



CORPORATE GOVERNANCE HANDBOOK

September 2011

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BPeSA Western Cape – Corporate Governance Handbook - Version 2.0

This document has been developed and updated by SmartBond Consulting

info@smartbond.co.za

Tel: +2782 876 9109



GLOSSARY

Abbreviations

BPeSA	Business Processing enabling South Africa
BPeSA –WC	Business Processing enabling South Africa – Western Cape
PFMA	Public Finance Management Act, No.1 of 1999, as amended
King II	King II Report on Corporate Governance, March 2002
King III	King III Report on Corporate Governance, September 2009
The Act	The Companies Act No 63 of 1973
The New Act	New Companies Act no. 71 of the 2008
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CAE	Chief Audit Executive
EXCO	Executive Committee
GRAP	Generally recognised accounting practice
KPI	Key performance indicator
NGO	Non-governmental organisation
NRF	National Revenue Fund
PPP	Public-private partnership

Definitions

Accounting Authority will mean BPeSA-WC's Board of Directors

Accounting officer will mean the Financial Manager and sometimes used to represent the CFO

1 SECTION - OVERVIEW OF CORPORATE GOVERNANCE & BPeSA-WC

1.1 OBJECTIVE AND SCOPE

This manual is the official Corporate Governance manual developed for Business Processing enabling South Africa – Western Cape (BPeSA-WC). The objective is to provide sufficient understanding, through a set of practical guidelines to enable the board of directors, management and employees, of BPeSA-WC to fulfill their obligations and responsibilities in a manner expected and incumbent upon them.

The scope of this manual includes a summary of principal duties and responsibilities that directors must perform, including the responsibility to become fully informed of their functions through other sources. This manual is not exhaustive and should be used as a working document. If studied carefully the contents will create sufficient awareness of the complexity and extent of director's duties to allow them to make responsible and informed decisions. It is recommended that this document be reviewed at least once a year in order to keep abreast of corporate governance best practice and changes within BPeSA-WC.

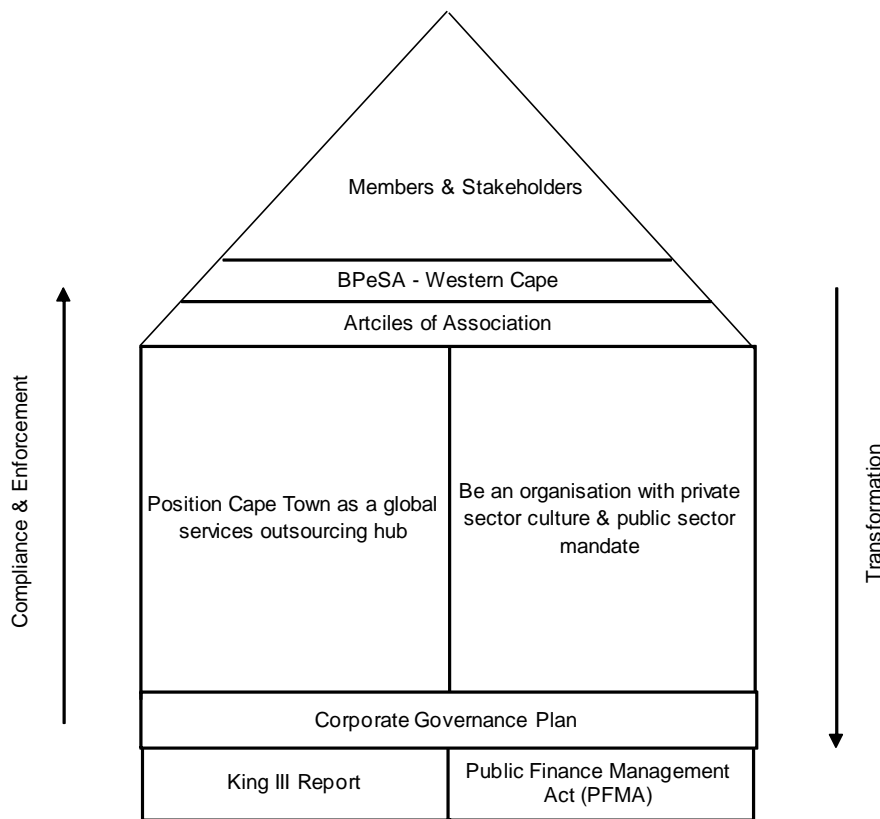
This manual must also be used as an induction for new and current directors, selecting and appointing new directors, replacement of directors and as a decision-making aid for nominees requiring more information before making any commitment.

This is an updated version of the original manual based upon the recommended code of practice of the King II Report 2002. It has been revised and aligned to King III released in 2009. It does not supersede the provisions of the Companies Act, common law, the relevant sections of the Public Finance Management Act applicable to public entities and state financed companies, or any other Statutory or Regulatory requirement.

It will provide sufficient information to enable directors to understand the principles of Corporate Governance so that they could effectively fulfil their obligations as directors of BPeSA-WC. The responsibility remains with directors to become fully informed directors and continuously seek to expand understanding of their function and knowledge of their company's business.

1.2 USING AND UPDATING OF THIS MANUAL

This document must be used in conjunction with the various BPeSA-WC policies when referred to it. This manual is intended to be a dynamic document and therefore needs to be kept to date with changes in corporate governance's practices and government legislation. Therefore, in order to keep it aligned to best practices in the public and private sector, the BPeSA-WC executive must review this document at least once a year. This manual was developed based on the following framework.



It is recommended that all BPeSA-WC stakeholders should have access to this manual if requested. Should they feel that certain sections could be improved, suggestions and feedback should be emailed to the CEO of BPeSA-WC with the email subject written as BPeSA-WC Corporate Governance Manual Feedback or Suggestions. These emails can be saved and then revisited when this manual comes up for review.

1.3 WHAT IS CORPORATE GOVERNANCE

1.3.1 Introduction

" Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. ..the aim is to align as nearly as possible the interests of individuals, corporations and society."

Sir Adrian Cadbury
Corporate Governance Overview, 1999
World Bank Report

"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders ..also the structure through which objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."

Preamble to the OECD Principles of Corporate Governance, 2004

The concept of corporate governance embraces much more than a set of guidelines and rules by which directors are expected to perform, although it has its origin in the desire of shareholders and stakeholders to prevent organisations from being recklessly, fraudulently, negligently or incompetently run by those entrusted with the function of leading and directing them. Its aim was also to ensure that directors found guilty of any such conduct could be held accountable for their decisions and actions even though recourse in company or common law did not necessarily exist.

Corporate governance in South Africa was institutionalised by the publication of the King Report on Corporate Governance ("King Report 1994") in November 1994. The King Committee on Corporate Governance was formed in 1992, under the auspices of the Institute of Directors, to consider corporate governance, of increasing interest around the world, in the context of South Africa. This coincided with profound social and political transformation at the time with the dawning of democracy and the readmission of South Africa into the community of nations and the world economy.

1.3.2 The Need for King III

The third report on corporate governance in South Africa became necessary because of the anticipated new Companies Act no. 71 of the 2008 ('the New Act') and changes in international governance trends. King III was released by the King Committee on the 1st September 2009.

King I and King II endeavoured to be at the forefront of governance internationally. King III has achieved this by focusing on the importance of conducting business reporting annually in an integrated manner i.e. putting the financial results in perspective by also reporting on:

- how a company has both positively and negatively impacted on the economic life of the community in which it operated during the year under review; and
- how the company intends to enhance those positive aspects and eradicate or ameliorate the negative aspects in the year ahead.

1.3.3 Benefits of self-regulation

According to PWC – Executive Guide to King III, in addressing the link between governance principles and law, the introduction of the Report observes:

“The ultimate compliance officer is the company’s stakeholders who will let the board know by their continued support of the company if they accept the departure from the recommended practice and the reasons for doing do.”

It can be convincingly argued that self-regulation, in which an organization voluntarily monitors its own adherence to legal and ethical standards, is far preferable to having an outside agency such as a government monitor enforce those standards. This approach allows organizations to maintain control over standards to which they are held by successfully self-policing themselves. Part from the bureaucratic burden that would be imposed by external enforcement, the cost of setting up such a mechanism is also avoided.

1.3.4 Key Principles of King III

King III has broadened the scope of corporate governance in South Africa with its core philosophy revolving around leadership, sustainability and corporate citizenship.

The following keys aspects are highlighted in the Report:

- **Good Governance** is essentially about effective leadership. Leaders need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behavior with regard to sustainability performance.
- **Sustainability** is now the primary moral and economic imperative and it is one of the most importance sources of both opportunities and risks for businesses. Nature, society, and business are interconnected in complex ways that need to be understood by decision

makers. Incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organize themselves.

- **Innovation**, fairness and collaboration are key aspects of any transition to sustainability. Innovation provides new ways of doing things, including profitable responses to sustainability. Fairness is vital because social injustice is unsustainable and collaboration is often a prerequisite for large-scale change.
- **Social Transformation** and redress is important and needs to be integrated within the broader transition to sustainability. Integrating sustainability and social transformation in a strategic and coherent manner will give rise to greater opportunities, efficiencies, and benefits, for both the company and society.

King III – a focus on integrated reporting

Ethical Leadership and Corporate Citizenship

- Good corporate governance is essentially about effective leadership
- Responsible leaders build sustainable business
- Responsible leaders reflect the role of business in society
- Responsible leaders do business ethically

IT governance

- Ensure IT is on the agenda
- Have a IT Charter and IT policies
- IT internal control framework
- Independent assurance on effectiveness of IT controls
- Align IT to performance and sustainability objectives

Stakeholders

- Appreciate that stakeholder perceptions effect reputation/ need to manage this risk
- Identify important stakeholders
- Delegate responsibility to management to deal with stakeholder relationships
- Mechanisms and processes for constructive engagement of stake holders

Integrated reporting

- Business Sustainability more broadly defined
- How what we do today will keep us in business
- No more ivory tower – integrated and organic
- Business / society / planet
- Engrained in our DNA

1.3.5 Governance Framework

King III has opted for an ‘apply or explain’ governance framework. Where the board believes it to be in the best interests of the company, it can adopt the practice different from that recommended in King III, but must explain it. Explaining the different practice adopted and acceptable reason for it, results in consistency with King III principles.

The framework recommended by King III is principles-based and there is no ‘one size fits all’ solution. Entities are encouraged to tailor the principles of the Code as appropriate to the size,

nature and complexity of their organisation. This is good news for South Africa as it avoids some of the pitfalls seen in the United States where 'one size fits all' approach was initially adopted.

1.3.6 Application of the Code

In contrast to King I and King II, King III applies to all entities regardless of the manner and for of incorporation or establishment. Principles are drafted on the basis that, if they are adhered to, any entity would have practiced good governance.

It is recommended that all entities disclose which principles and/or practices they have decided not to apply or explain. This level of disclosure will allow stakeholders to comment on and challenge the board to improve the level of governance with an organization.

1.3.7 New Requirements

Some of the requirements introduced by King III include:

- The need for an annual integrated report that focuses on the impact of the organization in the economic, environmental and social spheres.
- A statement by the audit committee to the board and shareholders on the effectiveness of internal financial controls to be included in the integrated report.
- The consideration of the strategic role of IT and its importance from a governance perspective.
- The positioning of internal audit as a strategic function that conducts a risk-based internal audit and provides a written assessment of the company's system of internal control, including internal financial controls.
- The governance of risk through formal risk management processes.

1.4 LEGAL NATURE OF THE SECTION 21 COMPANY

In terms of section 19(1)(b) of the Companies Act, No 61 of 1973, an Association not for Gain (Section 21 entity) is a company limited by guarantee and is deemed to be a Public Company having no share capital in issue. This means that there are no shareholders to whom profits or gains must be distributed. It is often erroneously believed that Section 21 companies may not make profits. This is not correct, however, its funds may only be applied for the expenses and aims specified in the Memorandum of Association.

A Company is a corporate entity, which for legal purposes, is treated as a separate and distinct person having rights, duties and obligations entirely separate from its Members. The essential characteristics of an incorporated Company are:

- Legal personality
- Limited liability
- Perpetual succession

A Company provides its Members with limited liability because it is generally liable for its own debts and the company's creditors cannot sue the Members for the payment of such debts. There is however, a distinction in law between exposing the Company's capital to the risks faced in the course of its normal business, and exposing a Company's creditors to those risks.

A Company has perpetual succession. It comes into existence once the registration formalities laid down in the Companies Act have been complied with, and it continues to exist until it has been deregistered or wound up. A Company can therefore only be created and terminated in terms of the Companies Act.

Directors can be held liable for all the debts of the Company without limitation if section 424 of the Companies Act, which concerns the reckless or fraudulent operation of a business, has been contravened. A Company cannot exempt its Directors from liability for breach of duty or trust, nor can it compensate its Directors for such claims against them. A Company cannot insure the Directors against such liability, but there is nothing preventing Directors insuring themselves for such indemnity.

1.5 NEW COMPANIES ACT 2008 AND ITS IMPACT ON S21 COMPANIES

The following section is an extract from *Peter SA Hendricks with inputs from Melanie Judge and Ricardo Wyngaard, September 2009*

In April 2009 the Companies Act No. 71 of 2008 was promulgated and replaces the 35 year old Companies Act No. 61 of 1973. The passing of this Act is the result of a lengthy and rigorous legislative review process that involved widespread public participation. For the purpose of this fact sheet we will refer to the Companies Act No. 71 of 2008 as “the new Companies Act” and the Companies Act No. 61 of 1973 as the “old Companies Act.”

The new Companies Act came into force on the 1st April 2011. The purpose of this section is to provide information for non-profit organizations (NPOs) on how the new Companies Act affects them and how it differs from the old Companies Act. It is not intended to deal exhaustively with the implications of the new legislation, rather to make known the key implications it will have for non-profit entities.

1.5.1 Background

The process to change the laws that govern South African companies was started in 2004, and aimed to:

- ❑ Revise and reform outdated legislation.
- ❑ Reform legislation that creates unnecessary criminal offences and that contains poor administrative omissions and commissions.
- ❑ Make legislation more focused on shareholders (co-owner) and stakeholders (all those that have an interest in a company such as consumers, employees, communities affected by the company's operations, etc.)
- ❑ Update legislation in light of global changes and the advent of democracy in South Africa.
- ❑ Adequately deal with corporate failures that undermine corporate governance.
- ❑ Simplify the registration and maintenance of companies.

The result of this process is the new Companies Act which introduces significant changes to the regulation of South African companies, and which is also relevant to non-profit organisations that are established under the legislation. Section 21 Companies formed and incorporated under the old Companies Act will also be affected by the new law.

The purpose of the new Companies Act is, amongst others, to *“...provide for the formation, operation and accountability of non-profit companies in a manner designed to promote, support and enhance the capacity of such companies to perform their function...”*

1.5.2 How does the new Companies Act affect the name and classification of a Section 21 Company?

Under the old Companies Act, an NPO was incorporated in terms of section 21. These companies were commonly known as Section 21 Companies. The new Companies Act introduces a revised legal entity and classification for non-profit organisations.

The old Companies Act distinguished between:

- a. Companies that have share capital (monies raised from offering shares), such as private and public companies.
- b. Companies that do not have a share capital (Section 21 Companies).
- c. External companies. These are Companies that was incorporated under foreign law intending to establish and operate offices in South Africa and had to register under the old Companies Act in order to do so.

Although separately classified, the Section 21 Company was deemed to be a public company. In this way the relevant provisions that applied to a public company also applied to a Section 21 Company under the old Companies Act.

Under the new Companies Act, however, companies are now classified as follows:

- a. Non-Profit Company
- b. Profit Company, which includes:
 - ❑ State-Owned Companies
 - ❑ Private Companies
 - ❑ Personal Liability Companies
 - ❑ Public Companies

Unlike the Section 21 Company, the **Non-Profit Company** is not treated as a public company. This means that the obligations on public companies that automatically applied to Section 21 Companies in the past do not necessarily apply to Non-Profit Companies classified under the new Act. The Non-Profit Company now has a legal nature of its own, distinct from both the public and the private company, and to a large extent is treated uniquely under the new Companies Act.

1.5.3 How do you register a Non-Profit Company in terms of the new Companies Act?

The old Companies Act was characterised by complicated and highly bureaucratic registration requirements. These often resulted in NPOs contracting external consultants to assist with the technicalities of the registration process. The new Companies Act simplifies the registration process and this aims to increase accessibility to form enterprises and non-profit organisations. Whether this goal is achieved will only become apparent once the Act's regulations are in place.

Below are key issues to consider in terms of the registration of an NPO under the new Companies Act.

1.5.3.1 Comparing the founding documents

The old Companies Act referred to an organisation's founding document as the Memorandum and Articles of Association. In terms of the new Companies Act, this is now termed the **Memorandum of Incorporation**.

The Memorandum of Incorporation must contain the organisation's objective/s which should reflect the **public benefit** intention of the Non-Profit Company or that should relate to either the communal or group interests or the cultural or social activities which it sets out to advance.”

The contents of the Memorandum of Incorporation must comply with the following:

- a. All the Non-Profit Company's property and income, whether obtained by donations or profit by means of income generating activities, must be used to further its objectives.
- b. No part of the Non-Profit Company's income may be paid to an incorporator, member, or director. This is only permissible when:
 - ❑ The payment is reasonable remuneration for goods delivered and services rendered.
 - ❑ The payment is reasonable reimbursements for expenses.
 - ❑ The payment is an amount due and payable under a bona fide agreement between the Non-Profit Company and the incorporator, member, or director.
 - ❑ The payment is a fulfillment of any right arising from the advancement of the objective(s) of the Non-Profit Company.
 - ❑ The Non-Profit Company is obliged by law to do so.

Unlike its predecessor, the new Companies Act requires that a minimum of three persons (termed the incorporators), complete and sign the Memorandum of Incorporation. These persons do not have to be the members of the company, but may be directors or solely incorporators.

1.5.3.2 Differences in name

Under the old Companies Act the phrase Association incorporated under section 21 was subjoined to the NPO's name. However under the new Companies Act the name of the Non-Profit Company, irrespective of its form or language must end with the abbreviation "NPC." This name must be reserved before the entity is registered. This process requires that the name first be lodged with the

Companies and Intellectual Properties Commission for approval, before the registration application is submitted.

1.5.3.3 The application process

After the name is reserved, a **Notice of Incorporation** and the Memorandum of Incorporation should be filed with the Companies and Intellectual Properties Commission. A prescribed fee must be paid, the amount of which will be determined in the regulations. The old Companies Act required that the founding document be certified by a public notary however this is no longer required under the new Act.

1.5.4 How does the new Companies Act impact on the organizational structure of a Non-Profit Company?

One of the distinctive features of the new Companies Act is that it provides for greater clarity on the structuring of a Non-Profit Company. Because the old Companies Act treated Section 21 Companies as public companies, they were obliged to follow the organisational framework designed for public companies. This means that the manner in which NPOs were to be structured was subject to quite heavy regulation, perhaps inappropriate to the nature of the non-profit sector.

The main area that has been given greater clarity by the new Companies Act is that of NPO membership and board of directors.

1.5.4.1 Membership

A Non-Profit Company is not required to have members in terms of the new Companies Act. This means that a Non-Profit Company has the prerogative to choose whether it will have membership and a board of directors, or, simply just a board of directors. However where a Non-Profit Company does elect to have membership its Memorandum of Incorporation must contain a provision that stipulates this.

1.5.4.2 The Board of Directors

Under the old Companies Act a Section 21 Company was required to have at least two directors. The new Companies Act requires that the Non-Profit Company have at least three directors. Should an organisation want to structure their governance in such a way that there will be more directors,

the Memorandum of Incorporation should set this out. The Companies Act stipulates that if a Non-Profit Company fails to have the required minimum number of directors this would not limit or cancel out the board's authority or accountability.

1.5.5 Who can serve as a director of an NPO and what will be expected of them?

In order for a person to serve as a director of a Non-Profit Company the new Companies Act requires that two criteria are met:

- ❑ Such a person has to be directly appointed, elected or ex officio determined by the Memorandum of Incorporation.
- ❑ The person has to deliver to the Non-Profit Company written consent to serve as its director.

The new Companies Act not only sets out grounds of disqualification but also grounds of ineligibility for directors, as well as standards that appointed directors must adhere to. This is explained below.

1.5.5.1 The directors standards in board service

Prior to the new Companies Act, a director's fiduciary responsibilities were dealt with through the common law. For the first time in our legislative history these responsibilities have now been incorporated into legislation.

The new Companies Act states that all the powers and functions arising from the capacity of a director must be exercised as follows:

- ❑ In good faith
- ❑ For a proper purpose
- ❑ In the company's best interest
- ❑ With a reasonable degree of care, skill and diligence expected of a person in the position of the director. In other words, it will be someone carrying out the same function, having the same knowledge, skill and experience as the director focused on.

The new Companies Act also provides that directors may only use their position, or any information which they become privy to whilst holding that position, to the advantage of the Non-Profit Company. They are therefore prohibited from advancing any personal gain, or that of someone else. Also, they are prohibited from knowingly causing harm to the Non-Profit Company.

Individuals who are appointed as directors should be fully aware of the duties and responsibilities as specified in the legislation as they may find themselves being brought to answer delictually in a court. Section 77 in the new Companies Act is very detailed as to the circumstances under which directors would be called to account. This will be briefly discussed below.

1.5.5.2 Persons disqualified and ineligible to serve as directors

Over and above the minimum criteria above the Non-Profit Company may set out additional criteria for eligible and qualified directors in its Memorandum of Incorporation. The criteria for disqualified and ineligible directors are:

- a. A person placed under probation by order of a court under the Act, unless the probation order permits them, subject to conditions as the court determine, to serve as a director.
- b. A person declared a delinquent in terms of section 162 of the new Companies Act. A director can be declared a delinquent in terms of section 162 if he/she:
 - ❑ Agreed to serve, or, was continuing to serve as a director while being ineligible or disqualified from being a director;
 - ❑ Contravened a court order of probation, while so serving as a director;
 - ❑ While being a director grossly abused his position, took personal advantage of information in contravention of section 76 (2) (a), intentionally or by gross negligence inflicted harm upon the company, or, in performing his/her functions and duties to the company acted in a manner amounting to gross negligence, willful misconduct and breach of trust.
 - ❑ Has repeatedly been subject to a compliance notice or similar enforcement mechanism in terms of any legislation.
 - ❑ Has been convicted twice of an offence in terms of any legislation;
 - ❑ Has been convicted of an offence in terms of any legislation while being responsible for the management of a juristic person at the time of the offence, within a period of five years, if such offence would satisfy the court that a declaration of delinquency is justified.
- c. Any person disqualified in terms of section 47 of the Close Corporations Act, which includes:
 - ❑ A person under legal disability
 - ❑ An unrehabilitated insolvent
 - ❑ Any person removed from an office of trust on account of misconduct involving dishonesty without an order of court

- Any person who has at any time been convicted of theft, fraud, forgery or uttering a forged document, perjury or any offence involving dishonesty or in connection with the formation or management of a company or a corporation, and has been sentenced therefore to imprisonment for at least six months without the option of a fine
- d. A juristic person
- e. An unemancipated minor, or a person under a similar legal disability
- f. A person that does not satisfy any qualification set out in the company's Memorandum of Incorporation.
- g. A person who is prohibited in terms of any public regulation to be a director of the company;
- h. A person declared to be ineligible by order of a court.

1.5.6 What are the liabilities of directors?

This section will focus on the delictual liabilities and not the criminal liabilities that are associated with directorships.

According to the new Companies Act directors may be held liable for any loss, damages or costs sustained by the company as a consequence of any breach of any provisions of the Companies Act, any provision of the company's Memorandum of Incorporation, and, any of the duties discussed in 1.5.5.1 above.

What is important for directors of Non-Profit Companies to know is the provisions of section 77(3), whereby a director will be liable for any loss, damage or costs sustained by the company if he/she:

- Was acting in the name of the company knowing that he/she lacked the authority to do so
- Agreed to carry on the company's business knowing that it is being conducted in a manner prohibited by section 22(1)
- Is a party to an act or omission by the company despite knowing that the act or omission was calculated to defraud a creditor, employee or member of the company, or, had another fraudulent purpose;
- Signed, consented to, or authorized the publication of any financial statements that were false or misleading in a material respect.

Where more than one director was party to any of the above, all such persons will be held liable provided it is for the same contravention.

Provided there was no willful misconduct, or, a willful breach of trust, a court may on any terms relieve a director from these liabilities if he/she:

- ❑ Acted honest and reasonably; or
- ❑ It would be fair to excuse the director given the circumstances.

1.5.7 What about existing Section 21 Companies registered under the old Companies Act?

According to Schedule 5 of the new Companies Act, all companies that existed at the time of its coming into operation shall continue to exist as if they have been incorporated in term of the new Act. This means that even if a company is registered under the old Companies Act the provisions of the new Companies Act will now apply.

1.6 OBJECTIVES, MISSION AND VISION OF COMPANY

BPESA WC, originally Calling the Cape, a non-profit organisation registered under Section 21 of the Companies Act in SA, was founded in 2001 with the goal of job creation in the BPO industry, with an initial focus on call centres. It is a public-private partnership jointly funded by the industry via membership fees and by the Provincial Government of the Western Cape and City of Cape Town. Acting as a hybrid of an industry association and an economic development agency, with a public sector ethos and private-sector service and delivery standards, BPESA WC was established with the aim of playing a pivotal role in investment facilitation, job creation and SME development in the BPO industry in the Western Cape – principally in Cape Town, but with activities extending increasingly into other parts of the Province.

BPesa Western Cape promotes domestic and international contact centre and BPO investment into Cape Town and the Western Cape. This is done in five primary ways:

- Provide information to and about the local industry
- Provide investment facilitation services
- Co-ordinate training and skills development for the industry
- Act as a networking body and trade association
- Liaison point between industry members and local, provincial and national governments.

It is the board's responsibility to ensure that the Memorandum and Articles of Association, now to be called Memorandum of Incorporation, is updated annually at the AGM to correctly reflect the company's current objectives, mission and vision.

1.7 RESPONSIBILITIES OF THE MEMBERS OF BPESA-WC

Members hold no shares and receive no dividends, & are responsible for:

- a. Registration of Articles of Association
- b. Attending General meetings
- c. Appointment of Directors
- d. Approval of Annual financial statements
- e. Appointment of Auditors

2 SECTION – BOARD AND DIRECTORS

The leadership of an organisation, including its directors, boards and committees, will have to review the corporate values that drive the behaviour to ensure that they and the organisation reflect societal norms and accepted governance guidelines.

Boards and directors, acting in the best interests of the company, form the focal point of corporate governance with responsibilities extending to stakeholders:

“Companies should be headed by a board that should direct, govern and be in effective control of the company”.

2.1 ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Responsible leadership

The board should be a responsible leader by providing **ethical leadership** based on an ethical foundation. The board should:-

- ❑ Direct the strategy and operations to build a sustainable business;
- ❑ Consider the short and long-term impacts of the strategy on the economy, society and the environment;
- ❑ Do business ethically;
- ❑ Do not compromise the natural environment; and
- ❑ Take account of the company’s impact on internal and external stakeholders

Boards responsibilities

- ❑ The strategic direction of the company and for the control of the control;
- ❑ Setting the values to which the company will adhere to formulated in its code of conduct;
- ❑ Ensuring that its conduct and that of management aligns to the values and is adhered to in all aspects of the business; and
- ❑ Promoting the stakeholder-inclusive approach of governance

Ethical Foundation

The board should:

- ❑ Ensure that all deliberations, decisions and actions are based on the four values; underpinning good governance, namely, responsibility, accountability, fairness and transparency;
- ❑ Ensure that each director adheres to the duties of a director

Responsible Corporate Citizen

The board should ensure that the company is and is seen to be a responsible corporate citizen. It should therefore:

- ❑ Consider not only on financial performance but also the impact of the company's operations on society and the environment;
- ❑ Protect, enhance and invest in the well-being of the economy, society and the environment;
- ❑ Ensure that the company's performance and interaction with its stakeholders is guided by the Constitution and the Bill of Rights
- ❑ Ensure that collaborative efforts with stakeholders are embarked upon to promote ethical conduct and good corporate citizenship;
- ❑ Ensure that measurable corporate citizenship programmes are implemented; and
- ❑ Ensure that management develops corporate citizenship policies.

Ethics managed effectively

The board should ensure that:

- ❑ It builds and sustains an ethical corporate culture in the company;
- ❑ It determines the ethical standards which should be clearly articulated and ensures that the company takes measures to achieve adherence to them in all aspects of the business;
- ❑ Adherence to ethical standards is measured;
- ❑ Internal and external ethics performance is aligned around the same ethical standards;
- ❑ Ethical risks and opportunities are incorporated in the risk management process;
- ❑ A code of conduct and ethics-related policies are implemented;
- ❑ Compliance with the code of conduct is integrated in the operations of the company; and
- ❑ The company's ethics performance should be assessed, monitored, reported and disclosed.

2.2 ROLE AND FUNCTION OF THE BOARD

1. The board should act as the focal point for and custodian of corporate governance. It should:
 - ❑ Have a charter setting out its responsibilities;
 - ❑ Meet at least four times per year;
 - ❑ Monitor the relationship between management and the stakeholders of the company; and
 - ❑ Ensure that the company survives and thrives.
2. The board should appreciate that strategy, risk, performance and sustainability are inseparable. The board should:
 - ❑ inform and approve the strategy;
 - ❑ ensure that the strategy is aligned with the purpose of the company, the value drivers of its business and the legitimate interests and expectations of its stakeholders;
 - ❑ satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and
 - ❑ ensure that the strategy will result in sustainable outcomes taking account of people, planet and profit.
3. The board should provide effective leadership based on an ethical foundation
4. The board should ensure that the company is and is seen to be a responsible corporate citizen
5. The board should ensure that the company's ethics are managed effectively
6. The board should ensure that the company has an effective and independent audit committee
7. The board should be responsible for the governance of risk
8. The board should be responsible for information technology (IT) governance
9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
10. The board should ensure that there is an effective risk-based internal audit
11. The board should appreciate that stakeholders' perceptions affect the company's reputation
12. The board should ensure the integrity of the company's integrated report
13. The board should report on the effectiveness of the company's system of internal controls
14. The board and its directors should act in the best interests of the company
 - ❑ The board must act in the best interests of the company.
 - ❑ Directors must adhere to the legal standards of conduct.
 - ❑ Directors or the board should be permitted to take independent advice in connection with their duties following an agreed procedure.

- ❑ Real or perceived conflicts should be disclosed to the board and managed.
 - ❑ Listed companies should have a policy regarding dealing in securities by directors, officers and selected employees.
15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act. The board should ensure that:
- ❑ the solvency and liquidity of the company is continuously monitored;
 - ❑ its consideration is fair to save a financially distressed company either by way of workouts, sale, merger, amalgamation, compromise with creditors or business rescue;
 - ❑ a suitable practitioner is appointed if business rescue is adopted; and
 - ❑ the practitioner furnishes security for the value of the assets of the company.
16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board
- ❑ The members of the board should elect a chairman on an annual basis
 - ❑ The chairman should be independent and free of conflict upon appointment.
 - ❑ A lead independent director should be appointed in the case where an executive chairman is appointed or where the chairman is not independent or conflicted.
 - ❑ The appointment of a chairman, who is not independent, should be justified in the integrated report.
 - ❑ The role of the chairman should be formalised.
 - ❑ The chairman's ability to add value, and his performance against what is expected of his role and function, should be assessed every year.
 - ❑ The chairman together with the board should consider the number of outside chairmanships held.
 - ❑ The board should ensure a succession plan for the role of the chairman.
17. The board should appoint the chief executive officer and establish a framework for the delegation of authority. The board should:
- ❑ appoint the CEO;
 - ❑ provide input regarding senior management appointments;
 - ❑ define its own level of materiality and approve a delegation of authority framework;
 - ❑ ensure that the role and function of the CEO is formalised and the performance of the CEO is evaluated against the criteria specified; and
 - ❑ ensure succession planning for the CEO and other senior executives and officers is in place.

2.3 COMPOSITION OF THE BOARD

The board should comprise a balance of power, with a majority of non-executive directors.

1. The majority of non-executive directors should be independent.
2. The majority of board members should be non-executive directors.
3. The majority of the non-executive directors should be independent.
4. When determining the number of directors serving on the board, the knowledge, skills and resources required for conducting the business of the board should be considered.
5. Every board should consider whether its size, diversity and demographics make it effective.
6. Every board should have a minimum of two executive directors of which one should be the CEO and the other the director responsible for finance.
7. At least one third of the non-executive directors should rotate every year.
8. The board, through its nomination committee, should recommend the eligibility of prospective directors.
9. The board should include a statement in the integrated report regarding the assessment of the independence of the independent non-executive directors.
10. The board should be permitted to remove any director without stakeholder approval.

2.3.1 CURRENT BOARD COMPOSITION

The Board has agreed that Directors be split into the following categories:

i. Appointees

The Board appoints appointees. Non-executive appointees serve a 2-year term. The appointees are the Chairperson and the Executive Director. The Chairperson is appointed annually at the first Board meeting after the AGM according to criteria such as experience, integrity, knowledge of the industry, and history of Board service and time availability.

ii. Invitees

Invitees include representatives of the Provincial Government of the Western Cape and the City of Cape Town, plus representatives from Wesgro and BPeSA. The Board can also decide at any time to invite suitably qualified members of the public or Government or industry to join the Board.

iii. Electees

Electees are chosen from local industry representatives and their peers as described below. Electees will serve a two-year term generally from January until December of the relevant year.

The electees are elected according to their industry representation or category. The Nomination Committee will determine whether each industry category is properly constituted and have the right to be represented on the BPESA WC Board i.e. whether they have right to a board seat and a right to vote.

- ◆ Outsourcers (4 seats)
- ◆ Captives (3 seats)
- ◆ SMME (1 seat)
- ◆ Service Providers (4 seats)
- ◆ PGWC (1 seat)
- ◆ CoCT (1 seat)

2.4 BOARD APPOINTMENT PROCESS

Directors should be appointed through a formal process

1. A nomination committee should assist with the process of identifying suitable members of the board.
2. Background and reference checks should be performed before the nomination and appointment of directors.
3. The appointment of non-executive directors should be formalised through a letter of appointment.
4. The board should make full disclosure regarding individual directors to enable shareholders to make their own assessment of directors.

The main objective behind electing this committee is to ensure and encourage as much participation from the local call centre community. There needs to be full participation, transparency and inclusiveness, which should naturally equate to full commitment and support from all players in the call centre community in the Western Cape. The election process will be divided into four stages:

- i. Nominations
- ii. Votes
- iii. Ratification
- iv. Announcement and After

The purpose of the election process is to end up with representatives on the Board that:

- ◆ are Expert
- ◆ have been fairly and transparently elected by the largest possible number of stakeholders
- ◆ are in accordance with the Board's demographic and gender targets

2.4.1 Nomination Process

Procedures for nominations and appointments to the board should be formal and transparent, and a matter for the board as a whole, assisted where appropriate by a nomination committee. This committee should constitute only non-executive directors, of whom the majority should be independent, and be chaired by the board chairperson.

Election announcement letters together with Nomination forms must be sent out to members together with the notice of the Annual General Meeting (AGM) at least 21 days prior to the AGM.

2.4.2 Nomination Committee

2.4.2.1 Constitution

- i. The nomination committee should develop a formal process of reviewing the balance and effectiveness of the board (using the relevant self evaluation criteria), identifying the skills needed and those individuals who might best be seen to be providing such skills in a fair and thorough manner, is increasingly required as an appropriate mechanism for ensuring that the board remains effective and focused.
- ii. The member of the nomination committee should serve on the committee for at least a year unless they have been evicted from the Board.
- iii. Voting should be anonymous.
- iv. Conflicts between members should be resolved by arbitration.
- v. All discussions should be confidential.

2.4.2.2 Membership

- i. The Nomination Committee ("Committee") shall consist of not less than three directors appointed by the board of directors ("board"), all of whom shall be non-executive directors and the majority deemed independent.

- ii. The chairperson of the Committee shall be the chairperson of the board if he or she is an independent non-executive director or, failing which, an independent non-executive director shall be appointed chair.
- iii. The Committee shall nominate a committee secretary.

2.4.2.3 Terms of reference

- i. The Committee shall make recommendations to the board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the board in general and the balance between executive and non-executive directors appointed to the board.
- ii. The Committee shall regularly review the board structure, size and composition and make recommendations to the board with regards to any adjustments that are deemed necessary.
- iii. The Committee shall be responsible for identifying and nominating candidates for the approval of the board to fill board vacancies as and when they arise, as well as put in place plans for succession, in particular for the chairperson and chief executive.
- iv. The Committee will have due regard for the principles of governance and code of best practice.

2.4.2.4 Meetings

- i. Meetings of the Committee will be held as the Committee deems appropriate. However, the Committee should meet at least once each year. Meetings should be organised so that attendance is maximised. The chairperson of the Committee or any member of the Committee may call a meeting at any other time.
- ii. The notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than under exceptional circumstances, be forwarded to each member of the Committee not less than four working days prior to the date of the meeting.
- iii. The quorum for decisions of the Committee shall be any two members present throughout the meeting who shall vote on the matter for decision.
- iv. The chairperson (or in his/her absence, an alternative member) of the Committee shall attend the annual general meeting and be prepared to answer questions concerning the appointment of executive and non-executive directors.

2.4.2.5 Proceedings

- i. Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the articles of association regulating the meetings and proceedings of directors and Committees.
- ii. The committee secretary shall take minutes of meetings. Minutes of all meetings shall be circulated to all the members of the Committee and may also, if the chairperson of the Committee so decides be circulated to other members of the board. Any director may, provided that there is no conflict of interest and with the agreement of the chairperson, obtain copies of the Committee's minutes.

2.4.2.6 General

- i. The Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- ii. The board will ensure that the Committee will have access to professional advice both inside and outside the organisation in order for it to perform its duties.
- iii. These terms of reference may be amended as required, subject to the approval of the board.

2.4.2.7 Selections of Nominations

Boards should ascertain whether potential new directors are fit and proper and are not disqualified from being directors. Prior to their appointment, their backgrounds should be investigated along the lines of the approach required for listed companies by the JSE and under the Banks Act. The nomination committee would prove useful for this purpose.

New directors with no or limited board experience should receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.

A brief CV of each director standing for election or re-election at the annual general meeting should accompany the notice contained in the annual report.

2.4.2.8 Current BPeSA Nomination Procedure

- i. An announcement requesting pre-submission of nominations and the process of election will be circulated to the entire list server of BPESA WC.
- ii. A strict deadline will be placed on the submission of nominees' names.
- iii. Receipt of late submissions will be treated as null and void.
- iv. Upon receipt of these names, BPESA WC will list the nominees together with number of nominations on the website.
- v. Any stakeholder in the BPESA WC community shall be permitted to nominate any ONE candidate per category, provided that only stakeholders who are from companies that are fully paid up members of BPESA WC will be allowed to nominate or be nominated.
- vi. Nominations must be received (with full contact details of nominating person and nominee) by email to admin@callingthecape.org.za
- vii. No stakeholder may nominate himself / herself.
- viii. Any candidate nominated for multiple categories shall be allowed to choose to stand in any category for which he/she has been nominated but must elect to stand in only one category. Candidates who have been nominated in more than one category are entitled to consult with BPESA WC as to which category would be preferable for them.
- ix. BPESA WC reserves the right to nominate specific individuals in specific categories if there have been inadequate nominations in a particular category.
- x. BPESA WC reserves the right to disqualify any nomination on the ground that the nominee has insufficient experience in his/her chosen category or if the nominee is not a bona fide practitioner in the call centre / BPO industry.
- xi. Nominees must submit a CV for the category or categories in which they have been nominated. Any nominee that fails to do so may be disqualified.
- xii. The final list of nominations will be published on the website and maybe emailed to the stakeholders. Once the list of nominations has been published, no changes to the nominees or the categories to which they have been nominated will be permitted.
- xiii. Only registered fully paid-up members can
 - a. Stand for election
 - b. Nominate
 - c. Vote
- xiv. One vote per fully paid-up member company

2.4.2.9 Voting Process

The nomination committee must oversee voting process at the AGM. The following voting and quorum protocols will be followed:

- i. Every member present or by proxy shall have one vote

- ii. Majority vote binding
- iii. No casting vote for chairperson

Quorum shall be at least 50% of the registered paid up members or by proxy

- Members will be invited to vote for nominees. All votes are counted equally, with one vote counted per category per legal entity company that is a fully paid-up of BPESA WC.
- Only votes from members that provide full name, company name, and either a valid cell phone number or a valid email address, will be accepted and counted
- Voting must be through the voting section of the BPESA WC website
- The proposed cut off date for voting is published and NO late votes will be accepted after this point.

2.4.2.10 Ratification of Nomination

- Once the votes have been tallied, weighted and counted, the current Board will meet and review the votes counted in each category (this may happen electronically).
- Based on the results of the election, the EXCO will recommend, and the Board will ratify, the candidate to be appointed in each category. All other things being equal, the candidate with the highest weighted votes score will be appointed for his/her respective category.
- However, the Board reserves the right to promote candidates subject to the final pre-adjusted racial composition of the new Board being in his/her opinion insufficiently representative of the demographics of the Western Cape and/or the Board's diversity targets. Such promotion may occur either when candidates have equal scores or when candidates have unequal scores. However, only nominated candidates may be appointed to the Board.
- The Board will also consider the experience of the candidates being proposed by the election, their suitability to be Directors, and (where relevant) their prior attendance and the assessment of their prior performance. The Board reserves the right to appoint someone other than the person who won the most votes. However, this should only be done in exceptional circumstances and with the approval of a majority of Board directors.
- Any Board directors who have stood for election are recused from the debate
- The Board reserves the final right of sign off on the new Board, which will be carried by consensus or by majority voting if necessary.

2.4.2.11 Announcement & After

- The existing Board will be dissolved.
- The new Board will be announced at the AGM, with newly elected members alerted beforehand that they should attend.
- The New Board will be formally welcomed at the AGM and the AGM will pass a motion of endorsement of the new Board.
- The new Board will be sent a Board Induction Pack (see Appendix 13.3), including a Code of Ethics, and the current Business Plan.

2.4.2.12 Vacancies

When a vacancy occurs on the board because someone has been disqualified from acting as director, the vacancy must be filled in the manner provided by the company's articles for the filling of casual vacancies. The same applies to a vacancy resulting from the removal of a director if the meeting deciding on the removal does not itself fill the position. A person becoming director in these circumstances is regarded, for purposes of determining the date on which he is to retire, as having been appointed on the day when the person whose place he is taking was last appointed director.

2.4.2.13 Registers concerning Directors and Officers

Every company is obliged to keep a register of its directors and officers. It is normally kept at its registered office where it is open to public inspection. Failure to comply with these provisions constitutes an offence.

The following information in respect of every director or officer must be entered in the register

- i. Full names and any former names, identity number or, if he/she has no such number, then date of birth and, if any officer is a corporate body, the address of its registered office;
- ii. Nationality if not South African, occupation, residential, business and postal addresses and date of appointment;
- iii. The name and registered office of every other company of which he or she is a director;
- iv. Any changes in these particulars and the date and nature of the change.

2.4.2.14 Formality on Directors Appointment

- i. Every director and officer must furnish his particulars to the company in writing on Form CM 27 within 28 days of his appointment and in case of a change in such particulars (other than by way of vacation of office) within 14 days of the change.
- ii. The company must forthwith upon receiving the particulars or change therein or upon a director, officer or auditor vacating his office enter it in the register.
- iii. Thereupon the company must within 14 days lodge a Form CM 29 (being in form an extract from the company's register of directors and officers) with the Registrar reflecting the then state of such register.
- iv. Form CM 29 itself contains a statement to be signed by a director to the effect that the required consents (CM 27) had been obtained and that the person(s) appointed as director or officer is not disqualified from acting as such.
- v. The company is further required to retain all consents to act as director or officer (CM 27) and the Registrar may require that certified copies thereof be submitted to him within 14 days of such request.

2.4.2.15 Attendance register

Directors attending a meeting of the directorate and managers attending any meetings of managers must sign an attendance register kept by the company for this purpose. The auditor must satisfy himself that an attendance register is kept.

2.5 DIRECTOR DEVELOPMENT

The induction of and ongoing training and development of directors should be conducted through formal processes. The board should ensure that:

- a formal induction programme is established for new directors;
- inexperienced directors are developed through mentorship programmes;
- continuing professional development programmes are implemented; and
- directors receive regular briefings on changes in risks, laws and the environment.

2.5.1 Formal Induction Process

- i. The board should establish a formal orientation programme to familiarise incoming directors with the company's operations, senior management and its business environment, and to induct them in their fiduciary duties and responsibilities.
- ii. Directors should receive further briefings from time to time on relevant new laws and regulations as well as on changing commercial risks.
- iii. New directors with no or limited board experience should receive development and education to inform them of their duties, responsibilities, powers and potential liabilities.
- iv. Executive directors should be encouraged to hold other non-executive directorships only to the extent that these do not interfere with their immediate management responsibilities. Non-executive directors should carefully consider the number of appointments they take in that capacity so as to ensure that the companies on which they serve enjoy the full benefit of their expertise, experience and knowledge.
- v. The Board to receive the following on appointment:
 - ❑ Minutes of the AGM at which they were appointed
 - ❑ The Memorandum and Articles of Association of the Company
 - ❑ The latest financial reports
 - ❑ The current business plan and budget
 - ❑ Minutes of all board meetings held in the previous year
 - ❑ Copy of the Corporate Governance Code of Practice
 - ❑ Copies of contracts, agreements and undertakings of a major nature such as with sponsors and business partners

2.6 COMPANY SECRETARY

The board should be assisted by a competent, suitably qualified and experienced company secretary

- ❑ The board should appoint and remove the company secretary.
- ❑ The board should empower the individual to enable him to properly fulfill his/her duties.

The company secretary should:

- ❑ have an arms-length relationship with the board;
- ❑ not be a director of the company;
- ❑ assist the nominations committee with the appointment of directors;
- ❑ assist with the director induction and training programmes;

- ❑ provide guidance to the board on the duties of the directors and good governance;
- ❑ ensure board and committee charters are kept up to date;
- ❑ prepare and circulate board papers;
- ❑ elicit responses, input, feedback for board and board committee meetings;
- ❑ assist in drafting yearly work plans;
- ❑ ensure preparation and circulation of minutes of board and committee meetings; and
- ❑ assist with the evaluation of the board, committees and individual directors.

2.6.1 Appointment

On appointment certain formalities must be complied with and personal information recorded in the register of directors and officers.

The secretary's written consent must be lodged with the company on form CM 27 and particulars must be recorded in the register of directors and officers.

2.6.2 Duties of Secretary

1. A secretary's duties include, but are not restricted to:
 - i. providing the directors of the company collectively and individually with guidance as to their duties, responsibilities and powers;
 - ii. making the directors aware of all law and legislation relevant to or affecting the company and reporting at any meetings of the shareholders of the company or of the company's directors, any failure to comply with such law or legislation;
 - iii. ensuring that minutes of all shareholders' meetings, directors' meetings and the meetings of any committees of the directors are properly recorded;
 - iv. certifying in the annual financial statements of the company that the company has lodged with the Registrar all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date;
 - v. ensuring that a copy of the company's annual financial statements is sent to every person who is entitled thereto in terms of this Act.

2.6.3 Relationship towards company

The secretary is the principal administrative officer of the company. He also has fiduciary duties towards the company.

2.6.4 Dealing with outsiders

In dealing with outsiders no specific or obvious powers attach to the office of a secretary.

2.6.5 Secretary may be a director

Provided the articles permit, a secretary may serve as a director of the company.

2.6.6 Secretary may be auditor of private company only

As BPeSA-WC is deemed to be a public company, neither the person who regularly performs the duties of secretary of the company nor his partner or employee may be auditor of the same public company.

2.7 PERFORMANCE ASSESSMENT

2.7.1 Board Evaluation

The evaluation of the board, its committees and the individual directors should be performed every year

- The board should determine its own role, functions, duties and performance criteria as well as that for directors on the board and board committees to serve as a benchmark for the performance appraisal.
- Yearly evaluations should be performed by the chairman or an independent provider.
- The results of performance evaluations should identify training needs for directors.
- An overview of the appraisal process, results and action plans should be disclosed in the integrated report.
- The nomination for the re-appointment of a director should only occur after the evaluation of the performance and attendance of the director.

2.7.2 Board and Director Appraisal

Boards should conduct regular, objective and honest, self-appraisals of the quality of ideas, solutions, reports and plans that are produced through their collective efforts. Such appraisal should not be limited to their own evaluation, but be extended to an assessment of the Board by the Members of the Company.

Areas for assessment should include, but not limited to:

- Board attendance

- Level of participation
- Quality of contribution
- Participation between meetings
- Quality of plans, budgets and reports
- Accomplishment of objectives
- Depth of business impact made
- Effectiveness of controls, processes and systems in place
- Standard of leadership and direction given
- Level of transparency maintained with stakeholders

It is suggested that BPeSA-WC' board rate itself at least once a year, as well as, have the members rate the board. Assessment of Board of Directors for Public Entities without share capital can be found on Page 114.

2.7.3 Board Effectiveness

Board effectiveness refers to the quality of performance of the board not only in meetings, but in their consistent skill, diligence and care throughout their term of office.

1. Board effectiveness begins with selection and appointment of the right people.
2. Motives such as self-promotion, visibility or networking will not be sufficient incentive.
3. Dedication to the aim of the company has far more sustaining power.
4. Dedication cannot be fabricated or faked and can only be based on real commitment.
5. Selection of directors must be planned and well managed by the board.
6. There should be no element of tokenism or cronyism.
7. Board effectiveness can be enhanced if directors:
 - ❑ Attend all meetings
 - ❑ Positively address matters before them
 - ❑ Fully participate in deliberation
 - ❑ Always strive to be fully informed
 - ❑ Abstain from political behaviour
 - ❑ Act with utmost sincerity and integrity
 - ❑ Respect the value of democratic but responsible contribution by others
 - ❑ Respect the role of the Chairperson as guardian of the process
 - ❑ Be alert to “Groupthink” syndrome
 - ❑ Avoid personalising debates

- ❑ Place a high value on trust
- ❑ Team time belongs to the team
- ❑ Respect the right of the Chair to manage priorities
- ❑ Respect final decisions and avoid “holding out”
- ❑ Honour and abide by final decisions of the Board
- ❑ All business discussed at Board meetings is strictly confidential

See Board and Director Appraisal (Page 108) for a more detailed approach for evaluating the Board’s performance.

2.8 BOARD COMMITTEES

The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities

- ❑ Formal terms of reference should be established and approved for each committee of the board.
- ❑ The committees' terms of reference should be reviewed yearly.
- ❑ The committees should be appropriately constituted and the composition and the terms of reference should be disclosed in the integrated report.
- ❑ Public and state-owned companies must appoint an audit committee.
- ❑ All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.
- ❑ Companies should establish risk, nomination and remuneration committees.
- ❑ Committees, other than the risk committee, should comprise a majority of nonexecutive directors of which the majority should be independent.
- ❑ External advisers and executive directors should attend committee meetings by invitation.
- ❑ Committees should be free to take independent outside professional advice at the cost of the company subject to an approved process being followed.

2.9 REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

Companies should remunerate directors and executives fairly and responsibly

- ❑ Companies should adopt remuneration policies aligned with the strategy of the company and linked to individual performance.
- ❑ The remuneration committee should assist the board in setting and administering remuneration policies.
- ❑ The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes.
- ❑ Non-executive fees should comprise a base fee as well as an attendance fee per meeting.
- ❑ It is however the prerogative of each company to decide whether directors should be remunerated or not.
- ❑ BPeSA-WC may contract the service of its directors or companies provided there is no conflict of interest.
- ❑ In the event that directors / board members are contracted to provide a specific service to the organization and paid accordingly, it must be managed as a Service Provider or Contractor and therefore fall outside the remuneration policy.

Companies should disclose the remuneration of each individual director and certain senior executives. The remuneration report, included in the integrated report, should include:

- ❑ all benefits paid to directors;
- ❑ the salaries of the three most highly-paid employees who are not directors;
- ❑ the policy on base pay;
- ❑ the use of benchmarks;
- ❑ incentive schemes to encourage retention;
- ❑ justification of salaries above the median;
- ❑ material payments that are ex-gratia in nature;
- ❑ policies regarding executive employment; and

Shareholders should approve the company's remuneration policy

- ❑ Shareholders should pass a non-binding advisory vote on the company's yearly remuneration policy.
- ❑ The board should determine the remuneration of executive directors in accordance with the remuneration policy put to shareholder's vote.

2.10 SUMMARY OF THE BOARD

- ❑ It is elected by the members at the AGM
- ❑ It is the body through which the company acts
- ❑ Is responsible for the Corporate Governance of the company
- ❑ It's responsible for the appointment of the CEO
- ❑ It ensures that the company operates within its object and powers
- ❑ It is ultimately responsible for the Company
- ❑ It must retain full and effective control over the company
- ❑ It must ensure that all decisions on all material matters remain in the hands of the Board

2.11 ROLE AND FUNCTION OF CHAIRPERSON

The primary role of the Chair is to ensure the smooth and effective functioning of the board not only at meetings, but as a team of informed and responsible stewards with a duty of care and attention at all times.

2.11.1 Responsibilities of Chairperson

1. There should be a clear accepted division of responsibilities at the head of the company to ensure a balance of power and authority, so that no one individual has unfettered powers of decision-making.
2. The chairperson should preferably be an independent non-executive director. A firm and objective leader who brings out the best in each director.
3. The chairperson's primary function is to preside over meetings of directors and to ensure the smooth functioning of the board in the interest of good governance.
4. The chairperson is elected by the directors, and has duties and responsibilities to:
 - i. Ensure smooth and effective functioning of the board, not just in meetings but as a responsible unit at all times.
 - ii. Should be a non-executive director with separate role from CEO.
 - iii. To ensure balanced composition of board in terms of skills, expertise and experience.
5. The common core functions performed by the chairperson, usually include
 - i. Providing overall leadership to the board without limiting the principle of collective responsibility for board decisions
 - ii. Actively participating in the selection of board members, as well as overseeing a formal succession plan for the board, CEO and senior management.

- iii. Arranging for new directors appointed to the board to be properly inducted and oriented, and monitoring and evaluating board and director appraisal.
 - iv. Determining, normally in conjunction with the CEO and the Company Secretary, the formulation of an annual work plan for the board against agreed objectives and goals, as well as playing an active part in setting the agenda for board meetings.
 - v. Acting as the main informal link between the board and management, and particularly between the board and the CEO.
 - vi. Maintaining relations with the company's stakeholders.
 - vii. Ensure that all directors play a full and constructive role in the affairs of the company and taking a lead role in removing non-performing or unsuitable directors from the board.
 - viii. Ensuring that all the relevant information and facts, objectively speaking, are placed before the board to enable the directors to reach an informed decision.
6. The board should appraise the performance of the chairperson on an annual or such other basis as the board may determine.
 7. To ensure that all directors are fully informed.
 8. That the board is rational and objective in all its deliberations.
 9. That the Board acts in the best interest of the Company and its aims.
 10. To ensure that the climate of meetings is conducive for the professional engagement of directors with one another.
 11. Time spent in Board meetings is productively applied to relevant issues only.
 12. To ensure that directors are freely able to apply their minds.
 13. To ensure that all directors are formally appointed and fully inducted by completing a CM27 form.
 14. To ensure that board procedures and protocols are followed, including notices, agendas, minutes and reports.
 15. That directors respect the rights and views of others and that cultural diversities are acknowledged and respected.
 16. To ensure that all directors participate effectively.
 17. The Board information due to stakeholders is complete and timeously distributed.
 18. The Chair may adjourn or postpone any discussion over which disagreement is too intense and become counter-productive.
 19. The Chair may adjourn or postpone any deliberation if insufficient information is available to the directors.

20. To ensure that decisions, whether by consensus or majority have been thoroughly deliberated, with sufficient information and constructive debate brought to bear.
21. With the CEO, to ensure that the assignment of portfolios, duties and tasks to directors is balanced and that such work is performed.
22. To ensure that a policy is in place for issuing of statements to external stakeholders and the media.
23. To ensure that the board is both internally and externally assessed at least once a year (Appendix 13.1 on page 108)

2.11.2 Effectiveness of Chairperson

The board should appraise the performance of the chairperson on an annual basis or such basis as the board determines. The following can be regarded as the main functions of the Chair against which the chairperson's performance can be measured:

1. To ensure that the board is rational and objective in all its deliberations, always acting in the best interest of the company and its aim;
2. To ensure that all directors are as fully informed as possible on the matters under discussion or on which decisions must be made;
3. To ensure that the setting and climate for board meetings is conducive to the professional engagement of directors with each other and for their full and undisturbed attention to the matters before them;
4. If in the considered judgement of the chair, the board is not sufficiently informed on a matter before it, the decision can be delayed or the meeting adjourned until more information can be obtained;
5. The chair may adjourn any meeting or postpone any discussion over which disagreement is so intense that the objectivity of a decision would be in doubt if a vote were to be taken;
6. To ensure that board procedures and protocols are followed and that directors display due respect for the rights and views of all members of the board;
7. To ensure that the backgrounds, values and cultural diversities of members of the board is acknowledged and respected and that no discrimination on any grounds whatsoever be exhibited towards any director;
8. To ensure that all directors perform their duties and obligations to the levels expected of their position, and that they participate in the deliberations and decisions of the board;
9. To ensure that the notices and agenda for board meetings are clear and accurate concerning the venue, time and date of future meetings, and that the minutes of the last meeting and new

matters for discussion are received in good time, and that the register of attendance is duly signed by all present;

10. To ensure that all directors attend all meetings of the board;
11. To ensure that directors respect the value of democratic but responsible contribution to the effectiveness of group decision-making;
12. To foster a climate of trust, as without it, constructive engagement in pursuit of board effectiveness becomes futile;
13. To manage the priorities of matters before the board and to limit the duration of discussions or re-arrange the agenda if necessary;
14. To insist that directors read board papers carefully and study the agenda for meetings so as to be well prepared and to be able to apply their minds to the business of the meeting;
15. To ensure that directors receive the following upon their appointment
 - ❑ Copy of the minutes of the AGM at which they were appointed;
 - ❑ Copies of the memorandum and articles of association of the company;
 - ❑ Copy of the latest financial reports;
 - ❑ Copy of the current business plan and budget;
 - ❑ Minutes of all board meetings held in the previous year;
 - ❑ Copy of the Corporate Governance Manual including attached policy documents;
 - ❑ Copies of contracts, agreements and undertakings of a major nature such as with sponsors and business partners
 - ❑ Notices, Agenda and Minutes to be used for meetings

2.12 ROLE AND FUNCTION OF THE CEO

2.12.1 Responsibilities of the CEO

1. The CEO has a critical and strategic role to play in the operational success of a company's business.
2. Some of the important functions that a CEO fulfils are usually to:
 - i. Develop and recommend to the board a long-term strategy and vision for the company that will generate satisfactory levels of stakeholders' value and positive, reciprocal relations with relevant stakeholders
 - ii. Develop and recommend to the board annual business plans and budgets that support the company's long-term strategy

- iii. Strive consistently to achieve the company's financial and operating goals and objectives, and ensure that the day-to-day business affairs of the company are appropriately monitored and managed
 - iv. Ensure continuous improvement in the quality and value of the products and services provided by the company and that the company achieves and maintains a satisfactory competitive position within its industry
 - v. Ensures that the company has an effective management team and to actively participate in the development of management and succession planning (including the CEO's own position)
 - vi. Formulate and oversee the implementation of major corporate policies; and
 - vii. Serve as the chief spokesperson for the company
3. The CEO should also maintain a positive and ethical work climate that is conducive to attracting, retaining and motivating a diverse group of top-quality employees at all levels of the company. In addition, the CEO is expected to foster a corporate culture that promotes ethical practices encourages individual integrity and fulfils social responsibility objectives and imperatives

2.12.2 Effectiveness of the CEO

1. The chairperson, or a sub-committee appointed by the board, should appraise the performance of the chief executive officer.
2. The board should satisfy itself that an appraisal of the chief executive officer is performed annually. The results of such an appraisal should also be considered by the Remuneration Committee to guide it in its evaluation of the performance and remuneration of the chief executive officer.

2.13 ROLE OF DIRECTORS AND NON-EXECUTIVE DIRECTORS

2.13.1 Introduction

Directors individually and collectively are responsible for the direction of the company and therefore accountable to the Members of the company. The directors of a company without shareholding have a fiduciary (duty of loyalty) responsibility to the company and more specifically, its stated aims.

Unlike a business enterprise where Directors have a duty of loyalty to the shareholders, the Directors of a Company without shareholding have a fiduciary (duty of loyalty) responsibility to the Company and more specifically, its stated aims.

Their main function can best be described as that of good Stewardship over the plans, funds and resources of the organisation and their provident application towards the accomplishment of the declared purpose of the business.

2.13.2 Difference between Directors and Non-Executive Directors

Unless they are employees of the Company, the Directors are in effect non-executive Directors. However, all Directors have equal responsibility and the law makes no distinction between executive and non-executive Directors.

1. The board should ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board's decision taking.
2. Non-executive directors should be individuals of calibre and credibility, and have the necessary skill and experience to bring judgment to bear independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance.

2.13.3 Classification of Director's

In the annual report, the capacity of the directors should be categorised as follows:

2.13.3.1 Executive Director

Executive director is an individual that is involved in the day-to-day management and/or is in full-time salaried employment of the company and/or any of its subsidiaries.

2.13.3.2 Non-executive Director

Non-executive director is an individual not involved in the day-to-day management and not a full-time salaried employee of the company or of its subsidiaries. An individual in the full-time employment of the holding company or its subsidiaries, other than the company concerned, would also be considered to be a non-executive director unless such individual by his/her conduct or executive authority could be construed to be directing the day-to-day management of the company and its subsidiaries. All BPeSA - WC board members are non-executive directors.

2.13.4 Responsibilities of Directors

The collective function and responsibilities of the Board are listed earlier in Section 0, but the main duties and responsibilities of Directors individually are summarised as follows:

- i. To perform their duties with utmost loyalty, good faith, care, skill and attentiveness.
- ii. Directors must ensure that they have the time to devote to their board duties so that they can effectively perform their role and work to the level expected of them.
- iii. Directors must always be satisfied that they have sufficient information and time to make responsible, well informed decisions. They must insist that notices, board papers and reports are received timeously to enable them to study them and satisfy themselves of the adequacy and quality of the information.
- iv. Directors must never permit a conflict of duties or interests and must disclose any such potential conflicts at the earliest opportunity.
- v. They must act with intellectual honesty, independently of any outside instruction, obligation or constraint.
- vi. As overseers and not operators of the business, Directors must obtain a good working knowledge of the Company's operation, management and administration.
- vii. Directors have the right to present their views and to table any information they have which has bearing on matters under discussion at Board meetings, and conversely must respect the rights of other Directors to act in the same way.
- viii. Directors may not divulge confidential Company information, matters or plans to any unauthorised persons without the explicit and prior approval of the Board.
- ix. If a Director is in any doubt about the veracity or adequacy of information presented to the board, they may obtain independent professional advice. The cost for such service may only be to the Company's account if the Board has approved it in advance.
- x. The King report on Corporate Governance recommends that a Director should not be liable for a breach of the duty of care and skill if they have exercised a business judgement in good faith and within the following criteria:
 - An informed decision was made based on all relevant facts.

- The decision is rational.
 - There is no self-interest.
- xi. Directors may also seek independent advice on their rights, duties and responsibilities as Directors if they are uncertain about any such aspect.
- xii. Directors may not make any personal gain by way of commission, gift, profit or remuneration other than through fees, if approved, for their services as Directors.
- xiii. Directors should become knowledgeable about the political, economic, social, technological and industry environment in which the Company operates.
- xiv. Directors must not act outside of their limits of responsibility or beyond their levels of authority as specified in their letters of appointment, the Company's Articles of Association and any other document in which their terms of reference are explained.
- xv. It is also the responsibility of Directors to ensure that adequate accounting records are maintained. This can be achieved by insisting that management accounts are presented at every board meeting. Failure to produce such accounts and reports is always strongly indicative of inadequate accounting systems and controls. Repeated errors and revisions to these reports after being tabled is also a clue to problems in this area.

2.14 MANAGERS & COMMITTEES

The board must determine its own levels of materiality and appoint managers to operate the business on a day-to-day basis. Special committees may need to be setup:

- ❑ in terms of the Public Finance Management Act
- ❑ to improve its own effectiveness
- ❑ managers should be given sufficient authority, be engaged with service contracts and be given full board support
- ❑ the board cannot delegate its responsibility to lead and direct the company

In carrying on the business of the company, Managers shall:

- i. be made sufficiently informed by the board of the aims, plans, budgets and contractual obligations of the company
- ii. fully satisfy themselves that their authority and duties are clear
- iii. act within their powers and authority
- iv. be able to act freely without duress and interference
- v. manage with the skill, diligence and care expected of persons in their position
- vi. manage the business in the best interest of the company
- vii. comply with and ensure compliance with the code of conduct
- viii. maintain and protect the good name of the company
- ix. not unreasonably jeopardise the job security of employees
- x. comply with labour laws governing labour relations and conditions of employment
- xi. deal openly and fairly with unions
- xii. protect employees against physical, mental or emotional harassment
- xiii. take adequate steps to ensure that safekeeping and protection of the company assets

2.14.1 Executive Committee

2.14.1.1 Constitution

The Executive Committee (EXCO) is constituted to assist the CEO to manage the company. The board of directors (board) takes a regular cognisance of authorities delegated to the CEO by means of resolutions. The EXCO assists the CEO in acting for the board in managing the business of the group when the board is not in session, subject to the statutory limits and the board's limitations on delegation of authority to the CEO. The EXCO assists the CEO to guide and control the overall

direction of the business of the group and acts as a medium of communication and co-ordination between the business and the board.

2.14.1.2 Membership

- i. EXCO shall consist of not less than 5 directors appointed by the board.
- ii. The chairperson shall chair EXCO.
- iii. The committee shall nominate a committee secretary.

Board continuity, subject to performance and eligibility for re-election, is imperative, and a programme ensuring a staggered rotation of directors should be put in place by the board to the extent that this is not already regulated.

2.14.1.3 Powers and Responsibilities

EXCO is conferred with all the powers conferred upon the directors by the articles of association and the EXCO shall be responsible for:

- i. Implementation of strategies and policies of the company;
- ii. Managing the business and affairs of the company;
- iii. Prioritising the allocation of capital and technical and human resources;
- iv. Establishing the best management practices and functional standards; and
- v. Senior management appointment and monitoring the performance of senior management.

2.14.2 Finance & Procurement Committee

This committee should be elected from members of the board, usually from members of the EXCO committee which would assist the CEO with financial related matters in the day-to-day management of the company. This committee can also assume responsibility for Procurement which would manage the procurement practices of the commission.

It should consist of at least 3 executive members, ideally chaired by the Financial Manager or Director ideally with financial background. This committee should have at least one person with a financial background. The ideal membership structure should be at least:

- a. CEO (optional if a Financial Director is available)
- b. Financial Manager / Chief Financial Officer (if applicable)

- c. Non-Executive Director – ideally with a financial background or have the necessary skills if there is no Financial Director.

This committee can also act as the Audit Committee referred to later.

BPESA WC has since 2001 developed a procurement policy gradually and organically, rather than seeking to impose an external policy on the company's activities. The procurement policy is informed by the following principles;

- ◆ The advantages of building long term, sustainable relationships with suppliers
- ◆ The need to ensure price competition and always achieve value for money
- ◆ The need to support emerging BEE enterprises wherever possible
- ◆ The need to support SMME's more generally
- ◆ The need to recognise the role that BPESA WC members play in the organisation
- ◆ The need for thorough procurement processes that can be inspected, audited and defended
- ◆ The need for the organisation to move rapidly to achieve its demanding business plan goals

2.14.2.1 Structure

It should consist of at least 3 executive members, ideally chaired by the Financial Director or Chief Financial Officer. This committee should have at least one person with a financial background. The ideal membership structure should be at least:

- ◆ CEO (optional if a Financial Director / CFO is available)
- ◆ Financial Director / Chief Financial Officer (if applicable)
- ◆ Executive Director – ideally with a financial background or have the necessary skills if there is no Financial Director.

2.14.2.2 Basic Policies

BPESA WC has categorised a two distinct types of expenditure:

- ◆ Operating Expenditure (Opex)
- ◆ Capital Expenditure (Capex)

In general, all major Capex projects will be subject to a tender process (see below). Opex is not generally subject to a tender process. As far as Opex is concerned, the principles outlined above are applied in determining supplier selection. However, where new Opex suppliers are being taken on for new projects, a formal tender process may be deemed appropriate.

With respect to budgeted expenditure, in general any expenditure greater than R100 000 on Capex projects or major new Opex suppliers would be subject to a formal tender process. In extreme circumstances, where urgent delivery of goods or services is required, the tender process may be dispensed with. With the Procurement Committee's pre-approval, suppliers may then be selected by the Executive team in accordance with the Approvals Framework.

2.14.2.3 Existing Committee Members

The Procurement Committee consists of the EXCO of BPESA WC. For the 2011 – 2012 year, the EXCO is as follows:

City	1 seat
PGWC	1 seat
Board Director	1 seat
Board Director	1 seat
BPESA WC CEO	1 seat

2.14.2.4 Approvals Framework

The organisation's procurement is also subject to a formal Approvals Framework. This framework has been developed by the Board, which outlines the levels of authority delegated to the Board, the EXCO and the Executive Director.

The Approval Framework is constructed around the principle:

Commitments which are Material by virtue of their Nature or Amount.

The application of this framework is as follows: The Executive Director is free to make all commitments required in the performance of his job and to discharge his responsibilities subject to the limits and exceptions listed below which require approval in advance, unless otherwise noted.

		Executive Committee	Board of Directors
Commitment			
Nature			
	Human Resources		
	Leave - Executive Director	Informed*	
	Exec Director Remuneration – Package		Approval
	Exec Director Remuneration – Bonus		Approval
	Staff Hiring - commitment of resources	Approval	

	Staff Dismissal	Approval	
Financial & Planning			
	Annual Financial Statements		Approval
	Business Plan		Approval
	Bank (Signatories, Accounts & Limit Structure)		Approval
Operational			
	Press Releases	Informed**	
	Quarterly Progress Reports to Funders		Approval
Legal			
	Contractual Commitments (requiring signature) (1)		Approval
	Litigation		Approval
	Reporting of Fraud & Misappropriation		Approval
Amount			
	Budgeted Expenses (2)	> R75k**	
	Unbudgeted Expenses (2)	R50k-R150k	> R150k
	Unbudgeted Event (3)	> R200k	

* **Informed in advance**

** **Informed after the event** (or before, at the discretion of the Exec Director)

Notes

- (1) *Specifically: Auditors, Leases (excl. Finance Leases less than R100k), Borrowings, Loans made & Guarantees made*
- (2) *Single commitments (i.e. single expenses or aggregated expenses for the same item)*
- (3) *Amounts specified applies to the Event's Total Direct Expenses*

In practice, therefore, the normal process is that the Executive team will present a full Budget to the Board, which will be approved by the Board, annually. Once that approval is in place, the Executive team is entitled to make financial commitments to suppliers, subject to the limitations of the Budget, although the EXCO (which acts as the Procurement Committee) needs to be informed of all commitments greater than R75 000. If financial commitment is required for any unbudgeted item greater than R50 000 but less than R150 000, the Procurement Committee will need to give specific approval. Above R150 000 in unbudgeted expenditure, full Board approval is required.

2.14.2.5 Tenders

Where a formal tender process is deemed appropriate, the tendering process is subject to a full RFP process. A sample RFP is shown below.

The scoring of RFPs in generally as follows:

- ◆ Proposed approach 15%
- ◆ Previous experience 15%
- ◆ Ability to execute 15%
- ◆ Cost 20%
- ◆ BEE Credentials 20%
- ◆ SME Credentials 15%

In any event, the combined weighting of the tender scoring methodology for BEE and SMME credentials is never less than 35% of the total score.

Tenders are adjudicated on the basis of written submissions and presentations, made by suppliers by the Procurement Committee. Each member of the Committee is required to score independently, without prior conferring. Total scores are then tallied and the results discussed.

2.14.3 Marketing Committee

This committee can be elected from members of the board as well as from the company's staff. It should be chaired by the Marketing Manager or the CEO (if no Marketing manager). It will assist with the development and implementation of the marketing strategy of the company.

The ideal membership structure should be at least:

- a. Marketing Manager
- b. CEO (if no Marketing Manager)
- c. Director or Management – ideally someone with a marketing background or have the necessary skills if there is no Marketing Director.

2.14.4 Skills & Development Committee

This committee can be elected from members of the board as well as from the company's staff. It should be chaired by the Chairperson or CEO (whoever is the more senior person) at the company. It will assist with the development and implementation of the skills and development strategy, including transformation of the company and sector. The ideal membership structure should be:

- a. CEO (optional)

- b. Transformation/Skills Manager
- c. Director or Chairperson – ideally someone with a training and development background or have the necessary skills.

2.14.5 Ad hoc Committees

Other committees can be setup on an ad hoc basis for tasks such as:

- SME
- Short term projects
- Feasibility studies
- Investigating proposals and making recommendations

2.15 EMPLOYEES

2.15.1 Statutory Regulations governing Employment

It is the responsibility of the Board of Directors to ensure that the Company complies with all the Statutory Regulations concerning the recruitment, selection, appointment and conditions of employment of people. The following suite of employment Acts apply to organisations:

- ❑ Basic Conditions of Employment Act, 75 of 1997
- ❑ The Labour Relations Act of 1995
- ❑ The Skills Development Act of 1998
- ❑ The Employment Equity Act, 55 of 1998

2.15.2 Formal Contracts of Employment

Managers must ensure that all employees have formal contracts of employment, whether they are fixed-term contract workers or full time employees, and the duties and standards of work required from employees must be clearly set out in their job descriptions.

2.15.3 Employees Fundamental Rights

Individuals cannot sign away their fundamental rights and any employment contract that denies an employee a basic right cannot be enforced. Some of these basic human rights are:

- ❑ The right to equality and freedom from discrimination.
- ❑ The right to human dignity.
- ❑ The right to freedom and security.
- ❑ The right to privacy.
- ❑ The right to freedom of expression.
- ❑ The right to religion, belief and opinion.
- ❑ The right to freedom of assembly, demonstration and petition.
- ❑ The right to freedom of association.
- ❑ The right to freely take part in political activity.
- ❑ The right to freedom of trade, occupation and profession.
- ❑ The right to fair labour practices in the workplace.

2.15.4 Employees Obligations

Employees do accept certain obligations and conditions related to their duties when they become employed by companies, and provided such conditions comply with the five Acts mentioned and they are therefore deemed to be "Fair," employers have a right to insist that employees perform and behave as agreed.

In addition to the execution of their direct duties, the Company can reasonably expect the following from their employees:

- i. Avoid any waste of the organisations resources, including time.
- ii. Respect the confidentiality of sensitive business information.
- iii. Use their capabilities and develop their potential as much as possible, particularly for training received.
- iv. Act honestly at all times and report any harmful activity they may observe or come across in the workplace.
- v. Commit to honouring their agreed terms and conditions of employment.
- vi. Not abuse a strong collective bargaining position or engage in unreasonable industrial action.
- vii. Pay due regard to environmental and public health considerations in and around the workplace.

Such conduct and expected values cannot be unreasonably demanded and remain largely a factor of the degree of mutual respect for human dignity and organisational objectives that exists within the Company.

3 AUDIT COMMITTEE

3.1 CONSTITUTION

Every company should establish a Committee to be known as the Audit Committee (“Committee”) to assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The Committee should not perform any management functions or assume any management responsibilities. It provides a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the board. The Committee should mainly make recommendations to the board for its approval or final decision. The membership, resources, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, is stipulated in these terms of reference which may be amended by the board as and when required. The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.

1. The board should ensure that the company has an effective and independent audit committee
 - i. Listed and state-owned companies must establish an audit committee.
 - ii. All other companies should establish an audit committee and define its composition, purpose and duties in the memorandum of incorporation.
 - iii. The board should approve the terms of reference of the audit committee.
 - iv. The audit committee should meet as often as is necessary to fulfil its functions but at least twice a year.
 - v. The audit committee should meet with internal and external auditors at least once a year without management being present.

3.2 MEMBERSHIP & RESOURCES OF AUDIT COMMITTEE

The members shall consist of not less than three directors appointed by the board, the majority of whom shall be non-executive directors and (where possible) shall be independent non-executive directors.

The board shall appoint a chairperson from the non-executive members of the Committee and determine the period for which he or she shall hold office. The chairperson of the board shall not be eligible to be appointed as chairperson of the Committee.

The board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.

The company secretary shall be the secretary of the Committee.

2. Audit committee members should be suitably skilled and experienced independent non-executive directors
 - i. All members of the audit committee should be independent non-executive directors.
 - ii. The audit committee should consist of at least three members.
 - iii. The chairman of the board should not be the chairman or member of the audit committee.
 - iv. The committee collectively should have sufficient qualifications and experience to fulfil its duties.
 - v. The audit committee members should keep up-to-date with developments affecting the required skill-set.
 - vi. The committee should be permitted to consult with specialists or consultants subject to a board-approved process.
 - vii. The board must fill any vacancies on the audit committee.
3. The audit committee should be chaired by an independent non-executive director
 - i. The board should elect the chairman of the audit committee.
 - ii. The chairman of the audit committee should participate in setting and agreeing the agenda of the committee.
 - iii. The chairman of the audit committee should be present at the AGM.

3.3 POWERS AND RESPONSIBILITIES

4. The audit committee should oversee integrated reporting
 - i. The audit committee should have regard to all factors and risks that may impact on the integrity of the integrated report.
 - ii. The audit committee should review and comment on the financial statements included in the integrated report.

- iii. The audit committee should review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.
 - iv. The audit committee should recommend to the board to engage an external assurance provider on material sustainability issues.
 - v. The audit committee should consider the need to issue interim results.
 - vi. The audit committee should review the content of the summarised information.
 - vii. The audit committee should engage the external auditors to provide assurance on the summarised financial information.
5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- i. The audit committee should ensure that the combined assurance is received is appropriate to address all the significant risks facing the company.
 - ii. The relationship between the external assurance providers and the company should be monitored by the audit committee.

3.4 INTERNAL ASSURANCE PROVIDERS

6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function
- i. Every year a review of the finance function should be performed by the audit committee.
 - ii. The results of the review should be disclosed in the integrated report.
7. The audit committee should be responsible for overseeing of internal audit
- i. The audit committee should be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive.
 - ii. The audit committee should approve the internal audit plan.
 - iii. The audit committee should ensure that the internal audit function is subject to an independent quality review as and when the committee determines it appropriate.
8. The audit committee should be an integral component of the risk management process
- i. The charter of the audit committee should set out its responsibilities regarding risk management.
 - ii. The audit committee should specifically have oversight of:

- ❑ financial reporting risks;
- ❑ internal financial controls;
- ❑ fraud risks as it relates to financial reporting; and
- ❑ IT risks as it relates to financial reporting.

3.5 EXTERNAL ASSURANCE PROVIDERS

9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process

The audit committee:

- i. must nominate the external auditor for appointment;
- ii. must approve the terms of engagement and remuneration for the external audit engagement;
- iii. must monitor and report on the independence of the external auditor;
- iv. must define a policy for non-audit services provided by the external auditor and must approve the contracts for non-audit services;
- v. should be informed of any Reportable Irregularities identified and reported by the external auditor; and
- vi. should review the quality and effectiveness of the external audit process.

3.6 REPORTING

10. The audit committee should report to the board and shareholders on how it has discharged its duties

- i. The audit committee should report internally to the board on its statutory duties and duties assigned to it by the board.
- ii. The audit committee must report to the shareholders on its statutory duties:
 - ❑ how its duties were carried out;
 - ❑ if the committee is satisfied with the independence of the external auditor;
 - ❑ the committee's view on the financial statements and the accounting practices; and
 - ❑ whether the internal financial controls are effective.

- iii. The audit committee should provide a summary of its role and details of its composition, number of meetings and activities, in the integrated report.
- iv. The audit committee should recommend the integrated report for approval by the board.

3.7 SUMMARY OF AUDIT COMMITTEE FUNCTIONS

- ❑ To establish independence and objectivity of directors and external auditors
- ❑ To increase accountability
- ❑ Reduce the opportunity for fraud
- ❑ Strengthen objectivity and credibility of financial reporting
- ❑ The Audit Committee should be advisory body without executive powers.
- ❑ Consisting of non-executive directors
- ❑ Meet at least twice annually
 - Before commencement of the annual audit
 - After completion of the external audit
- ❑ Make recommendations to the board for retention or replacement of external auditors.

4 RISK MANAGEMENT

The board is responsible for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

4.1 RESPONSIBILITY FOR RISK MANAGEMENT

1. The board should be responsible for the governance of risk
 - i. A policy and plan for a system and process of risk management should be developed.
 - ii. The board should comment in the integrated report on the effectiveness of the system and process of risk management.
 - iii. The board's responsibility for risk governance should be expressed in the board charter.
 - iv. The induction and ongoing training programmes of the board should incorporate risk governance.
 - v. The board's responsibility for risk governance should manifest in a documented risk management policy and plan.
 - vi. The board should approve the risk management policy and plan.
 - vii. The risk management policy should be widely distributed throughout the company.
 - viii. The board should review the implementation of the risk management plan at least once a year.
 - ix. The board should ensure that the implementation of the risk management plan is monitored continually.
2. The board should determine the levels of risk tolerance
 - i. The board should set the levels of risk tolerance once a year.
 - ii. The board may set limits for the risk appetite.
 - iii. The board should monitor that risks taken are within the tolerance and appetite levels.
3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities
 - i. The board should appoint a committee responsible for risk.
 - ii. The risk committee should:

- consider the risk management policy and plan and monitor the risk management process;
 - have as its members executive and non-executive directors, members of senior management and independent risk management experts to be invited, if necessary;
 - have a minimum of three members; and
 - convene at least twice per year.
- iii. The performance of the committee should be evaluated once a year by the board.

4.2 MANAGEMENT'S RESPONSIBILITY FOR RISK MANAGEMENT

- 4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan
 - i. The board's risk strategy should be executed by management by means of risk management systems and processes.
 - ii. Management is accountable for integrating risk in the day-to-day activities of the company.
 - iii. The Chief Risk Officer should be a suitably experienced person who should have access and interact regularly on strategic matters with the board and/or appropriate board committee and executive management.
 - iv. The board should make use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of risk management and internal control to provide reasonable assurance regarding the achievement of organisational objectives with respect to:
 - effectiveness and efficiency of operations;
 - safeguarding of the company's assets (including information);
 - compliance with applicable laws, regulations and supervisory requirements;
 - supporting business sustainability under normal as well as adverse operating conditions;
 - reliability of reporting; and
 - behaving responsibly towards all stakeholders.

4.3 RISK ASSESSMENT

- 5. The board should ensure that risk assessments are performed on a continual basis
 - i. The board should ensure effective and ongoing risk assessments are performed.

- ii. A systematic, documented, formal risk assessment should be conducted at least once a year.
 - iii. Risks should be prioritised and ranked to focus responses and interventions.
 - iv. The risk assessment process should involve the risks affecting the various income streams of the company, the critical dependencies of the business, the sustainability and the legitimate interests and expectations of stakeholders.
 - v. Risk assessments should adopt a top-down approach.
 - vi. The board should regularly receive and review a register of the company's key risks.
 - vii. The board should ensure that key risks are quantified where practicable.
6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
- i. The board should ensure that a framework and processes are in place to anticipate unpredictable risks.
 - ii. This risk assessment should address the company's exposure to at least the following:
 - physical and operational risks;
 - human resource risks;
 - technology risks;
 - business continuity and disaster recovery;
 - credit and market risks; and
 - compliance risks.
 - iii. Other risks that could be assessed are:
 - Interest rate risk
 - Country risk
 - Currency and foreign exchange risk
 - Technology risk
 - Price risk
 - Disaster recovery risk
 - Operational risk
 - Reputational risk
 - Competitive risk
 - Legal risk

- ❑ Compliance and control risk
- ❑ Sensitivity risk e.g. environmental, health and safety
- ❑ Investment and asset valuation risk
- ❑ Other risks appropriate to the business, which may be identified from time to time

4.4 RISK RESPONSE

7. The board should ensure that management considers and implements appropriate risk responses
 - i. Management should identify and note in the risk register the risk responses decided upon.
 - ii. Management should demonstrate to the board that the risk response provides for the identification and exploitation of opportunities to improve the performance of the company.

4.5 RISK MONITORING

8. The board should ensure continual risk monitoring by management
 - i. The board should ensure that effective and continual monitoring of risk management takes place.
 - ii. The responsibility for monitoring should be defined in the risk management plan.

4.6 RISK ASSURANCE

9. The board should receive assurance regarding the effectiveness of the risk management process
 - i. Management should provide assurance to the board that the risk management plan is integrated in the daily activities of the company.
 - ii. Internal audit should provide a written assessment of the effectiveness of the system of internal controls and risk management to the board.

4.7 RISK DISCLOSURE

10. The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders
 - i. Undue, unexpected or unusual risks should be disclosed in the integrated report.
 - ii. The board should disclose its view on the effectiveness of the risk management process in the integrated report.
 - iii. The board is responsible for disclosures in relation to risk management and should, at a minimum disclose:
 - a. that it is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness and for establishing appropriate risk and control policies and communicating these throughout the company;
 - b. that there is an ongoing process for identifying, evaluating " and managing the significant risks faced by the company, that has been in place for the year under review and up to the date of approval of the annual report and financial statements;
 - c. that there is an adequate system of internal control in place to mitigate the significant risks faced by the company to an acceptable level. Such a system is designed to manage, rather than eliminate, the risk of failure or maximise opportunities to achieve business objectives. This can only provide reasonable, but not absolute, assurance;
 - d. that there is a documented and tested process in place that will allow the company to continue its critical business processes in the event of a disastrous incident impacting on its activities;
 - e. where material joint ventures and associates have not been dealt with as part of the group for the purposes of applying these recommendations. Alternative sources of risk management and internal control assurance applied to these activities should be disclosed, where these exist;
 - f. that any additional information in the annual report to assist understanding of the company's risk management processes and system of internal control should be provided as appropriate; and
 - g. where the board cannot make any of the disclosures set out above, it should state this fact and provide a suitable explanation.

- h. Risk should not only be viewed from a negative perspective. The review process may identify areas of opportunity, such as where effective risk management can be turned to competitive advantage.

5 OPERATIONAL PROCEDURES

5.1 MEETINGS: PROCEDURES AND RESOLUTIONS

5.1.1 ANNUAL GENERAL MEETING

The annual general meeting is no more than a general meeting subject to a number of specific provisions as stated in the Act and the company's articles. At the same time all the provisions regarding general meetings in general are applicable to every annual general meeting.

5.1.1.1 When to be held

Annual general meetings will be held each year usually within a period of 150 (one hundred and fifty) days after the end of the company's financial year. BPeSA's financial year end is end of February which means that the annual general meeting must be held before the 31st July of the same year.

5.1.1.2 Extension of time

Application may be made to the Registrar for extension of the time within which the annual general meeting has to be held.

5.1.1.3 Notice

At least 21 days notice is required.

5.1.1.4 Business of meeting

In terms of the Act, the annual general meeting shall deal with and dispose of the matters assigned to it by the Act and the Articles which could be dealt with by any general meeting. Accordingly any company matter can be dealt with at an annual general meeting.

Typically, the annual general meeting must deal with

- all matters by the Act,
- consideration of the annual financial statement,
- election of directors,
- appointment of auditors, and
- any other business laid before it.

5.1.1.5 Annual financial statements

The directors must ensure that the annual financial statements are laid before the annual general meeting. The annual financial statements should consist of

- the balance sheet,
- income statement,
- cash flow statement, and
- the auditor's report

5.1.1.6 Chairperson's report

It is fairly general practice and recommended, for the chairperson, when proposing that the financial statements be approved, to submit to the meeting a chairperson's report in which the affairs and prospects of the company is dealt with. This report is not a statutory requirement.

5.1.1.7 Resolution not to meet

A company need not hold its annual general meeting if all members entitled to attend so agree in writing. In that event a resolution signed by all members entitled to vote at the annual general meeting and disposing of the matters to be dealt with at such meeting shall be deemed to be a resolution passed at an annual general meeting duly held in the usual way.

5.1.1.8 Directions on inability to meet

If the annual general meeting is not held or cannot be held at the times set out above or does not deal with the matter prescribed by the Act, application may be made by the company or any member or their respective legal representatives to the Registrar who may himself call or direct the calling of a meeting deemed to be an annual general meeting and also give such further notice as he or she may deem necessary.

5.1.1.9 Necessity of meeting

The above measures are designed to ensure the holding of the annual general meeting. Failure to hold the annual general meeting timeously renders every director or officer of the company, who is knowingly party to the default, guilty of an offence. It follows that the directors cannot avoid holding the annual general meeting.

5.1.2 CONVENING OF GENERAL MEETINGS

5.1.2.1 By the directors

General meetings are normally convened by the board of directors as it is customary and logical that this duty be assigned to that organ in the articles. Such an arrangement implies that the directors must convene a general meeting by way of a resolution at a properly constituted meeting of the board.

The power of the directors to call a general meeting is a fiduciary power of a discretionary nature which must be exercised in good faith in the interest of the company as a whole.

5.1.2.2 By the court

In addition to the common-law power of the court to order the calling of a meeting, the court is specifically authorized in s 183 to order that a meeting of the company be held. If it is impracticable to call or conduct (a general meeting in the prescribed manner, or if the court for any other reason deems fit, it may issue an order with directions relating to the calling, holding and conduct of the meeting of the company. In particular the directions may include one to the effect that a single member or the legal representative of a member present in person or by proxy shall constitute a meeting.

5.1.3 NOTICE OF MEETING

5.1.3.1 Notification Period: -

i. Notification of AGM

Notices to an annual general meeting must be called in writing at least 21 days prior to meeting

ii. Notification of General Meetings

Notices for other general meetings must be called at least 14 days prior to meeting

iii. Notification of Executive Meetings

Although not specified in Articles, at least 7 days written notice should be given to executive members

iv. Notification of Board Meetings

Although not specified in Articles, at least 14 days written notice should be given to executive members

5.1.3.2 Short Notice

The only way in which shorter notice for convening general or annual general meetings than the required minimum is permitted is if it is so agreed by a majority in number of the members having a right to attend and vote at the meeting and who holds 95% of the total voting rights of all the members. Accordingly, if members representing more than 5 % object to short notice the meeting cannot be held and fresh notice must be given.

5.1.3.3 Special Notice

An exceptional type of notice, known as *special notice*, must be given when the removal of directors or of auditors is proposed. In the case of directors, and sometimes in the case of auditors, the resolution requires only a simple majority, but special notice means that notice of the motion must be given 28 days before the meeting at which it is to be moved. The person who is to propose the motion must give notice to the company and the company in turn must give notice of the motion simultaneously with the notice to its members of the meeting at which the motion is to be moved.

5.1.3.4 Persons entitled to Notice

Unless the articles are to the contrary, notice of a general meeting must be served on every member. The company's auditor must receive the same notice of meetings as any member. A fundamental requirement for a valid meeting is that all members entitled to notice are given notice in the manner prescribed in the articles.

5.1.3.5 Content of Notices

All notices must at least contain the following information:

- i. Day
- ii. Place
- iii. Time
- iv. Venue
- v. Agenda or purpose of meeting is Agenda is not yet available

In addition, the recognised principle is that the notice must provide sufficient information on the business to be transacted and the purpose of the meeting to enable a member to decide for himself whether to attend the meeting or not.

In the case of a special resolution the Act specifically provides that notice must be given not only of the intention to propose a special resolution, but also of the terms of the resolution, its effect and the reasons for it.

5.1.3.6 Reference to appointment by Proxy

A statement must appear with reasonable prominence in the notice of the meeting that a member is entitled to appoint a proxy to attend and speak in his stead, and that the proxy may vote in his stead on a poll and, if the articles so provide, also on a show of hands.

5.1.3.7 Notice Formats

Meeting notices can be sent by:

- i. Email
- ii. Fax
- iii. Mail: Post or Hand delivered

5.1.3.8 Notice Confirmation

Confirmation of receipt of meeting notices should be obtained from invitees in the following manner:-

- i. Email
Receipt by email
- ii. Fax
Invitee must confirm by fax, email, or telephone
- iii. Mail: Post or Hand delivered
No confirmation is necessary if hand delivered and invitee signs receipt, otherwise, invitee must confirm by fax, email, or telephone

5.1.3.9 Attendance Confirmation

All invitees must confirm their attendance by the following date: -

- i. AGM
At least 7 days prior to meeting
- ii. General Meetings
At least 7 days prior to meeting
- iii. Executive Meetings
At least 2 days prior to meeting

iv. Board Meetings

At least 5 days prior to meeting

5.1.4 PROCEEDINGS AT MEETINGS

Matters relating to proceedings at general meetings are dealt with in the articles. In addition, matters dealt with below may have been covered in other section, but it will highlight some additional points.

5.1.4.1 The Chairperson

The chairperson of the board of directors shall be the chairperson at general meetings of the company. The chairperson must maintain impartiality but he is entitled to exercise his ordinary vote.

5.1.4.2 Quorum

Quorum for various kinds of meetings is as follows:

5.1.4.2.1 Board Meetings

Quorum shall be one third of the number of directors (or their alternates) unless fixed by directors.

5.1.4.2.2 Executive Committee Meetings

More than half of the total members of the executive committee constitute a quorum.

5.1.4.2.3 General Meetings

Quorum shall be at least 50% of the members entitled to vote or by proxy

If meeting is adjourned due to lack of quorum, and quorum is not present within half an hour of appointed time at adjourned meeting, then members present will be quorum.

5.1.4.3 Adjournment

The “adjournment” of a meeting refers to the continuation of the original meeting at a later stage, either at the same or a different place. The Articles, “Proceedings at Meetings of Members”, should deal with procedure on failure to obtain a quorum.

5.1.4.4 Voting Rights and Procedure

The voting protocols must be contained in the Articles of Association.

- Every member present or by proxy shall have one vote
- Majority vote binding
- No casting vote for chairperson in addition to his or her ordinary vote
- Appointment of proxies will be administered according to BPeSA-WC's Articles of Association.

Usually voting will be done by a show of hands whereby every member shall have one vote.

5.1.4.5 Proxies

The Articles specifies the procedure for use of proxies.

5.1.5 RESOLUTIONS

5.1.5.1 Resolution by simple majority

A company resolution is the formal decision of a company in general meeting to act in a certain way. Normally a company resolution is passed by a simple majority of members present and entitled to vote, and who constitute a quorum.

5.1.5.1.1 Ordinary Resolution

A resolution taken on a simple majority is generally known as an ordinary resolution and is required for all decisions of a general meeting other than those requiring either a specified majority or a special resolution. An ordinary resolution operates from the date of adoption but may be operative from a different date if it so provides.

5.1.5.1.2 Special Resolution

A special resolution is effective only from the date of its registration by the Registrar.

Requirements for a valid special resolution:

- a. The notice convening the meeting must
 - ❑ Give 21 clear days notice in writing of the meeting
 - ❑ State the intention to propose the resolution as a special resolution as a special resolution, the terms and effect of the resolution and the reasons for such a resolution.
- b. The resolution must be passed at a general meeting at which members holding in the aggregate at least one quarter of the total votes of all members entitled to vote at the

meeting are present in person or by proxy. If less votes are present or represent at this meeting, the meeting will stand adjourned to a day not earlier than 7 days and not later than 21 days after the date of the meeting.

- c. On a vote by a show of hands the resolution must be passed by at least three-quarters of the members entitled to vote on a show of hands at the meeting who are present in person or by proxy. If a poll has been demanded it must be passed by at least three-quarters of the total votes to which members present in person or by proxy are entitled.

5.1.5.2 Registration of Special Resolution

A special resolution must be lodged with the Registrar¹ within 30 days after it was passed after which penalties become payable. This requirement is subject to criminal sanction which provides that any special resolution not lodged within 6 months of being passed, will lapse and be void. The Registrar may refuse to register a special resolution which appears to be in conflict with the Act or the company's memorandum and articles but the court may overrule it. Once the special resolution has been registered a copy thereof must be attached to or embodied in every copy of the articles issued thereafter, and every member becomes entitled on request to a copy of the resolution.

5.1.6 MINUTES

5.1.6.1 Recording in the minute book

Every company shall have minutes recorded in an official language of all proceedings at any meeting of the company in a minute book or books kept for that purpose; the further requirement that the minute must be entered within one month of the date of the particular meeting is aimed at enabling members to inspect minutes of a meeting within a reasonable time after it was held. Such minute book must be kept at the company's registered office or at the office where it is made up.

5.1.6.2 Signature of minutes

The minutes of a meeting purporting to be signed by the chairman of that meeting or the chairman of the next succeeding meeting shall be evidence of the proceedings, but may be disproved by evidence to the contrary.

5.1.6.3 Inspection

The minute book(s) must be available for inspection by any member free of charge at the registered office or at the office where it is made up. A member is entitled to a copy of the minutes of any general meeting within seven days after he has requested it in writing.

5.1.7 FREQUENCY AND ATTENDANCE

5.1.7.1 Board Meetings

- a. The board should meet regularly, at least once a quarter if not more frequently as circumstances require, and should disclose in the annual report the number of board and committee meetings held in the year and the details of attendance of each director (as applicable).
- b. Efficient and timely methods should be determined for informing and briefing board members prior to meetings while each board member is responsible for being satisfied that, objectively, they have been furnished with all the relevant information and facts before making a decision.
- c. Non-executive directors should have access to management and may even meet separately with management, without the attendance of executive directors. This should, however, be agreed collectively by the board usually facilitated by the non-executive chairperson or lead independent non-executive director.
- d. The board should regularly review processes and procedures to ensure the effectiveness of the company's internal systems of control, so that its decision-making capability and the accuracy of its reporting are maintained at a high level at all times.
- e. The board should ensure that it receives relevant non-financial information going beyond assessing the financial and quantitative performance of the company, and should look at other qualitative performance factors that involve broader stakeholder interests.

5.1.7.2 General Meetings

- a. The board should encourage shareowners to attend annual general meetings and other company meetings, at which the directors should be present.
- b. More particularly, the chairpersons of each of the board's committees, especially the audit committee, should be present at the annual general meeting.

5.1.7.3 Meeting Timings

Board meetings are held quarterly on the last Thursday of the months of January, April, July and October, unless otherwise stated.

EXCO meetings are held on the last Thursday towards the end of every month, usually on a Thursday, unless otherwise stated. There should be at least one EXCO meeting held between Board meetings.

In general, operational matters are discussed in the monthly EXCO meetings (consisting of the Chair, Executive Director, and other non-executive directors).

EXCO members are required to either attend all EXCO meetings or ensure that secondary directors are properly briefed and attend on behalf of the respective industry silo. Failure to attend meetings can carry severe penalties.

5.2 PROCUREMENT POLICY AND PROCEDURE

5.2.1 Overview

This policy and procedural document should set out the ethical and sound procurement practices to be followed by all staff involved in procuring goods and services, to ensure value for money outcomes for BPeSA-WC.

Under the general direction of the Chief Financial Officer, in the absence of a Chief Procurement Officer or dedicated procurement Manager, the Procurement Committee develops BPeSA-WC's procurement policies, establishes contracts, manages tendering processes, provides a centralised procurement service for BPeSA-WC and provides assistance and advice to all staff. These policies and procedures represent the minimum standards which BPeSA-WC staff is expected to achieve in their procurement activities. They will be reviewed and updated as appropriate in order to continuously improve procurement within BPeSA-WC.

These Procurement Procedures is intended to be a dynamic document, reflecting continuing developments in procurement practice and incorporating changing legislative and environmental requirements.

6 THE GOVERNANCE OF INFORMATION TECHNOLOGY

6.1 INFORMATION TECHNOLOGY GOVERNANCE

1. The board should be responsible for information technology (IT) governance
 - i. The board should assume the responsibility for the governance of IT and place it on the board agenda.
 - ii. The board should ensure that an IT charter and policies are established and implemented.
 - iii. The board should ensure promotion of an ethical IT governance culture and awareness and of a common IT language.
 - iv. The board should ensure that an IT internal control framework is adopted and implemented.
 - v. The board should receive independent assurance on the effectiveness of the IT internal controls.

6.2 PERFORMANCE AND SUSTAINABILITY

2. IT should be aligned with the performance and sustainability objectives of the company
 - i. The board should ensure that the IT strategy is integrated with the company's strategic and business processes.
 - ii. The board should ensure that there is a process in place to identify and exploit opportunities to improve the performance and sustainability of the company through the use of IT.

6.3 IMPLEMENTATION OF IT GOVERNANCE FRAMEWORK

3. The board should delegate to management the responsibility for the implementation of an IT governance framework
 - i. Management should be responsible for the implementation of the structures, processes and mechanisms for the IT governance framework.
 - ii. The board may appoint an IT steering committee of similar function to assist with its governance of IT.
 - iii. The CEO should appoint a Chief Information Officer responsible for the management of IT.
 - iv. The CIO should be a suitably qualified and experienced person who should have access and interact regularly on strategic IT matters with the board and/or appropriate board committee and executive management.

6.4 MONITORING AND EVALUATION – IT INVESTMENT & EXPENDITURE

4. The board should monitor and evaluate significant IT investments and expenditure
 - i. The board should oversee the value delivery of IT and monitor the return on investment from significant IT projects.
 - ii. The board should ensure that intellectual property contained in information systems is protected.
 - iii. The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services.

6.5 RISK MANAGEMENT

5. IT should form an intergral part of the company's risk management
 - i. Management should regularly demonstrate to the board that the company has adequate business resilience arrangements in place for disaster recovery.
 - ii. The board should ensure that the company complies with IT laws and that IT related rules, codes and standards are considered.

6.6 MANAGEMENT OF INFORMATION ASSETS

6. The board should ensure that information assets are managed effectively
 - i. The board should ensure that there are systems in place for the management of information which should include information security, information management and information privacy.
 - ii. The board should ensure that all personal information is treated by the company as an important business asset and is identified.
 - iii. The board should ensure that an Information Security Management System is developed and implemented.
 - iv. The board should approve the information security strategy and delegate and empower management to implement the strategy.

6.7 RISK & AUDIT COMMITTEE

7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities
 - i. The risk committee should ensure that IT risks are adequately addressed.

- ii. The risk committee should obtain appropriate assurance that controls are in place and effective in addressing IT risks.
- iii. The audit committee should consider IT as it relates to financial reporting and the going concern of the company.
- iv. The audit committee should consider the use of technology to improve audit coverage and efficiency.

7 COMPLIANCE AND ENFORCEMENT

7.1 LEGAL AND STATUTORY REQUIREMENTS

The legal and statutory requirements that apply to the work of Directors, is both extensive and onerous and those accepting appointments to positions on Company Boards should be fully cognizant of their implications. In addition to the statutory provisions for the rights of persons, both as employees and as individuals, Directors must be knowledgeable of the applicable regulations contained in the following legislation:

- ❑ The Companies Act No 63 of 1973
- ❑ New Companies Act 2008
- ❑ The Public Finance Management Act No 1 of 1999

7.2 BOARD RESPONSIBILITIES

1. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards
 - i. Companies must comply with all applicable laws.
 - ii. Exceptions permitted in law, shortcomings and proposed changes expected should be handled ethically.
 - iii. Compliance should be an ethical imperative.
 - iv. Compliance with applicable laws should be understood not only in terms of the obligations that they create, but also for the rights and protection that they afford.
 - v. The board should understand the context of the law, and how other applicable laws interact with it.
 - vi. The board should monitor the company's compliance with applicable laws, rules, codes and standards.
 - vii. Compliance should be a regular item on the agenda of the board.
 - viii. The board should disclose details in the integrated report on how it discharged its responsibility to establish an effective compliance framework and processes.

7.3 UNDERSTANDING OF LAWS, RULES, CODES AND STANDARDS

2. The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business
 - i. The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.
 - ii. Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties.

7.4 COMPLIANCE RISK

3. Compliance risk should form an integral part of the company's risk management process
 - i. The risk of non-compliance should be identified, assessed and responded to through the risk management processes.
 - ii. Companies should consider establishing a compliance function.

7.5 IMPLEMENTATION – COMPLIANCE FRAMEWORK & PROCESSES

4. The board should delegate to management the implementation of an effective compliance framework and processes
 - i. The board should ensure that a legal compliance policy, approved by the board, has been implemented by management.
 - ii. The board should receive assurance on the effectiveness of the controls around compliance with laws, rules, codes and standards.
 - iii. Compliance with laws, rules, codes and standards should be incorporated in the code of conduct of the company.
 - iv. Management should establish the appropriate structures, educate and train, and communicate and measure key performance indicators relevant to compliance.
 - v. The integrated report should include details of material or often repeated instances of non-compliance by either the company or its directors in their capacity as such.
 - vi. An independent, suitably skilled compliance officer may be appointed.
 - vii. The compliance officer should be a suitably skilled and experienced person who should have access and interact regularly on strategic compliance matters with the board and/or appropriate board committee and executive management.

- viii. The structuring of the compliance function, its role and its position in terms of reporting lines should be a reflection of the company's decision on how compliance is to be integrated with its ethics and risk management.
- ix. The compliance function should have adequate resources to fulfil its function.

8 CODE OF CONDUCT AND ETHICS

8.1 CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR EMPLOYEES

8.1.1 Introduction

- i. Organisation must at all times, conduct its business with the utmost integrity and without fear of ever compromising best practices and ethical standards of behaviour.
- ii. It is important that Organisation and all its stakeholders subscribe to the highest standards of conduct. We must adopt such values as Integrity, Excellence and Equity in our client relationships and our management must always try to foster participation, co-operation and partnerships.
- iii. Our business relationships must always be characterized by ethical behaviour in compliance with certain set values, applicable laws and best practices.
- iv. The object of this Code of Conduct is to serve as a guide for excellence in behaviour within Organisation as well as its interactions with clients, Government departments and other institutions.
- v. In the pursuit of excellence we must never allow, either, client wishes, corporate growth, profitability or coercion of any nature, to influence our integrity.

8.1.2 Board Directors – Obligation

8.1.2.1 Attendance of Meetings

- i. All Members shall attend all Board meetings or any committee meetings to which he/she has been elected or appointed, except where leave of absence has been granted by the Chairperson or an apology is tendered, citing good and valid reasons.
- ii. All Members are required to study any documentation provided prior to attending meetings.

8.1.2.2 Procedures

- i. All procedures applicable to conducting a meeting are the prerogative of the Chairperson of such meetings and his/her rulings must be adhered to by all present.
- ii. All Senior Executives shall at all times observe Organisation's operational procedures as incorporated in its policy documents.

8.1.2.3 Coercion

No Member or Senior Executive shall, consciously;

- i. Attempt to influence or mislead the Board in its deliberations of issues placed before the Board. All such issues shall be subject to open discussion and decisions shall be reached either by consensus or majority vote.
- ii. Omit to inform the Board of any direct or indirect associations between him/herself and any individual or company involved in the issue tabled.
- iii. Directly or indirectly advocate or encourage the Board to participate in any unlawful decision making.
- iv. Directly or indirectly advocate or encourage any person, company or body to the effect that it will abrogate any of Organisation's rights or enter into any agreement or obligation, the neglect of which will incur a loss or in any way prejudice the organisation, improperly or unlawfully.
- v. Request, solicit or demand from any person, company or body a direct or indirect reward for conducting Organisation business.
- vi. Accept any gift or reward in exchange for conducting Organisation business in such a way as to favour any person, company or body to the detriment of Organisation.
- vii. Notwithstanding the foregoing, any award offered other than an inducement, will be accepted on behalf of Organisation and the board in its discretion shall decide what is to be done with it.

8.1.2.4 Confidentiality

No Board Member or Senior Executive shall on his / her own authority or through the agency of any third party, disclose to any unauthorized person, company or body or to the press or any media any matters relating to Organisation without the express prior approval of the Board.

8.1.3 Obligations and Interventions

No Board Member or Senior Executive shall, directly or indirectly;

- i. Intervene or attempt to intervene in the management, administration and/or operation of any division within Organisation, except through the Manager or his / her duly appointed representative.
- ii. Issue or attempt to issue an executive order to any employee except where such authority has specifically been delegated by the Manager or his/her representative.
- iii. Disadvantage organisation by consciously encouraging any debate or participation in any act which would cause or contribute to mal-administration within organisation or any division thereof.
- iv. Consciously encourage or advocate any act which would cause or contribute to an infringement of the personal and constitutional rights of any of organisation's employees.
- v. Pursue any personal liaison with any other staff members during working hours and any relationships with any students attending courses. In this respect the terms and conditions of the Labour Relations Act shall be strictly enforced.
- vi. Source information or create interaction with any employee except that it be arranged through the Manager who in his/her discretion may refer the matter to the Board.

8.1.4 Employee Rights

- i. No Board Member or Senior Executive shall directly or indirectly, coerce or put pressure on any Organisation employee to influence the course preparation, documentation or the outcome of any assessment in order to slant a phrase or recommendation in any particular manner.
- ii. No Board Member or Senior Executive shall in any way instruct or influence any Organisation employee to disregard the implementation of any Board decision.
- iii. Notwithstanding what is contained in clauses (i) and (ii), the Manager shall have the right to amend such Board decisions due to changing circumstances and immediately seek ratification at the next Board meeting.

8.1.5 Misappropriation of Property

No Board Member or Member of Staff shall,

- i. Appropriate for personal gain or benefit or for any other person with whom he/she is associated, any moveable or immovable property or asset owned, controlled or managed by Organisation.
- ii. Unlawfully or improperly acquire any benefit from or right, title, or interest, in or over any property or asset owned, controlled or managed by Organisation.

- iii. Use office facilities, equipment, motor vehicles or any other property belonging to Organisation for conducting his/her business affairs outside his/her functions as an employee of Organisation.

8.1.6 Breach of Code of Conduct

- i. Should any Board Member or employee become aware of any failure to comply with the provisions of this Code of Conduct, it shall be his/her duty to immediately report the matter in writing to the Manager.
- ii. Upon receipt of such a report, the Chief Executive Officer shall immediately refer the matter to the Chairperson for the following investigative action:-
 - a. Investigate the facts and circumstances,
 - b. Obtain written statements and comments from all concerned. If such statements are not provided within a reasonable time, the Manager shall have the right to proceed as per item (c) below,
 - c. If the Manager and the Chairperson are reasonably satisfied that there has been a breach of the Code of Conduct, they will submit a full report to the Board, who will decide on the appropriate action to be taken.
 - d. In the event that any Board Member being implicated the Manager shall have the discretion to call an extraordinary Board meeting with the exclusion of the said Director.

8.1.7 Availability

- i. The Manager shall ensure that each Board Member and Senior Executives is furnished with a copy of this Code of Conduct.
- ii. All employees must be informed that they sign compliance when signing their employment contracts.
- iii. A notice advising of this Code of Conduct and its availability shall be displayed on a notice board accessible to all employees.
- iv. A copy of this Code of Conduct must be available in every room or place where Board or Committee meetings are held.

8.2 CODE OF ETHICS

Economic and commercial endeavours cannot be pursued without certain moral and ethical limitations that protect the rights of all members of society. In the business world ethical behaviour is conventionally defined as honouring the unwritten moral rule of not causing harm to others through unfair and uncompetitive commercial practices. This goes beyond just legal obligations and includes moral conduct expected with generally accepted commercial practices.

Morality refers to human conduct and values whilst ethics in general refers to the study of those areas. However, the terms are used interchangeably and are mostly used as meaning right or good. Business ethics is therefore, strictly speaking, the study of what constitutes right or wrong or good or bad human conduct in a business context.

The incorporation of a preferred set of moral behaviours and business conduct in a Governance Manual such as this is for the purpose of stating clearly and expressly, the Company's position, and therefore the obligation of its Members, Directors, Managers and Employees. The elements that refer to moral behaviours can be described collectively as a code of conduct or a code of ethics.

The Institute of Directors state that, "It is the responsibility of the directors to determine the moral and ethical climate of the business." By their business practise, shared values and applied ethics, the Directors of an enterprise set the moral standard and culture of an organisation.

However, the espoused values alone, upheld by Directors, is not sufficient to infuse the organisation with a particular culture, and it is only with group experience over time, of these values consistently at work and their success as business practice, that they become the shared values of an organisational culture. It is important therefore that the code of conduct and ethics adopted by the Board be well communicated at an early stage in the operation and management of the Company. Once ways of working and relating become relatively fixed they are more difficult to change

8.2.1 Basic Guidelines of What Code Should Cover

This section sets out some basic guidelines of what a code of conduct should cover, but it is the responsibility of the Board to ensure that any adopted code includes all required behaviours specific to their business.

A code of conduct is not a set of business processes or procedures, and as explained, refers to a set of expected behaviours from all members that the organisation values above other ways of doing things. Activities, on which a code should be clear, would typically include:

- That the code be made available to everyone in the organisation
- All people to whom the code will apply, must fulfil their obligations in such a manner as to conduct business effectively without causing harm to any party other than by fair and legitimate commercial practices.
- To fully disclose the services and benefits offered by the Company to all prospective beneficiaries without bias or prejudice.
- To respect the political, religious, ethnic and other attributes of diverseness that will be encountered within the operating milieu of the Company.
- To honour both the spirit and letter of agreements made with suppliers of goods and services and to avoid catching vendors on "technicalities."
- To supply with promptness any undertaking made by a member of the Company.
- Not to mislead any party regarding the object of the Company's business, its ability to deliver, or to raise false expectations about the Company.
- To create such a transparency about the business and its management that information on its performance and conduct can be presented by any stakeholder without fear of reprisal.
- To maintain an open door with stakeholders that will enable them to easily contact the responsible people for information or to lodge complaints.
- Everyone must strive to reduce inefficiencies and the wastage or abuse of resources in the organisation.
- Not to place the assets of creditors at risk.
- Not to use the assets or resources of the Company for personal benefit or for uses not authorised by the Board.
- Not to engage in or sanction any bribery and to immediately disclose such acts as may become known.
- Terminate dealings with any enterprise that bribes or attempts to bribe employees.

- Not to use confidential information gained in the course of conducting the business for personal gain or to the prejudice of the Company's stakeholders, or for any improper use.
- To that ensure that the business obtains good cost-benefit advantages by applying astute, but fair buying practices.
- Not to employ abusive, intimidating or threatening tactics to obtain advantage for the Company.
- Not to apply funds for purposes other than the purpose for which it was lent or donated.
- To report honestly on the financial position of the business to its stakeholders.
- Deal courteously with all stakeholders, having respect for cultural sensitivities, different business methods and individual dignity.
- Give due attention to the development and training of all employees.
- Recognise employees' efforts by fair and adequate remuneration and other means .Employees shall fulfil their service obligations and support management in a manner that enables the Company to fulfil its commercial and ethical obligations.
- Help fellow employees to meet their obligations.
- Employees shall avoid unreasonable disruption of the business or hindering it from accomplishing its aims.
- Employees shall avoid making any false accusations against management, fellow employees and organisations or their representatives doing business with the Company.

8.2.2 Summary

- Ethical behaviour is generally defined as honouring the unwritten moral rule of not causing harm to others through unfair commercial practices
- This includes moral conduct expected with generally accepted commercial practices
- The inclusion of a preferred set of ethical behaviours in this code is for the purpose of stating its position
- It is the responsibility of the Directors to determine the moral and ethical climate of the business
- Espoused values alone will not suffice Values must be experienced consistently over time
- The code must be well communicated at an early stage in the operations of the business
- The code of conduct is not a set of business procedures and defines a set of preferred behaviour
- The code must at least encompass the following:
 - Be available to everyone

- ❑ All people must fulfil their obligations
- ❑ All services and benefits offered by the company must be fully disclosed to prospective beneficiaries
- ❑ Respect for political, religious and ethnic diversities
- ❑ Both the letter and the spirit of all agreements must be honoured
- ❑ To act promptly on all undertakings of the company
- ❑ Not to mislead any party
- ❑ To create and maintain a transparency about the business much that feedback can be given without fear of reprisal
- ❑ To maintain an open door with all stakeholders
- ❑ All must strive to reduce inefficiencies and wastage
- ❑ Not to place the assets of creditors at risk
- ❑ Not to use the assets of the company for personal gain
- ❑ Not to engage in or sanction bribery
- ❑ Not to use confidential information for personal gain
- ❑ To employ best buying practices
- ❑ Not to employ abusive or threatening tactics for advantage
- ❑ To apply funds only for approved purposes
- ❑ To report honestly
- ❑ To attend training needs
- ❑ To remunerate fairly
- ❑ Employees to fulfil their obligation and help others to meet theirs
- ❑ To avoid unreasonable disruption
- ❑ Not to make false accusations against fellow employees, management or organisations

8.3 EMPLOYMENT EQUITY, SKILLS RETENTION

a. Constitution

The primary objective of the Company's Employment Equity Programme is to develop and implement a competitive human resources strategy to ensure that the company is able to attract, retain and develop the best possible talent to support superior business performance. The Committees objective is to create an organisational culture, structures and process that

seek to support the development of people and the optimisation of their potential The programme shall form part of the business plans and the committee shall be responsible for enforcing, monitoring and auditing development and progress The exclusion of any person capable of contributing to the company's affairs is not good business practice and accordingly a secondary, but equal objective, is the need to address any existing inequalities in staff profiles and organisational practice Those staff that has been disadvantaged must be given the appropriate support so that they, too, will be equipped for successful careers in the company

b. Membership

- EXCO shall consist of not less than 3 directors appointed by the board
- The Chairperson of the Committee shall be the chair of the Board
- The committee shall nominate a committee secretary
- Suitably qualified persons may be co-opted onto the committee when necessary to render such specialist services as may be necessary to assist the committee in its deliberations on any particular matter

c. Terms of Reference

- Powers and responsibilities

The Committee is tasked with implementing the company's employment equity policy, which is underpinned by a commitment to:

1. Enhance business performance through progressive and innovative human resource management;
2. Create an environment where individuals that demonstrate the qualities of initiative, enterprise, ability, effort and loyalty are able to develop rewarding careers at all levels, irrespective of their backgrounds;
3. Ensure that all employees have the right to work in an environment that is free from discrimination and harassment;
4. Ensure equitable access opportunity;
5. Maintain an environment where employment and progression is based on merit;

6. Provide meaningful support and appropriate education and training to those from historically disadvantaged backgrounds;
7. Enhance diversity by developing a culture that values and optimises the benefits of diversity;
8. The critical factor to the success of the initiative is executive leadership, management accountability Employee participation and employment equity infrastructure;
9. The committee is to determine policy; approve budgets; implement the employment equity Act and other HR laws;
10. Create a diversity forum for both employee and employer representation;
11. Determine, agree and develop the company's general policy on executive and senior management remuneration;
12. Determine remuneration packages including but not limited to basic salary, benefits in kind, annual bonus Performance based incentives, pension and other benefits;
13. Ensure compliance with the:
 - Basic Conditions of employment Act
 - Labour relations Act
 - Skills development Act
 - Employment Equity Act
 - Basic rights of individuals as per the constitution of South Africa
14. All employees to have formal contracts of employment.

9 INTERNAL AUDIT

9.1 STATUS AND ROLE OF INTERNAL AUDIT

- i. Companies should have an effective internal audit function that has the respect and co-operation of both the board and management. Where the board, in its discretion, decides not to establish an internal audit function, full reasons must be disclosed in the company's annual report, with an explanation as to how assurance of effective internal controls, processes and systems will be obtained.
- ii. Consistent with the Institute of Internal Auditors' ("IIA") definition of internal auditing in an internal audit charter approved by the board, the purpose, authority and responsibility of the internal audit activity should be formally defined.
- iii. The IIA has succinctly set out the role and function of internal audit in its Standards for the Professional Practice of Internal Auditing, including the code of Ethics and the definition of internal audit, which is fully endorsed by the King Committee.
- iv. Internal audit should report at a level within the company that allows it to fully accomplish its responsibilities. The head of internal audit should report administratively to the chief executive officer, and should have ready and regular access to the chairperson of the company and the chairperson of the audit committee.
- v. Internal audit should report at all audit committee meetings.
- vi. The appointment or dismissal of the head of the internal audit should be with the concurrence of the audit committee.
- vii. If the external and internal audit functions are carried out by the same accounting firm, the audit committee and the board should satisfy themselves that there is adequate segregation between the two functions in order to ensure that their independence is not impaired.

9.2 SCOPE OF INTERNAL AUDIT

- i. Internal audit is an independent, objective assurance and consulting activity to add value and improve a company's operations. It helps a company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- ii. An effective internal audit function should provide:
 - a. assurance that the management processes are adequate to identify and monitor significant risks;

- b. confirmation of the effective operation of the established internal control systems;
 - c. credible processes for feedback on risk management and assurance; and
 - d. objective confirmation that the board receives the right quality of assurance and information from management and that this information is reliable.
- iii. The internal audit plan should be based on risk assessment as well as on issues highlighted by the audit committee and senior management. The risk assessment process should be of a continuous nature as to identify not only residual or existing but emerging risks and should be conducted formally at least annually, but more often in complex organisations. This risk assessment should be co-ordinated with the board's own assessment of risk.
 - iv. The audit committee should approve the internal audit work plan.
 - v. The internal audit function should co-ordinate with other internal and external providers of assurance to ensure proper coverage of financial, operational and compliance controls and to minimise duplication of effort.

9.3 NEED FOR & ROLE OF INTERNAL AUDIT

- 1. The board should ensure that there is an effective risk based internal audit
 - i. Companies should establish an internal audit function.
 - ii. Internal audit should perform the following functions:
 - a. evaluate the company's governance processes;
 - b. perform an objective assessment of the effectiveness of risk management and the internal control framework;
 - c. systematically analyse and evaluating business processes and associated controls; and
 - d. provide a source of information as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.
 - iii. An internal audit charter should be defined and approved by the board.
 - iv. The internal audit function should adhere to the IIA Standards and code of ethics.

9.4 INTERNAL AUDIT'S APPROACH AND PLAN

- 2. Internal audit should follow a risk based approach to its plan
 - i. The internal audit plan and approach should be informed by the strategy and risks of the company.

- ii. Internal audit should be independent from management.
 - iii. Internal audit should be an objective provider of assurance that considers:
 - a. the risks that may prevent or slow down the realisation of strategic goals;
 - b. whether controls are in place and functioning effectively to mitigate these;
and
 - c. the opportunities that will promote the realisation of strategic goals that are identified, assessed and effectively managed by the company's management team.
3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management
- i. Internal audit should form an integral part of the combined assurance model as internal assurance provider.
 - ii. Internal controls should be established not only over financial matters, but also operational, compliance and sustainability issues.
 - iii. Companies should maintain an effective governance, risk management and internal control framework.
 - iv. Management should specify the elements of the control framework.
 - v. Internal audit should provide a written assessment of the system of internal controls and risk management to the board.
 - vi. Internal audit should provide a written assessment of internal financial controls to the audit committee.
4. The audit committee should be responsible for overseeing internal audit
- i. The internal audit plan should be agreed and approved by the audit committee.
 - ii. The audit committee should evaluate the performance of the internal audit function.
 - iii. The audit committee should ensure that the internal audit function is subjected to an independent quality review.
 - iv. The Chief Audit Executive (CAE) should report functionally to the audit committee chairman.
 - v. The audit committee should be responsible for the appointment, performance assessment and dismissal of the CAE.

- vi. The audit committee should ensure that the internal audit function is appropriately resourced and has appropriate budget allocated to the function.
- vii. Internal audit should report at all audit committee meetings.

9.5 INTERNAL AUDIT'S STATUS IN THE COMPANY

- 5. Internal audit should be strategically positioned to achieve its objectives
 - i. The internal audit function should be independent and objective.
 - ii. The internal audit function should report functionally to the audit committee.
 - iii. The CAE should have a standing invitation to attend executive committee meetings.
 - iv. The internal audit function should be skilled and resourced as is appropriate for the complexity and volume of risk and assurance needs.
 - v. The CAE should develop and maintain a quality assurance and improvement programme.

10 GOVERNING STAKEHOLDER RELATIONS

10.1 BACKGROUND

Modern corporate governance maintains that companies have Stakeholders, with a vested interest in its performance and ongoing success. In the case of entities without share capital, the subscribers to the Memorandum and Articles of Association who initiate the registration of, and submit the required forms and documents to the registrar, are deemed to be the Members of the company.

The Members, together with all other parties such as Directors, Employees, suppliers, customers, providers of finance, legal and regulatory bodies and society at large can be seen as all having an interest in the continuity of the business, and are therefore its Stakeholders.

The key Stakeholders with a direct interest in the companies making up the nationwide delivery structure are:

- ❑ The Department of Trade and Industry
- ❑ City of Cape Town
- ❑ Provincial Government
- ❑ Labour Organisations
- ❑ Private Business Enterprises
- ❑ Service and other suppliers

10.2 MAINTAINING COMPANY REPUTATION

1. The board should appreciate that stakeholders' perceptions affect a company's reputation
 - i. The gap between stakeholder perceptions and the performance of the company should be managed and measured to enhance or protect the company's reputation.
 - ii. The company's reputation and its linkage with stakeholder relationships should be a regular board agenda item.
 - iii. The board should identify important stakeholder groupings.

10.3 STAKEHOLDER MANAGEMENT

2. The board should delegate to management to proactively deal with stakeholder relationships

- i. Management should develop a strategy and formulate policies for the management of relationships with each stakeholder grouping.
 - ii. The board should consider whether it is appropriate to publish its stakeholder policies.
 - iii. The board should oversee the establishment of mechanisms and processes that support stakeholders in constructive engagement with the company.
 - iv. The board should consider not only formal, but also informal, processes for interaction with the company's stakeholders.
 - v. The board should disclose in its integrated report the nature of the company's dealings with stakeholders and the outcomes of these dealings.
3. The board should strive to achieve the appropriate balance between its various stakeholder groupings,' in the best interests of the company
 - i. The board should take account of the legitimate interests and expectations of its stakeholders in its decision-making in the best interests of the company.
4. Companies should ensure the equitable treatment of shareholders
 - i. There must be equitable treatment of all holders of the same class of shares issued.
 - ii. The board should ensure that minority shareholders are protected.
5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence
 - i. Complete, timely, relevant, accurate, honest and accessible information should be provided by the company to its stakeholders whilst having regard to legal and strategic
 - ii. considerations.
 - iii. Communication with stakeholders should be in clear and understandable language.
 - iv. The board should adopt communication guidelines that support a responsible communication programme.
 - v. The board should consider disclosing in the integrated report the number and reasons for refusals of requests of information that were lodged with the company in terms of the Promotion of Access to Information Act, 2000.

10.4 DISPUTE RESOLUTION

6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible
 - i. The board should adopt formal dispute resolution processes for internal and external disputes.
 - ii. The board should select the appropriate individuals to represent the company in alternative dispute resolution.

10.5 COMMUNICATION AND MEDIA POLICY

10.5.1 Communication

- i. It is the board's duty to present a balanced and understandable assessment of the company's position in reporting to stakeholders. The quality of the information must be based on the principles of openness and substance over form. Reporting should address material matters of significant interest and concern to all stakeholders.
- ii. Reports and communications must be made in the context that society now demands greater transparency and accountability from companies regarding their non-financial matters.
- iii. Reports should present a comprehensive and objective assessment of the activities of the company so that shareowners and relevant stakeholders with a legitimate interest in the company's affairs can obtain a full, fair and honest account of its performance. In communicating with its stakeholders, the board should take into account the circumstances of the communities in which the company operates.

10.5.2 What Directors should report on in their Annual Report

- i. that it is the directors' responsibility to prepare financial statements that fairly present the state of affairs of the company as at the end of the financial year and the profit or loss and cash flows for that period;
- ii. that the auditor is responsible for reporting on whether the financial statements are fairly presented;
- iii. that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- iv. that appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;

- v. that applicable accounting standards have been adhered to or, if there has been any departure in the interest of fair presentation, this must not only be disclosed and explained but quantified;
- vi. that there is no reason to believe the business will not be a going concern in the year ahead or an explanation of any reasons otherwise; and
- vii. that the Code of Corporate Practices and Conduct has been adhered to or, if not, where there has not been compliance to give reasons.

10.5.3 Talking with the Media

- i. Only approved staff and directors may communicate with the media
- ii. These include the Chairman, CEO.
- iii. Other staff (e.g. Marketing Manager) may be empowered to engage with media on instruction from the C.O.O.
- iv. All media communication and interaction must be in line with BPeSA-WC's policies, strategies and business plan

11 INTEGRATED REPORTING AND DISCLOSURE

11.1 TRANSPARENCY AND ACCOUNTABILITY

1. The board should ensure the integrity of the company's integrated report
 - i. A company should have controls to enable it to verify and safeguard the integrity of its integrated report.
 - ii. The board should delegate to the audit committee to evaluate sustainability disclosures. The integrated report should:
 - iii. Be prepared every year;
 - iv. Convey adequate information regarding the company's financial and sustainability performance; and
 - v. Focus on substance over form.

11.2 INTEGRATED WITH FINANCIAL REPORTING

2. Sustainability reporting and disclosure should be integrated with the company's financial reporting
 - i. The board should include commentary on the company's financial results.
 - ii. The board must disclose if the company is a going concern.
 - iii. The integrated report should describe how the company has made its money.
 - iv. The board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report.

11.3 INDEPENDENTLY ASSURED

3. Sustainability reporting and disclosure should be independently assured
 - i. General oversight and reporting of sustainability should be delegated by the board to the audit committee.
 - ii. The audit committee should assist the board by reviewing the integrated report to ensure that the information contained in it is reliable and that it does not contradict the financial aspects of the report.
 - iii. The audit committee should oversee the provision of assurance over sustainability issues.

12 REFERENCES

- ◆ King III Report on Corporate Governance, September, 2009, King Commission
- ◆ King II Report on Corporate Governance, March, 2002, King Commission
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- ◆ The Companies Act No 71 of 2008, What Non-profit organisations need to know, Insights – 3rd Sector Law, prepared by: Peter SA Hendricks with inputs from Melanie Judge and Ricardo Wyngaard, September 2009
- ◆ Guide for Accounting Officers – Public Finance Management Act, October 2000
- ◆ Western Cape Sector Development Organisations, Governance Review, June 2004 – Deloitte
- ◆ Corporate Law, Cilliers Benade Botha, Butterworths, 1987

13 APPENDICES

13.1 BOARD SELF-EVALUATION

The Chief Executive Officer could be invited to present the board with a statement of his or her own expectations of the board for the board to consider as it defines its responsibilities.

Once the board has reviewed, articulated, and prioritised its tasks and thereby identified the information it requires, it can then benchmark its own success against its expectations and identify substantive areas for improvement.

Rank answers from:

1 = Needs significant improvement; 2 = Needs improvement;

3 = Consistently good; 4 = Outstanding, one of the best in this area.

1. Board Role and Agenda Setting (Monitoring Performance and Strategic Planning)

1.1	Has the board defined its role and responsibilities and communicated the scope of its authority?	1	2	3	4
1.2	In what ways should the board's role be expanded or reduced?	1	2	3	4
1.3	Has the board identified, prioritised and scheduled those issues that it believes should be discussed/ reviewed by the board on a regular basis?	1	2	3	4
1.4	Has the board identified the information (both internal and external) it requires on a regular basis, including information by which to benchmark the strategic plan?	1	2	3	4
1.5	Has the board considered/implemented mechanisms designed to identify areas of potential problems in performance before a crisis occurs?	1	2	3	4
1.6	Has the board developed performance objectives that respond to the company's specific needs (including comparisons to other similar companies)?	1	2	3	4
1.7	Is the board effective in monitoring operational and financial performance, the integrity of the processes involved and the company's system of internal controls?	1	2	3	4
1.8	How does this board compare to other boards on which a director serves?	1	2	3	4

2. Size, Composition and Independence of Board

2.1	Has the board designed, articulated and implemented the policies - including board eligibility criteria - that ensure an appropriate board size and a composition of skills, breadth of experience, demographics, gender, race and other characteristics among its membership to be effective?	1	2	3	4
2.2	Does the board have a majority of outside directors?	1	2	3	4
2.3	Is the proportion of inside/outside directors appropriate?	1	2	3	4
2.4	Is the board sufficiently independent of management?	1	2	3	4
2.5	Do outside directors have an opportunity to meet without the chief executive officer on a regular basis?	1	2	3	4
2.6	Do board membership criteria ensure that outside directors have sufficient time and independent stature?	1	2	3	4
2.7	Does the board seek outside advice when appropriate?	1	2	3	4
2.8	How could the composition and organisation of the board, including committee structure, be improved?	1	2	3	4

3. Director Orientation and Development

3.1	Has the board defined and communicated its expectations concerning director responsibilities?	1	2	3	4
3.2	Are new directors provided with adequate information about the company and the board?	1	2	3	4
3.3	Are directors effectively recruited and retained?	1	2	3	4
3.4	Do directors receive proper training in corporate governance matters?	1	2	3	4
3.5	Do directors receive continuing education on issues facing the company?	1	2	3	4
3.6	Has a director been specifically appointed to oversee and be responsible for sustainability issues?	1	2	3	4

4. Board Leadership, Teamwork and Management Relations

4.1	How effective is the board's leadership, both at the board and the committee levels?	1	2	3	4
4.2	Is board leadership distinct from management leadership?	1	2	3	4
4.3	Does the board effectively manage the conduct of board business?	1	2	3	4
4.4	Is the board effective as a team?	1	2	3	4
4.5	How well does the board work with the chief executive officer and other managers?	1	2	3	4
4.6	Do the directors and the chief executive officer work to create an open culture that encourages frank discussion?	1	2	3	4

5. Board (and Committee) Meetings

5.1	Are board (and committee) meetings productive?	1	2	3	4
5.2	Are the number of scheduled meetings sufficient?	1	2	3	4
5.3	Does the agenda-setting process allow for appropriate issues to be raised as necessary?	1	2	3	4
5.4	Is the agenda ordered with sufficient time to discuss the most complex and critical issues?	1	2	3	4
5.5	Can and do directors influence the content of the agenda?	1	2	3	4
5.6	Do directors receive sufficient information about agenda items in advance?	1	2	3	4
5.7	Is the quality, quantity, and timing of information given to directors adequate?	1	2	3	4
5.8	Is sufficient meeting time devoted to discussion of corporate performance and review of strategic issues?	1	2	3	4
5.9	How could board committees be improved in terms of meeting frequency, duration, content, location, and interests?	1	2	3	4
5.10	How well informed are non-committee members about the deliberations of each committee?	1	2	3	4
5.11	Could the information prepared for the board be improved in terms of presentation, timeliness, level of detail, content or focus?	1	2	3	4
5.12	Are the information needs of the board expected to change over the next few years?	1	2	3	4

6. Director and Board Evaluation, Compensation and Ownership

6.1	Are directors, committees and the board regularly and effectively evaluated?	1	2	3	4
6.2	Is the board ensuring that directors are meeting board standards and expectations?	1	2	3	4
6.3	Has the board assessed its maximum potential, both individually and as a group?	1	2	3	4
6.4	Has the board surveyed others who perform better than it does, and assessed how it can learn from them?	1	2	3	4
6.5	Has the board considered benchmarks by which to gauge board performance?	1	2	3	4
6.6	Does the board have a credible process for reviewing its progress in meeting its goals and for maintaining the necessary resources and corporate support to function effectively?	1	2	3	4
6.7	Is the board committed to continuously improving performance setting performance goals?, with well established procedures for	1	2	3	4
6.8	Is there a process for reducing evaluations to recommendations that are monitored for compliance?	1	2	3	4
6.9	Is the free and open exchange of views encouraged?	1	2	3	4
6.10	Are directors properly compensated?	1	2	3	4
6.11	Does director compensation provide incentives for maximum performance?	1	2	3	4
6.12	Is director compensation structured so as to align the interests of the directors with the long-term interests of the corporation?	1	2	3	4
6.13	Are there clear policies and programmes in place to encourage director stock ownership over the short- and long-term?	1	2	3	4
6.14	Is the stock ownership position of individual directors and the board as a whole acceptable?	1	2	3	4

7. Succession Planning

7.1	Does the board have a company-wide succession plan in place?	1	2	3	4
7.2	Does the board have a specific succession plan for the chief executive officer?	1	2	3	4
7.3	Is the board familiar with other senior managers in the company and does it regularly review their strengths as possible successors?	1	2	3	4

8. Ethics

8.1	Does the board communicate the proper ethical and legal responsibilities to its members?	1	2	3	4
8.2	Does the board ensure ethical behaviour and proper compliance standards throughout the organisation and set the right “tone at the top” by its own behaviour?	1	2	3	4

9. Constituencies

9.1	Does the board ensure appropriate consideration for and treatment of various constituencies, including shareowners, employees, customers and communities?	1	2	3	4
9.2	Does the board communicate effectively with institutional shareowners?	1	2	3	4

As regards management/board relations, it may be beneficial to obtain management views on the board’s performance. In this regard, the chief executive officer might be asked to consider how he or she would assess the board, perhaps with input from other senior executives who have regular contact with the board - the chief operating officer, chief financial officer, general counsel, corporate secretary, or others. The issues that management might consider include:

	Does the board provide wise counsel?	1	2	3	4
	Does the board provide clear direction?	1	2	3	4
	Does the board focus on the appropriate issues?	1	2	3	4
	Is the board too “micro” in its supervision?	1	2	3	4
	Does the board request appropriate, relevant information?	1	2	3	4

	Are board members prepared for board meetings?	1	2	3	4
	Are board members knowledgeable about the company and the issues it faces?	1	2	3	4
	Is the proper mix of expertise reflected on the board?	1	2	3	4

13.2 ASSESSMENT OF BOARD OF DIRECTORS FOR PUBLIC ENTITIES WITHOUT SHARE CAPITAL

COMPETENCE DIMENSION		COMPETENCE RATING			
		Very Strong	Strong	Weak	Very Weak
1.	Contextual Skills				
1.1	The Board understands the organisation's real issues and the dynamics of its environment.				
1.2	The board relies on the organisation's mission, values and history as a guide for decisions.				
1.3	The board's focus, attention, and energy are directed by the organisation's mission.				
1.4	Orientation of new members specifically includes a section on the organisation's purpose, history and values.				
2.	Educational Skills				
2.1	The board member's are well-informed about their roles, responsibilities and required performance its members.				
2.2	The board creates many opportunities for the ongoing education of its members.				
2.3	The board engages in self-reflection and seeks objective feedback on its performance.				
2.4	The board acknowledges the difference between its perception of its performance and objective, unbiased, external assessment.				
3.	Interpersonal Skills				
3.1	The board ensures that all members have the same information on important issues.				
3.2	The board has explicit goals for itself that are distinct from the goals of the organisation.				
3.3	The board specifically identifies and cultivates future leaders for positions on the board.				

4.	Analytical Skills				
4.1	The board has the capacity to dissect and address difficult problems				
4.2	The board does not avoid issues that are ambiguous and complex.				
4.3	The board draws upon multiple perspectives and searches widely for additional information.				
4.4	The board is aware of the total organization system, of which it is part.				
5.	Political Skills				
5.1	The board respects the integrity of the governance process.				
5.2	The board consults often and communicates directly with key stakeholders.				
5.3	The board accepts its responsibility for the health of relationships among all its constituencies.				
5.4	The board acts in a way that minimises conflict and avoids win-lose situations.				
6.	Strategic Skills				
6.1	The board understands its role and responsibilities in relation to the organization's strategic plan.				
6.2	The board often discusses issues that are directly related to its strategic plan.				
6.3	When issues are tables, they are presented in a way that enables members to see links between matters on hand and the organisation's overall strategy.				
6.4	The board's decision-making process always takes into account the consequences for the organisation's strategic plan.				

* Corporate Governance Manual, Version 2.1, Namac Trust 2003, Board effectiveness Section

13.3 EXTRACT FROM 2010 BOARD INDUCTION PACK

13.3.1 Meeting Timings

Board meetings are held quarterly on the last Thursday of the months of January, April, July and October, unless otherwise stated.

EXCO meetings are held on the last Thursday of every month, unless otherwise stated.

In general, operational matters are discussed in the monthly EXCO meetings (consisting of the Chair, Executive Director and other non-executive directors).

If the meeting is to be cancelled or rescheduled, you will be notified by email in advance.

13.3.2 Responsibility for Attendance

You are required to either attend all Board meetings. Failure of attendance at meetings can carry severe penalties.

13.3.3 Chairperson

The Executive Director together with the other Directors will have the opportunity of proposing a chairperson at a Board meeting prior to the start of the new term. The Executive Director will propose a chairperson and other Board members will have the opportunity to nominate their own candidate if they wish. The chairperson will be elected by a show of hands. In the event of the Chairperson not being able to attend a Board, meeting, the powers and responsibilities of the Chair will be vested in the Vice Chair.

13.3.4 Code of Conduct

All Boards require good working relationships to function properly. The Executive Director needs to develop good relationships with all Board members on an individual basis and is always available to discuss any concerns or questions you may have.

It is essential that all Directors represent and work in the interests of the Call Centre and BPO industry and not exercise their rights in order to benefit their own interests or the interests of their companies for commercial gain.

High ethical standards are expected from Directors. Directors must at all times (both within the organisation and in their own professional lives) comport themselves in a manner that will bring credit to the organisation and the industry.

A register of directors' interests will be taken at the start of the year. Please bring with you a list of all the companies in which you have a shareholding interest of 10% or more and also all the companies of which you are a director

At the same time it is important that all Directors exercise a level of confidentiality in and outside BPESA WC meetings and while representing BPESA WC. There will be occasions where, either individually or as a group, information will be imparted that will be of a confidential nature and it is important that this confidentiality is respected.

Decision-making is normally on the basis of consensus. However, if consensus is not achievable, issues will be decided by majority vote.

13.3.5 Communication

In order for the Executive Director to move BPESA WC forward on an ongoing basis with the input and consent of fellow directors, it is essential that the circulated information for comment has strict deadlines attached to it. The Executive Director is highly cognisant of the fact that Board members lead busy lives and there will be a strong focus on circulating information only where circumstances are such that collective input is required, and in allowing sensible deadlines where time allows. Very occasionally, urgent input will be required.

The tasks emanating from each meeting will have deadlines attached where all Directors will have the opportunity to comment and respond by certain due dates. If Directors fail or choose not to respond and miss the agreed upon deadline dates, then the Executive Director will assume that such directors have no comment to make on the matter.

Directors who fail to take advantage of the right to comment on issues in writing prior to meetings will not necessarily be able to comment on them at EXCO or Board meetings. In such cases, the Chairperson will rule comments out of order. This is necessary in order to keep Board meetings

businesslike and on schedule and to avoid Board meetings becoming merely a forum for the exchange of views.

Keeping strictly to this protocol is particularly important when complex items (such as the Business Plan, budgets, board composition etc) are to be discussed.

At all times, we suggest that if you have any suggestions for the Board or agenda items, you first notify the Executive Director or the Chairperson and ask that such items be added to the agenda for the next meeting. You will have the opportunity to add new business items under Any Other Business at the start of the Board meeting.

13.3.6 Corporate Governance Training

We normally arrange for training to be provided to all new directors who think they need it. This will be discussed at the first meeting.

13.3.7 Representation

In order that consistency of message is maintained between our organisation and the wider public, media and stakeholders, Board members must NOT, under any circumstances, presume to act for the organisation or speak on behalf of the organisation.

The Executive Director and/or Chairperson must at all times represent the organisation in a consistent way. Board members act in a non-executive capacity and must not in any way give the impression that they act for or speak for the organisation, other than in the management of the relationship with their own silo.

The Executive Director may from time to time nominate another member of the Board to stand in his/her place or speak on behalf of the organisation (this would normally be the Chairperson, but it may be any director that in the opinion of the Executive Director and the Board is qualified to perform the task at hand).

13.3.8 Protocol for Meeting Investors

Board directors may also, from time to time, be invited by BPESA WC to represent their industry silo and the broader industry at large in meetings with international investors and other guests. Our practice here is to offer investors the option of meeting with the full list of silo directors, on the

understanding that such directors attend the briefing sessions in their BPESA WC capacity. In practice, the ones they elect to meet are representatives from recruitment, outsourcing, training and ICT.

When directors attend such briefings, it is important that they maintain a strict division between their normal functions and their BPESA WC functions. They may give their business cards to the investors. However, they should not give any additional marketing material. It is also not appropriate that they blur the lines by discussing any private business with them of any description. This point is particularly important to remember if directors are also scheduled to meet with visitors in their private capacities.

In general, directors should at all times be aware that the investors have come to these sessions to be briefed on local market conditions. Therefore, it is not generally appropriate that a director should themselves pose too many questions of the investors. These sessions work best when the visitors themselves can set the pace and ask questions that they would wish to ask. In their answers, directors should recall that the purpose of the session is to provide accurate and full information.

13.3.9 Task Distribution

Certain tasks and/or responsibilities will be assigned to various Directors throughout the year. The distribution of tasks will be allocated fairly and according to and within the Directors' various areas of expertise. It will be expected that these Directors expedite the task and/or responsibility timeously and report back to the rest of the EXCO or Board at each forthcoming meeting. If for any reason a Director is unable to complete the responsibilities that have been allocated to him/her by the Board, this must be communicated to the Executive Director without delay so that alternative plans can be made.

13.3.10 Problem Handling

The Board of BPESA WC has always proceeded on the basis of good working relationships in a team-based environment. We certainly do not anticipate any problems. In the event of any director having any problem with the Board or any aspect of it, his/her first step should be to arrange a private meeting with the Executive Director to discuss the problem and attempt to resolve it. Should the problem not be resolved, a further meeting should be arranged with the Executive Director and the Chairperson.

Participating in the Board does require commitment from Board members. In the event of this commitment proving too onerous for any Board member, he/she shall be allowed to stand down at any time. If, in the opinion of the Executive Director and the Chairperson, a Board member is not discharging his/her duties in accordance with the spirit and substance of this Code of Ethics, a meeting shall be called with the relevant director to discuss the problem and suggest solutions. No Board member shall be asked to stand down from the Board without the consent of the Executive Director, the Chairperson and a two-thirds majority of the Board.

Non-attendance at Board meetings is taken seriously and may result in your directorship being revoked in favour of the secondary director.

13.3.11 Roles & Responsibilities, Dates, EXCO Members

The section below outlines some of these issues in more detail.

Responsibility	Metrics	Accountability
Board		
Attendances	Attendance Register kept for all meetings <ul style="list-style-type: none"> ◆ Where more than 2 successive meetings are missed, the director should be removed ◆ The 2nd placed, then 3rd placed directors (from the nominations) should then be invited in, failing which the position should be left vacant 	Report-back at Stakeholders meetings
Participation	Feedback does not need to be received before meetings, however the Exec. Director must submit summaries and new proposals beforehand for discussion during the meeting	Board, through appraisal forms filled in 6 monthly after stakeholders meetings.
Code of Conduct	Refer published Code of Conduct	Any perceived breach of code of conduct should be reported to and investigated by the chairman. Recommendations on corrective measures to be made to the board.
Stakeholders		
Constituency profile	Compile a profile on each company in the silo (based on data held by BPESA WC) including: Key products/ services/ verticals/ contact details	Report-back to board at first EXCO meeting of the year

13.3.12

Meeting Timetable Guide

Date	Meeting	Duration	Subject Matters
January	Board	3hrs	<ul style="list-style-type: none"> ◆ Finalisation of Nominations ◆ Ratification of new Board ◆ Last meeting of previous Board
February	AGM		<ul style="list-style-type: none"> ◆ Announcement of new Board ◆ Presentation of Non-exec Directors
	EXCO Directors and	2hrs	<ul style="list-style-type: none"> ◆ Annual priorities & strategies finalised
March	EXCO	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues
April	Board	3hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues ◆ Quarterly Finance review ◆ Contentious/longer issues
May	EXCO	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues
June	EXCO	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues
July	Board	3hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues ◆ Quarterly Finance review ◆ Contentious/longer issues
August	EXCO Stakeholders	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues ◆ General roundup - Exec. Director ◆ Attendances report-back by Exec. Director ◆ Report-back – Non-exec Directors
September	EXCO	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues
October	Board	3hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues ◆ Appointment of Chairperson ◆ Sign off of Budget for next financial year ◆ Quarterly Finance review ◆ Contentious/longer issues
November	EXCO	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues ◆ Performance reviews submitted ◆ Selection of Nominees for new EXCO
December	EXCO	2hrs	<ul style="list-style-type: none"> ◆ Roundup and Presentations of new issues

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This document has been developed and updated by SmartBond Consulting

info@smartbond.co.za

Tel: +2782 876 9109

