



HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD
[REG. No: 2011/001221/07]

**POLICY: GOVERNANCE POLICY: BOARD OF DIRECTORS AND
ADVISORY COMMITTEES**

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|--|---------------------------------------|
| Administrative Responsibility: | Chief Executive Officer |
| Implementing Department / Departmental Unit | Office of the CEO / Company Secretary |

POLICY DOCUMENT CONTROL

| | |
|--------------------|---|
| POLICY NUMBER | (To be inserted) |
| CUSTODIAN | Office of the Chief Executive Officer / Company Secretary |
| STATUS | DRAFT |
| VERSION (NO./YEAR) | V1 – 2025 |
| APPROVED BY | |
| EFFECTIVE DATE | |
| REVISION DATE | |
| ROUTING | MANCO – 10 March 2025 |
| | HGDA Policy Retreat- 14 May 2025 |
| | Portfolio Committee/s |
| | HGDA Board- 22 January 2025 |
| | HGDM Council – 28 January 2025 |

Summary of Amendments:

| Version | Author | Date | Revised Date |
|---------|--------|---------------|--------------|
| V1 | OCEO | 10 March 2025 | 14 May 2025 |
| | | | |

PREAMBLE

WHEREAS the Harry Gwala District Municipality is the sole shareholder / member of the Harry Gwala Development Agency (Pty) Ltd,

WHEREAS the Harry Gwala District Municipality has an interest as shareholder in the manner in which the Board of Directors of its Entity are constituted, remunerated and governed,

WHEREAS the “King Report on Governance for South Africa” and the “King Code of Governance Principles” (King IV) contain various provisions pertaining to Boards of Directors which are applicable to Municipal Entity Board of Directors and which the shareholder wants to apply,

WHEREAS the shareholder has approved governance processes in place with regards to the Board of Directors of the Harry Gwala Development Agency and or Advisory Committees and forthwith wishes to improve on existing practices and processes and formalise it by way of a Policy Document,

WHEREAS the Harry Gwala District Municipality intends to follow a uniform approach in the dealing with non-executive directors of its entity as well as Advisory Committees serving the entity,

Therefore, the following is adopted as the Governance Policy: Board of Directors and Advisory Committees of the Harry Gwala Development Agency (Pty) Ltd as endorsed by the Harry Gwala District Municipality charged with the determination of the remuneration of Board of Directors and Advisory Committees as set out hereunder.

1. INTERPRETATION OF THE POLICY

1.1. Except to the extent to which the context may otherwise require, this Policy shall be construed in accordance with the following provisions of this sub-paragraph:

1.1.1. Any word or expression importing any gender shall include the other gender.

1.1.2. Words importing the singular also include the plural, and *vice versa*, where the context requires.

1.1.3. The following words shall have the meanings hereby assigned to them –

“Companies Act” shall mean the Companies Act, 2008 (Act No 71 of 2008), as amended from time to time.

“HGDA” means the Harry Gwala Development Agency (Pty) Ltd, a company duly incorporated in terms of the laws of the Republic of South Africa with registration number: 2011/001221/07, in which the Harry Gwala District Municipality, as Parent Municipality, holds a sole interest.

“HGDM” means the Harry Gwala District Municipality, a Category C Municipality established in terms of Section 155(1)(c) of the Constitution of the Republic of South Africa, 1996 and in terms of Section 12(1) of the Municipal Structures Act, 32 of 2000 (as amended) and its successors in title. Includes duly authorised officials of the Municipality who have been delegated any powers, functions and duties necessary to give effect to this Policy and decide upon and administer the matters referred to herein.

“Company Secretary” shall mean the person responsible to the Board for ensuring that proper corporate governance principles are adhered to:

“Council” refers to the Municipal Council of the Harry Gwala District Municipality, as defined in Section 157 (1) of the Constitution of the Republic of South Africa, Act 108 of 1996, as amended from time to time.

“CEO” shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

“Meeting” shall mean any meeting of the board or any board sub-committees (portfolio committee) as well as any other General meeting of the entity including meetings of Council, irrespective of the duration of such meeting.

“MFMA” shall mean the Municipal Finance Management Act 56 of 2003, as may be amended from time to time.

“MSA” shall mean the Municipal Systems Act 32 of 2000, as amended from time to time.

“Non-Executive Director” shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000, and

“Shareholder” shall mean the Harry Gwala District Municipality.

2. APPLICATION OF THE POLICY

2.1. The Policy shall apply in respect to the Board of Directors and Advisory Committees appointed by the Harry Gwala District Municipality and is applicable to the Board and all / any Advisory Committees and replaces all earlier policies dealing with the same subject matter to the extent that the subject matter is now being dealt with in this Policy, irrespective of whether such earlier policies were more favourable or contained in separate policy documents.

2.2. Overall responsibility for the administration and Interpretation of the Policy guidelines rests with the Office of the CEO and / or Company Secretary.

3. OBJECTS OF THE POLICY

3.1. The objective of the Policy is to outline principles and procedures for the recruitment, selection and appointment of Board of Directors and members of Advisory Committees, in Section A, and remuneration in Section B, respectively.

4. SECTION A

This section describes the role that the Council shall play in determining the composition of the Board of Directors and Advisory Committees, the assessment thereof and how it intends governing the relationship between itself (as Shareholder) and the Board of Directors through representation and communication.

4.1. BOARD COMPOSITION

4.1.1. ADMINISTRATION

4.1.1.1. The Council shall be responsible for the administration aspects relating to the Board of Directors, Advisory Committees and independent Audit and Performance Committee nominations, interviews, appointments, rotations and resignations.

4.1.1.2. The administrative aspects referred to in 4.1.1.1 above, does not include the formal amendment of directors' process through the Companies and Intellectual Property Commission (CIPC), which shall be the responsibility of the company secretary of the Entity.

4.1.2. PROFILE REQUIREMENTS OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT AUDIT COMMITTEE MEMBER CANDIDATES

4.1.2.1. The Council shall, in consultation with relevant stakeholders, develop a list of criteria that a new director or committee member should possess to be able to fulfil this critical role. A clearly defined profile or competency matrix should enable a distinction between qualities needed and those that are desirable.

4.1.2.2. Members should be individuals of high calibre with diverse backgrounds and expertise in order to facilitate independent judgement and broad deliberations in the decision-making process of HGDA.

4.1.2.3. Non-Executive Directors should meet the minimum criteria as described in Section 93 (f) of the Local Government: Municipal Systems Act, 32 of 2000.

4.1.3. NOMINATION PROCEDURE

4.1.3.1. HGDM shall, at least once every three years or as deemed necessary by the Administration of the day, invite interested individuals to apply to be included as eligible candidates in the nomination process.

4.1.3.2. The invitation as referred to in 4.1.3.1 above shall be extended to the public by placing an advert in at least one newspaper under provincial or general circulation.

4.1.3.3. HGDM shall be responsible for processing all candidate applications received in response to the advertisement, which shall include carrying out detailed due diligence i.e. assessment of potential committee members / directors' background, references, skills and experiences.

4.1.3.4. HGDM shall identify the skills mix that the Board of Directors or Advisory Committee needs and review list of potential candidates on the basis of this in order to narrow each search and produce a shortlist of candidates who meet some or most of the criteria and who will then be invited to attend an interview process.

4.1.3.5. Should a vacancy arise, HGDM may be obliged to engage on the process determined above.

4.1.4. NOMINATIONS PANEL AND INTERVIEW PROCEDURE FOR NON-EXECUTIVE DIRECTORS AND ADVISORY COMMITTEES

4.1.4.1. A nominations panel shall be constituted to interview all candidates that have been shortlisted or who have been identified.

4.1.4.2. The Nominations Panel may consist of the following members:

4.1.4.2.1. His Worship the Mayor

4.1.4.2.2. A member of the Executive Committee

4.1.4.2.3. The Municipal Manager or his nominee

4.1.4.2.4. One other member as determined by His Worship the Mayor

4.1.4.3. The Nominations Panel shall interview shortlisted candidates for which it has been constituted.

4.1.4.4. The Nominations Panel must ensure that candidates meet all the eligibility criteria in terms of MSA and new Companies Act, and that candidates are not disqualified from being appointed for any reason.

4.1.5. APPOINTMENT OF CANDIDATES FOR NON-EXECUTIVE DIRECTORS AND ADVISORY COMMITTEES

4.1.5.1. The Municipal Manager shall compile a report for presentation to Council structures recommending the appointment of Board of Directors and Advisory Committee members.

- 4.1.5.2. The Board of Directors shall comprise five (5) members and two (2) cross members including the CEO and the CFO. The Non-executive members will amongst themselves nominate a Chairperson.
- 4.1.5.3. The Advisory Committee (incl Audit and Performance Committee) shall comprise four (4) members. The Members will amongst themselves nominate a Chairperson.
- 4.1.5.4. The Company Secretary shall ensure that all incoming board and advisory committee members are properly inducted into the Municipality and the Agency.

4.1.6. TERM OF OFFICE

- 4.1.6.1. Board of Directors (Non-executive) and advisory committee members hold office for a period of three years from the date of their appointment.

4.1.7. DISQUALIFICATION/REMOVAL/RESIGNATION

- 4.1.7.1. (1) A Person may not be a member of a Board/internal audit committee or advisory committee if that person –
- (a) Holds office as a Councillor of any municipality.
 - (b) Is a member of the National Assembly or a Provincial Legislature
 - (c) Is a permanent member of the National Council of Provinces
 - (d) Is an official of the parent municipality of the Entity.
 - (e) Was convicted of any offence and sentenced to imprisonment without the option of a fine, and a period of five years since completion of the sentence has lapsed.
 - (f) Has been declared by a court to be of unsound mind, or
 - (g) Is an unrehabilitated insolvent.
- (2) If a Director of a municipal entity or a member of a committee during that person's term of office becomes disqualified on a ground mentioned in 4.1.7.1(1) above, such person ceases to be a director or member from the date of being disqualified.
- 4.1.7.2. A member of a Board of advisory committee vacates office if the person:

- i. Resigns, by giving no less than one (1) month's written notice to the HGDM, a copy must be provided to the Municipal Manager and CEO immediately.
- ii. Ceases to qualify for membership of the Board / AC in terms of 4.1.7.1 above.
- iii. Is removed from office by the Board or AC for non-attendance of 3 (three) consecutive meetings without the consent of the Chairperson or for any reason whatsoever, as provided for in legislation, Terms of Reference or in the Memorandum of Incorporation of the Entity.
- iv. Is removed by the Shareholder due to unsatisfactory performance or at the wish of the Shareholder having cited or withheld reasons.

4.1.7.3. A vacancy arising from the death of a member or from circumstances arising from 4.1.7.2 above, shall within two (2) months of the vacancy occurring, be filled for the unexpired portion of that members term of office by a suitable person appointed in accordance with the determined procedures as contained in this document.

4.2. BOARD AND ADVISORY COMMITTEE PROCEEDINGS

- 4.2.1. The Board and Advisory Committee proceedings shall be governed by the Board or Advisory Committee Charter of each which will be in line with the MOI or Shareholder policy.
- 4.2.2. The Board and Advisory Committee shall meet at least four (4) times per year however a maximum of two special meetings are permitted except in exceptional circumstances or in the realisation of legislative compliance is allowed. Should an important matter arise between scheduled meetings, additional meetings may be convened at the consent of the respective Chairperson.
- 4.2.3. The Board shall establish two portfolio committees i.e. Governance and Operations and Human Resource and Finance Portfolio Committees and shall formally delegate rules and responsibilities, which shall effectively report to the Board on delegated matters at regular intervals.
- 4.2.4. The Portfolio Committees shall meet four (4) times a year however a maximum of two special meetings are permitted except in exceptional circumstances or in the realisation of legislative compliance is allowed. Should an important matter arise between scheduled meetings, additional meetings may be convened at the consent of the respective Chairperson of the Portfolio Committee.

4.3. ASSESSMENT OF THE BOARD AND ADVISORY COMMITTEES

4.3.1. The HGDM shall be responsible for the assessment of the Board and Advisory Committees on an annual basis and which assessment will include the members of the structures and their functionality.

4.4. RELATIONSHIP BETWEEN THE SHAREHOLDER AND THE BOARD OF DIRECTORS AND ADVISORY COMMITTEE

Municipal entities do not operate in a vacuum and should be cognizant of the environment within which they operate as well as they're in/direct impact on the Shareholder. HGDM, HGDA and its official structures will maintain a positive and proactive engagement in order to manage expectations and reputational risks and ensure alignment between the strategic direction of HGDM.

Official lines of communication determined between the Shareholder and the Board will be adhered to.

5. SECTION B – REMUNERATION

5.1. PRINCIPLES APPLICABLE TO THE REMUNERATION OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT AUDIT COMMITTEES

5.1.1. The remuneration of Non-Executive Directors will be based on a flat fee per meeting attended inclusive of a fee for meeting preparation as determined by the Shareholder by Council resolution. The resolution of the Shareholder will constitute Annexure A to the respective Policy.

5.1.2. Induction as well as product or service launches will be remunerated on the provision that a formal invitation accompanies attendance.

5.1.3. Attendance at strategy sessions will be remunerated at the same level as Board meetings. Where the session extends over a number of days and where accommodation is provided only one fee is payable (i.e. for a two or more-strategy session, where accommodation is paid only one meeting / sitting fee is payable). Where accommodation is not provided, the Board will be remunerated per day as per stipulated amount for meeting allowance, preparation time will only be applicable for 1day. For engagements that extend over a number of days and where accommodation and or meals are provided, a subsistence allowance of R300.00 will be paid per day.

5.1.4. Non-Executive Directors will be paid a tools of trade allowance which intends to meet the cost of making available any IT equipment, cellphones, etc in the performance of their duties.

- 5.1.5. Travel cost for Board and Advisory Committees will be compensated at agreed AA travel rate and will be calculated from place of residence. Confirmation of residence to be provided to the CEO on an annual basis or within 14days of when changes to residence occur.
- 5.1.6. Attendance at training sessions organised and/or paid for by the Municipal Entity or to which member/s are invited by the Shareholder or by any other third party are regarded as being for the benefit of the individual member or directors' development and accordingly a fee is not payable.
- 5.1.7. Members will not be remunerated for meetings with the Shareholder, MM, CEO or Company Secretary to monitor progress.

6. POLICY COMMENCEMENT AND TITLE

This Policy shall come into effect on 01 July 2024 and be known as **Harry Gwala Development Agency (Pty) Ltd: Governance Policy – Board of Directors and Advisory Committees.**

ANNEXURE A:

MEETING FEES – 2022 TERM OF OFFICE OF THE BOARD AND AUDIT COMMITTEE – CATEGORY B – SUB-CATEGORY B1 (National Treasury Regulations)

BOARD MEETINGS

| DESIGNATION | MEETING ALLOWANCE | PREPARATION TIME | TOOLS OF TRADE / DATA ALLOWANCE |
|-------------|-------------------|--------------------------------------|---|
| Chairperson | R 5,000.00 | R1,000.00 / hour to a max of 3 hours | R800.00 / quarter aligned to the formal sitting of quarterly Board meetings |
| Member | R3,500.00 | R1,000.00 / hour to a max of 2 hours | R600.00 /quarter aligned to the formal sitting of quarterly Board meetings |

PORTFOLIO COMMITTEE MEETINGS

| DESIGNATION | MEETING ALLOWANCE | PREPARATION TIME | TOOLS OF TRADE / DATA ALLOWANCE |
|------------------------|-------------------|--------------------------------------|---|
| Chairperson and Member | R3,500 | R1,000.00 / hour to a max of 2 hours | R0.00 (already covered in Board remuneration) |