company's shareholders to answer questions on matters falling within the ambit of the Board's responsibilities based on this Charter.

## 10. **AMENDMENT OF THIS CHARTER**

This Charter will be reviewed by the Board annually to ensure it remains relevant to the business objectives of the Company. The review process will be initiated by the company secretary in consultation with the Chairman.