

**THE NOMINATIONS, GOVERNANCE AND MANAGEMENT OF RESOURCES COMMITTEE TERMS OF REFERENCE  
AFRICAN OXYGEN LIMITED**

**1. CONSTITUTION**

- 1.1. The Board of directors ("the Board") of African Oxygen Limited ("the Company") resolved to establish a Committee of the Board to be known as the Nominations, Governance & Management of Resources Committee ("the Committee") to fulfil the functions as set out herein in respect of the company and its subsidiaries and associated companies ("the Group").
- 1.2. The Board resolved to adopt these terms of reference of the Committee.

**2. MEMBERSHIP**

- 2.1. The Committee shall be appointed by the Board and shall comprise a minimum of 3 (three) non-executive directors of the Company, the majority of whom must be independent.
- 2.2. A quorum shall be a minimum of two independent or majority of members present in person or via telecommunication facilities.
- 2.3. The Committee shall be entitled to co-opt specialists as permanent members of the Committee provided such specialists should comprise a minority on the Committee.
- 2.4. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.
- 2.5. The Chairman of the Committee will be required to attend the company's annual general meeting to answer relevant questions posed by shareholders.

**3. ATTENDANCE AT MEETINGS**

- 3.1. The General Manager: Human Resources, Chief Executive Officer and Financial Director shall be invited to all meetings of the Committee and shall have unrestricted access to the Chairman or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee.
- 3.2. Members of the executive and senior management should be invited to attend the Committee meetings on an ad hoc basis to provide pertinent information and insights to their areas of responsibility. Every member of the Board is entitled to attend any Committee meeting as an observer, but may not participate without the consent of the Chairman, may not vote and is not entitled to fees for attendance unless payment is agreed to by the Board and shareholders.
- 3.3. The Company Secretary shall be the secretary of the Committee.
- 3.4. At the beginning of each meeting of the committee, all members should be required to declare whether any of them has any conflict of interest in respect of a matter on the agenda. Any such conflicts should be proactively managed as determined by the Board and subject to legal provisions.

**4. FREQUENCY OF MEETINGS**

- 4.1 Meetings of the Committee shall be held as frequently as the Committee, in consultation with the Company Secretary considers appropriate, but it shall normally meet not less than twice a year.

- 4.2 Any member of the Committee may request a meeting if deemed necessary and a meeting will then be arranged in consultation with the Chairman of the Committee.

## 5. AUTHORITY

- 5.1. The Committee is authorised by the Board to investigate any activity within these terms of reference. It is authorised to seek any information it requires from any employee.
- 5.2. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if deemed necessary.
- 5.3. The Company shall meet all expenses reasonably incurred by the Committee in the fulfilling of its duties, including the payment of a fee to Committee members as determined by the Board from time to time.
- 5.4. As a committee of the Board, the Committee is required to make recommendations for the Board's final approval where necessary and required in terms of the Board Charter, on matters delegated to it by the Board and is not authorised to sub-delegate its authority, powers and duties.

## 6. REPORTING PROCEDURE

- 6.1. The secretary shall incorporate the approved minutes of meetings of the Committee in the meeting files prepared for meetings of the Board for noting purposes.
- 6.2. In addition to the above, the Chairman of the Committee shall report at the first Board meeting following the most recent meeting of the Committee on all matters of importance.

## 7. DUTIES

The duties of the Committee, which shall be in respect of the Group, shall be:

### A. Human Resources Management

#### 7.1 Remuneration

- 7.1.1 to determine the Group's overall remuneration philosophy, and general policy on executive and senior management remuneration;
- 7.1.2 The remuneration policy should be designed to achieve the following objectives:
  - a. To attract, motivate, reward and retain human capital.
  - b. To promote the achievement of strategic objectives within the organisation's risk appetite.
  - c. To promote positive outcomes.
  - d. To promote an ethical culture and responsible corporate citizenship.
- 7.1.3 The remuneration policy should address organisation-wide remuneration and include provision for the following specifically:
  - a. Arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation.
  - b. The use of performance measures that support positive outcomes across the economic, social and environmental context in which the organisation operates; and/or all the capitals that the organisation uses or affects.

- c. the voting by shareholders on the remuneration policy and implementation report, and for the implementation of related responding measures as outlined under Voting on Remuneration.
- 7.1.4 The overview of the main provisions of the remuneration policy should address the objectives of the policy and the manner in which the policy seeks to accomplish these. The overview should include the following:
  - a. The remuneration elements and design principles informing the remuneration arrangements for executive management and, at a high level, for other employees.
  - b. Details of any obligations in executive employment contracts which could give rise to payments on termination of employment or office.
  - c. A description of the framework and performance measures used to assess the achievement of strategic objectives and positive outcomes, including the relative weighting of each performance measure and the period of time over which it is measured.
  - d. An illustration of the potential consequences on the total remuneration for executive management, on a single, total figure basis, of applying the remuneration policy under minimum, on-target and maximum performance outcomes.
  - e. An explanation of how the policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.
  - f. The use and justification of remuneration benchmarks.
  - g. The basis for the setting of fees for non-executive directors.
  - h. A reference to an electronic link to the full remuneration policy for public access.
- 7.1.5 to ensure alignment of the remuneration and resources management strategies and policies with the Group 's business strategy and the desired culture, as well as with industry standards, based on information obtained by way of independent benchmarking exercises as and when required;
- 7.1.6 to consider and recommend for approval by the Board the remuneration of the managing director and other executive directors, including bonus and other incentive schemes;
- 7.1.7 to consider and recommend to the Board the proposed fees payable to non-executive directors, prior to submission thereof to shareholders for approval; and
- 7.1.8 to review salary increases for non-bargaining employees and mandates for negotiations with trade unions.

## 7.2 Incentive schemes

- 7.2.1 To consider and approve the implementation (or derivation) of any bonus and/or other incentive scheme, including share incentive schemes, and the rules applicable to such schemes as well as industry standards based on information obtained by way of independent benchmarking exercises and subject to shareholder approval where required;
- 7.2.2 All discussions and meetings between the Committee and management relating to incentive schemes must formally record the agenda, minutes, and matters arising, and be signed by the Chairman of the Committee; and
- 7.2.3 to determine and approve, within the framework of the approved rules, any grants to executive directors and other senior employees made pursuant to any such incentive schemes.

7.3 Retirement and health care

- 7.3.1 To receive regular reports on and monitor the management and performance of the Group's retirement and other benefit funds, including health care, to ensure compliance with company processes and authority levels and to identify any areas of possible risk to the Group.

7.4 Performance management and succession planning

- 7.4.1 To ensure the implementation and effective use of relevant performance management systems throughout the Group that are aligned with the Group's business strategy;
- 7.4.2 to receive and consider reports on the annual performance reviews of the executive directors in their executive capacities; and
- 7.4.3 to ensure that adequate succession plans are in place for the executive, senior management and critical roles.

7.5 Policies and compliance

- 7.5.1 To ensure compliance with all statutory and best practice requirements regarding labour and industrial relations management; and
- 7.5.2 The Committee will ensure appropriate communication of relevant matters to all Company stakeholders.

7.6 Human Resources/Talent Management & Employee Development

The Committee shall at least annually review a report on strategic employee issues which may include the following:

- 7.6.1 The Group's Human Resources Strategy and performance against targets;
- 7.6.2 Reviewing the Group's employee wellness initiatives;
- 7.6.3 The Group's Succession Planning Process;
- 7.6.4 Major employee relations issues and employment relationships; and
- 7.6.5 The Group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions.

**B. Corporate governance**

- 7.6 To annually consider the corporate governance requirements and best practice recommendations applicable and relevant to the Group and to ensure that the necessary structures, processes and policies are in place for the Group to comply with such requirements and recommendations. The Committee should ensure that remuneration is disclosed by means of a remuneration report in three parts:
  - a. A background statement.
  - b. An overview of the main provisions of the remuneration policy.
  - c. An implementation report which contains details of all remuneration awarded to individual members of the governing body and executive management during the reporting period. The

background statement should briefly provide context for remuneration considerations and decisions, with reference to:

- a. internal and external factors that influenced remuneration;
- b. the most recent results of voting on the remuneration policy and the implementation report and the measures taken in response thereto;
- c. key areas of focus and key decisions taken by the remuneration committee during the reporting period, including any substantial changes to the remuneration policy;
- d. whether remuneration consultants have been used, and whether the remuneration committee is satisfied that they were independent and objective;
- e. the views of the remuneration committee on whether the remuneration policy achieved its stated objectives; and
- f. future areas of focus. The implementation report, which includes the remuneration disclosure in terms of the Companies Act, should reflect the following:
  - a. The remuneration of each member of executive directors, which should include in separate tables:
    - i. a single, total figure of remuneration, received and receivable for the reporting period, and all the remuneration elements that it comprises, each disclosed at fair value;
    - ii. the details of all awards made under variable remuneration incentive schemes in the current and prior years that have not yet vested, including the number of awards; the values at date of grant; their award, vesting and expiry dates (where applicable); and the fair value at the end of the reporting period; and
    - iii. the cash value of all awards made under variable remuneration incentive schemes that were settled during the reporting period.
  - b. An account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including: the targets set for the performance measures and the corresponding value of the award opportunity; and for each performance measure, how the organisation and executive managers, individually, performed against the set targets.
  - c. Separate disclosure of, and reasons for, any payments made on termination of employment or office.
  - d. A statement regarding compliance with, and any deviations from, the remuneration policy. The remuneration policy and the implementation report should be tabled every year for separate non-binding advisory votes by shareholders at the AGM. The remuneration policy should record the measures that the board commits to take in the event that either the remuneration policy or the implementation report, or both have been voted against by 25% or more of the voting rights exercised. Such measures should provide for taking steps in good faith and with best reasonable effort towards the following at a minimum:
    - i. An engagement process to ascertain the reasons for the dissenting votes.
    - ii. Appropriately addressing legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/or processes. In the event that either the remuneration policy or the

implementation report, or both were voted against by 25% or more of the voting rights exercised, the following should be disclosed in the background statement of the remuneration report succeeding the voting:

- a. with whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
- b. the nature of steps taken to address legitimate and reasonable objections and concerns;

7.7 To review the corporate governance report and other related reports to be included in the annual report.

7.8 Give due consideration to the Listings Requirements of the JSE Limited and the principles of governance and the code of best practice as contained in the King IV.

**C. Composition and Performance of the Board**

7.9 To make recommendations to the Board on the appointment of the managing director, financial director, and all other directors in consultation with the Chairperson of the Social, Ethics and Transformation Committee.

7.10 To regularly review the Board structure, size and composition and make recommendations to the Board on any adjustments that are deemed necessary.

7.11 To identify and nominate candidates for approval by the Board to fill Board vacancies in consultation with the Chairperson of the Social, Ethics and Transformation Committee as and when they arise, and put in place plans for succession, in particular for the chairman and managing director.

7.12 To determine whether the directors who are retiring by rotation, should be recommended for re-election.

7.13 To implement a process whereby the performance of the Board, Board Committees and individual directors, including the Chairman and Lead Independent Director of the Board, is reviewed.

7.14 The Policy, attached hereto as Annexure A, shall at all times be adhered to whenever appointments are made to the Board. The Committee shall also adhere to the policy on the promotion of race diversity at board level, attached hereto as Annexure B. The Company must confirm this by reporting to shareholders in its annual report as to how the Committee has considered and applied the policy of race diversity in the nomination and appointment of directors. If applicable, the Committee must further report progress in respect thereof on agreed voluntary targets.

**D. General**

7.15 Retain a copy of the current terms of reference of the Committee at the registered office of the company and provide shareholders with a copy of same if requested;

7.16 Consider such other topics and fulfil such other duties as defined by the Board.

NGMR Terms of Reference

Approved and Signed by:



Board Chairman

22.11.2018

Date



Committee Chairman

22/11/2018

Date



## POLICY: APPOINTMENTS TO THE BOARD

### 1. INTRODUCTION

The listings requirements of the Johannesburg Stock Exchange limited ("JSE") states in rule 3.84 (a) that *"there must be a policy detailing the procedures for appointments to the board."* The JSE further requires that a company to disclose in its annual financial statements whether compliance with this specific requirement has been met.

### 2. PURPOSE OF THE POLICY

The purpose of this policy is to provide the principles, criteria and procedures for the appointment to the board of directors ("the Board") of African Oxygen Limited ("the Company") and matters connected therewith.

### 3. POLICY STATEMENT

In line with the King Report on Corporate Governance and Practices ("King IV"), the Board shall be constituted of suitable individuals reflecting diversity in terms of skills, experience and demographics and shall be unitary with executive and non – executive directors in order to execute its mandate to effectively control and manage the affairs of the Company.

### 4. PRINCIPLES/CRITERIA TO BE OBSERVED

Candidates for appointment to the board shall:

4.1 Have a reputation for integrity, honesty and service and 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 shareholders 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. The value of diversity on the Board should be considered;
- 4.7 Shall not be disqualified to act as a director, the candidate shall therefore not fall into any of the following categories:
  - 4.7.1 Not be a body corporate or juristic person;
  - 4.7.2 Not be an emancipated minor or under a similar legal disability or curatorship;
  - 4.7.3 Not be an unrehabilitated insolvent;
  - 4.7.4 Not be a person removed from an office of trust on grounds of misconduct; or
  - 4.7.5 Not be a person convicted of fraud, theft, forgery, perjury or other offence involving dishonesty.

## 5. PROCEDURE

- 5.1 The Board shall delegate its authority to the Nominations, Governance & Management of Resources Committee ("the Committee") to periodically assess the skills required to competently discharge the Boards' 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 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;
- 5.6 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 of directors;

5.7 In determining the process for the identification of suitable candidates, the Committee may procure an appropriately qualified independent third party acting on a brief prepared by the Committee, which identifies the skills sought, undertakes a search;

5.8 The Committee:

- 5.8.1 screens the candidates;
- 5.8.2 will ensure that the proper checks on the candidates to ensure that the candidates are not disqualified from acting as directors;
- 5.8.3 will ensure that the candidates' backgrounds have been investigated as required by the Listing Requirements of the JSE and the Companies Act 71 of 2008; ;
- 5.8.4 will 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;
- 5.8.5 must 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;
- 5.8.6 shall categorise the capacity of directors as executive, non-executive and independent directors according to the categorisation contained in the King IV;
- 5.8.7 shall ensure that the candidate who will be appointed as an Independent Director passes all the independence tests as set out in the Listings Requirements of the JSE and King IV;
- 5.8.8 will ensure that only candidates who have in the judgment of the Chairman of the Board sufficient time to effectively fulfil the role of a Board member will be appointed as non-executive directors to the Board; and
- 5.8.9 will make recommendations to the Chairman of the Board on candidates it considers appropriate supported with a report confirming the above.

5.9 Once the Chairman of the Board has considered the candidate proposals, interviews by the Chairman of the Committee and the Chairman of the Board shall be arranged.

5.10 Once the process is complete, the Committee shall recommend a candidate, whose details and resume shall be circulated to the Board for approval.

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

- 5.11.1 Schedule 21 declaration is completed and sent to the JSE within 14 days of effective date of appointment;

- 5.11.2 the appropriate SENS announcement is disseminated;
- 5.11.3 written notice of appointment of the new director is submitted to the JSE; and notice of appointment of the new director shall be included in the company's next publication of listing particulars, interim report or annual financial statements.
- 5.11.4 An induction programme commences for the new director.

**6. REVIEW**

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

AFROX BOARD  
GENDER AND RACE DIVERSITY POLICY

Approved by the Afrox Board

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INTRODUCTION

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The Board of Directors ("the Board") of African Oxygen Limited ("Afrox") support and promote transformation and diversity across all levels of the organisation.

The Board recognises the wide range of benefits of diversity in the representation of its members, particularly the advantages in maintaining a competitive and sustainable company.

The purpose of the Board Gender and Race Diversity Policy ("the Policy") is to set out the approach to comply with the JSE Listing Requirements and the paragraphs 5.2 & 17.4 of the Afrox Board Charter.

**Gender Diversity**

In terms of paragraph 3.84 (k) of the JSE Listings Requirements:

*"the board of directors or the nominations committee, as the case may be, must have a policy on the promotion of gender diversity at board level. The issuer must confirm this by reporting to shareholders in its annual report on how the board of directors or the nominations committee, as the case may be, have considered and applied the policy of gender diversity in the nomination and appointment of directors. If applicable, the board of directors or the nominations committee must further report progress in respect thereof on agreed voluntary targets."*

**Race Diversity**

In terms of paragraph 3.84 (j) of the JSE Listings Requirements:

*"the board of directors or the nominations committee, as the case may be, must have a policy on the promotion of race diversity at board level. The issuer must confirm this by reporting to shareholders in its annual report on how the board of directors or the nominations committee, as the case may be, have considered and applied the policy of gender diversity in the nomination and appointment of directors. If applicable, the board of directors or the nominations committee must further report progress in respect thereof on agreed voluntary targets."*

## 1. POLICY STATEMENT

- 1.1 The Nominations, Governance and Management of Resources Committee ("NGMR") reviews and considers the Board composition on behalf of the Board and recommends the appointment of new directors. The NGMR also oversees the conduct of the performance of the Board evaluation.
- 1.2 The Social, Ethics and Transformation Committee ("SET") is responsible for overseeing and reporting on, amongst others, the promotion of equality, diversity and the prevention of unfair discrimination.
- 1.3 The NGMR Committee will consider the benefits and needs of all aspects of diversity, including but not limited to gender and race, when reviewing and assessing the Board composition.
- 1.4 The NGMR Committee will consider the benefits and needs of all aspects of diversity, including but not limited to gender and race, when recommending appointments to the Board.
- 1.5 As part of the Board evaluation process, the NGMR will consider the balance and mix of skills, experience, independence, qualification and the diversity representation on the Board, amongst others, as factors relevant to its effectiveness.

## 2. SETTING VOLUNTARY TARGETS

The NGMR Committee will consider annual gender and race representation targets to achieve diversity on the Board and recommend to the Board for approval. If and when appropriate, the NGMR Committee will consult and seek advice from the SET Committee around gender and race diversity at Board level.

## 3. MONITORING AND REPORTING

The NGMR Committee will report annually to shareholders in the integrated report on the process adopted in relation to Board appointments and the consideration given to diversity on the Board in general and particularly on gender and race diversity. The NGMR will also report on the performance achieved against the annual gender and race targets and the progress in respect of other Board diversity objectives.

## 4. REVIEW OF POLICY

The NGMR Committee will review the Policy on a regular basis and propose any changes to the Board for approval.