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# MR PRICE GROUP LIMITED

## BOARD CHARTER

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The Board's paramount responsibility is the positive performance of the company in creating value for all its stakeholders. The Board provides effective corporate governance that involves monitoring the relationships between the Board and Management and between the Company and its stakeholders. This it does in terms of its Charter which is set out below.

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## **1. Introduction and purpose of the Board Charter**

Mr. Price Group Limited (“Mr. Price” or “the Company”) traces its roots back to 1885 when the first John Orr departmental store opened. John Orr Holdings listed on the JSE in 1952 and was acquired by Laurie Chiappini and Stewart Cohen in 1986. In 1987 the first Mr. Price store opened.

Mr. Price’s main object per its current Memorandum of Association is:

“To carry on the business of the retail distribution of clothing, accessories, homewares and jewellery.”

The Memorandum of Association further permits Mr. Price to carry on any business ancillary to its main object.

Mr. Price is committed to uphold the Code of Governance Principles for South Africa - 2009 ("King III") in all of its business dealings for the benefit of its shareholders and relevant stakeholders.

In accordance with King III, the Board of Directors (“the Board”) is the focal point of Mr. Price’s corporate governance system and the Board acknowledges the need to implement a Board Charter (“the Charter”) as recommended in King III;

The purpose of this Charter is to set out the Board’s composition, role, responsibilities, meeting procedures, remuneration, and other related matters.

This Charter is subject to the provisions of the Companies Act, 1973 and 2008, the Memorandum of Association of the Company (“Memorandum”), the Articles of Association of the Company (“Articles”) and any other applicable law or regulatory provision.

## **2. Composition of the Board**

- 2.1 Mr. Price subscribes to a unitary Board, which both leads and controls Mr. Price. It comprises a balance between executive and non-executive directors, with the majority of non-executive directors being independent. The composition of the Board shall reflect the need to protect the interests of Mr. Price, as well as its competitiveness.
- 2.2 The size of the Board is as regulated in the Articles and directors are appointed through a formal process. The Remuneration and Nominations Committee assists with the process by identifying suitable candidates to be proposed to shareholders.



- 2.3 Certain responsibilities are reserved for the Board, while other responsibilities are delegated to well-structured Board Committees each with formal Terms of Reference (see Paragraph 5, “Delegation”) without abdicating the Board’s own responsibilities. The Board Committees are the following:
- a. Audit and Compliance Committee,
  - b. Risk and Sustainability Committee,
  - c. Remuneration and Nominations Committee, and
  - d. Transformation Committee.

### **3. Role and responsibilities of the Board**

The role and responsibilities of the Board are to:

- 3.1 Act as the focal point for and custodian of, corporate governance by managing its relationship with Management, the shareholders and other stakeholders of Mr. Price along sound corporate governance principles.
- 3.2 Ensure that Mr. Price is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of Mr. Price, but also the impact that business operations have on the environment and the society within which it operates.
- 3.3 Provide effective leadership on an ethical foundation and ensure that ethics are managed effectively.
- 3.4 Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - a. Contributing to and approving strategy;
  - b. Satisfying itself that strategy and business plans do not give rise to risks that have not been thoroughly assessed by Management;
  - c. Identifying key performance and risk areas;
  - d. Ensuring that strategy will result in sustainable outcomes; and
  - e. Considering sustainability as a business opportunity that guides strategy formulation.



- 3.5 Encourage attendance by directors, shareholders and relevant stakeholders at the annual general meeting or other shareholders' meeting and make every effort to ensure the attendance by the Board Chairman and Committee Chairmen at such meetings.
- 3.6 Ensure that Board Committees (as per paragraph 2.3 above) are effective and fulfil their duties in terms of their respective Terms of Reference.
- 3.7 Act in the best interests of Mr. Price, so as to maximise the total economic value of Mr. Price and ensuring that Mr. Price complies with applicable laws, rules and standards.
- 3.8 Ensure that the Board of Mr. Price:
- a. manages real or perceived conflicts of interests appropriately,
  - b. has an effective and independent audit committee and an effective risk-based internal audit function, together with any such other effective and independent committees required by law or advisable in terms of corporate governance or determined by the Board
  - c. is responsible for the management of risk throughout the business,
  - d. is responsible for information technology (IT) governance,
  - e. complies with applicable laws and considers adherence to non-binding rules and standards,
  - f. appreciates that stakeholder perceptions affect the Company's reputation,
  - g. ensures the integrity of the Company's integrated report,
  - h. acts in the best interests of Mr. Price by ensuring that individual directors:
    - adhere to legal standards of conduct,
    - are permitted to take independent advice in connection with their duties following an agreed procedure,
    - disclose real or perceived conflicts of interest to the Board and deal with them accordingly,
    - deal with securities only in accordance with the policy adopted by the Board in compliance with the Securities Services Act, 2004 and the Listing Requirements of JSE Ltd.



- i. Commence business rescue proceedings as soon as the Company or any of its operating divisions are financially distressed,
- j. Determine the overall framework of skills and other requirements of Directors, justifying the appointment of a non-independent, non-executive Chairman or an executive Chairman in the event that such justification is necessary,
- k. Appoint and evaluate the performance of the chief executive officer.

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

#### **4. Board leadership**

##### **4.1 Board Chairman**

The Chairman is responsible for ensuring the integrity and effectiveness of the Board and its Committees, which includes:

- a. Setting the ethical tone for the Board and Mr. Price;
- b. Providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions;
- c. Managing conflicts of interest;
- d. Actively participating in the selection of Board members (via the Remuneration and Nominations Committee), and overseeing a formal succession plan for the Board and certain senior Management appointments;
- e. Determining and formulating (in conjunction with the Chief Executive Officer and Company Secretary) the annual work plan for the Board against agreed objectives and goals and playing an active part in setting the agenda for Board meetings;
- f. Acting as the link between the Board and Management and particularly between the Board and the Chief Executive Officer;
- g. Encouraging collegiality amongst Board members and Management while at the same time maintaining an arm's length relationship;
- h. Ensuring that directors play a full and constructive role in the affairs of Mr. Price and taking a lead role in the process for removing non-performing or unsuitable directors from the Board;



- i. Ensuring that relevant, objective, information is placed before the Board to enable directors to reach informed decisions;
- j. Monitoring how the Board functions collectively, how individual directors perform and how they interact at meetings;
- k. Mentoring to enhance directors' confidence, especially new or inexperienced directors and encouraging them to make an active contribution at meetings;
- l. Presiding over the Board meetings and ensure the productivity of such meetings;
- m. Striking the right balance between informed and intellectually naive questions in eliciting decisions;
- n. Ensuring that Board members are appropriately educated in their duties and responsibilities and that a formal programme of continuing professional education is adopted at Board level;
- o. Ensuring that good relations are maintained with Mr. Price's major shareholders and its strategic stakeholders and presiding over shareholders' meetings; and
- p. Building and maintaining stakeholders' trust and confidence in Mr. Price.

In addition to the Chairman, who may be executive but preferably non-executive, other positions such as Honorary Chairman/men may exist. Functions and responsibilities for each position will be formally recorded considering the requirements of Mr Price and their other duties as a director.

#### 4.2 Chief Executive Officer

The Chief Executive Officer provides executive leadership and is accountable to the Board for the implementation of strategies, objectives and decisions within the framework of the delegated authorities, values and policies of Mr. Price, which include:

- a. Recommending or appointing the executive members and ensuring proper succession planning and performance appraisals;
- b. Developing Mr. Price's Strategy and vision for Board consideration and approval;



- c. Developing and recommending to the Board, annual business plans and budgets that support Mr. Price's long-term Strategy;
- d. Monitoring and reporting to the Board on performance against and conformance with strategic imperatives;
- e. Organising the structure necessary to achieve Mr. Price's strategic plans;
- f. Setting the tone from the top in providing ethical leadership and creating an ethical environment; and
- g. Ensuring that Mr. Price complies with all relevant laws and regulations.

#### 4.3 Company Secretary

The Company Secretary is accountable to the Board for:

- a. Ensuring that Board procedures (Terms of Reference, Charters, etc) are followed and reviewed regularly;
- b. Ensuring that the applicable laws and rules for the conduct of the affairs of the Board are complied with;
- c. Providing administrative support to the Board and Board Committees;
- d. Ensuring that minutes of the Board and Board Committees are circulated to the respective members in a timely manner, after approval;
- e. Maintaining Mr. Price's records in accordance with legal requirements; and
- f. Providing the Board as a whole with detailed guidance as to how their responsibilities should be properly discharged in the best interests of Mr. Price.

### 5. Delegation

The Board delegates certain functions to well-structured Board Committees and to Management to assist in the execution of its duties, powers and authorities, but without abdicating its own responsibilities. Delegation is a formal process and involves the following:



5.1 Board Committees

- a. Formal Terms of Reference for each Board Committee are approved and reviewed on a regular basis; and
- b. Each Board Committee acts in accordance with the delegated authority of the Board as recorded in its Terms of Reference.

5.2 Management

The Board establishes a formal framework for the delegation of authority to Management, in respect of those matters not reserved for the Board.

**6. General conduct of the Board**

- 6.1 The conduct of directors shall be consistent with their accountability to Mr. Price and for Mr. Price to act responsibly towards its stakeholders;
- 6.2 The Board shall be disciplined in carrying out its role, with the emphasis on strategic issues and policy;
- 6.3 The Board's discussions shall at all times be open and constructive. The Chairman shall seek a consensus in the Board but may, where considered necessary, call for a vote in conformance with the Articles of Association. After full discussion and debate on any subject, the Chairman shall summarise the debate prior to final resolution whether by way of consensus or by way of a vote;
- 6.4 All matters are considered confidential unless otherwise stated and any briefings on legal matters privileged (and to the extent advisable, the Board shall be entitled not to incorporate in its minutes any such briefings);
- 6.5 The Chairman, the Chief Executive Officer and the Company Secretary have ownership of the meeting agenda. Any director may, however, request the addition of an item on the agenda;
- 6.6 The directors are entitled to have access, at reasonable times, to all relevant Mr. Price information and to Management in accordance with the approved procedure;
- 6.7 The directors are expected to observe restrictions on the use and confidentiality of Mr. Price information; and



6.8 At each directors' meeting, the Board shall consider:-

- a. reports from Management; and
- b. major issues and opportunities for Board consideration.

## **7. Meeting procedures**

7.1 Frequency

- a. 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 (4) meetings per year.
- b. Meetings in addition to those scheduled may be held at the instance of a Board member.

7.2 Attendance

- a. Members of Senior Management, assurance providers and professional advisors may be in attendance at meetings, but by invitation only and they may not vote.
- b. 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.
- c. Notwithstanding 7.2 (b) above, Board members are required to attend a minimum of two (2) Board meetings per year.
- d. The Company Secretary is the secretary to the Board.
- e. If the 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

- a. 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 this Charter.



- b. The number, timing and length of meetings and the agendas are to be determined in accordance with the annual plan.
- c. A detailed agenda, together with supporting documentation, must be circulated, at least 5 (five) working days prior to each meeting to the members of the Board and/or other invitees. The Board Chairman must establish standards for preparation of Board papers and reports.
- d. Board members must be fully prepared for Board meetings to be able to provide appropriate and constructive input on matters for discussion.
- e. 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

- a. A quorum necessary for the transaction of business shall be as determined by the Articles.
- b. Individuals in attendance at Board meetings by invitation may participate in discussions but do not form part of the quorum for Board meetings.

#### 7.5 Proceedings of meetings

In addition to matters set out in this Charter, meetings and proceedings of the Board will be governed by the Articles.

### 8. Evaluation

- 8.1 The Board shall evaluate its performance (including the performance of its Committees, Committee Chairmen and individual Board members) annually and include an overview of the appraisal process, results and action plan in the integrated report.
- 8.2 The self-evaluation may take the form of a questionnaire, feedback from relevant stakeholders or any other form as may be prescribed by the Board.

### 9 Review

This Charter shall be reviewed by the Board on an annual or *ad hoc*-basis as required.



## **10 Approval of this Charter**

This Charter was adopted by the Board on the 23<sup>rd</sup> day of March 2011.

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AE McArthur  
Chairman of the Board