

# CORPORATE GOVERNANCE



**Patrick Ncita**

At Summerpride Foods in East London is Production Supervisor at this pineapple juice concentrate factory, assisted with ECDC finance

## INTRODUCTION

The Eastern Cape Development Corporation (ECDC) is a Provincial Government Business Enterprise, established in terms of section 2 of the Eastern Cape Development Corporation Act, 1997 (Act No. 2 of 1997) (the ECDC Act). It has the mandate of, among others, planning, financing, co-ordinating, marketing, promoting and implementing the development of the Eastern Cape Province and its people in the fields of industry, commerce, agriculture, transport and finance.

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## 1. CORPORATE GOVERNANCE APPROACH

The ECDC endorses the code of corporate practices and conduct as contained in the King II Report on Corporate Governance, 2002, and affirms its commitment to comply in all material respects with the principles incorporated in this report. In this regard, the ECDC is intent on implementing the highest standards of corporate governance. The Corporation further subscribes to the corporate governance principles set out in the Public Finance Management Act, 1999 (Act No. 1 of 1999, as amended)(the PFMA), and the Protocol on Corporate Governance in the Public Sector.

The ECDC is committed to good corporate citizenship and organisational integrity in the running of its affairs. This commitment provides the shareholder(s), customers and stakeholders with the comfort that the ECDC's affairs are being managed in an ethical and disciplined manner. The ECDC's philosophy is founded on principles of service delivery, trust, integrity, transparency, accessibility, redress and ethics.

## 2. ECDC CORPORATE GOVERNANCE STRUCTURES

### Board of Directors

In terms of the ECDC Act the affairs of the ECDC are managed by the Board of Directors. The ECDC has a unitary board appointed by the member of the Executive Council of the Eastern Cape responsible for Economic Development and Environmental Affairs in the Province. The Board is the accounting authority of the ECDC as contemplated in the PFMA.

The Board is comprised mainly of independent non-executive directors in line with the guidelines set out in the King II Report on Corporate Governance, 2002.

The Board continued to render its corporate governance oversight and strategic direction role in the Corporation and the following corporate governance systems were implemented during the year:

### Corporate Governance Framework

During the year under review the Board adopted a Corporate Governance Framework which consolidates the corporate governance procedures, practices and rules applied by the ECDC. These are in line with best practice guidelines as contained in the King II Report and other good governance guidelines.

### Board Charter

The Board continued to implement the Board Charter, which provides the terms of reference of the Board and other ECDC governance structures. The Charter sets out the roles, powers and functions of the Board, individual directors and officials of the ECDC, as well as for the delegation of powers to the Board Committees.

In line with the PFMA the Board adopted a comprehensive delegations matrix aimed at clarifying the various roles and limits of authority within the ECDC.

### Board Development

The Board adopted and implements a director development policy in terms of which ECDC directors are entitled to continued professional development at the ECDC's expense.

### Board Evaluation

On an annual basis the Board and its committees evaluate their performance with a view to identification of weaknesses and achievement of optimum performance levels by the Board and its committees.

### Shareholder's Compact

A Shareholder's Compact has been concluded between the ECDC and the Eastern Cape Provincial Government as a shareholder, represented by the Member of the Executive Council responsible for Economic Development and Environmental Affairs. This Compact serves as an effective framework governing the relationship between the ECDC and the shareholder. The compact further secures transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of the ECDC.

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### 3. BOARD COMMITTEES

The Board established the following Board Committees:

#### Audit Committee

In accordance with good governance principles, the Audit Committee is chaired by an independent chairperson. It provides oversight of governance, control and risk management processes. This committee also reviews internal and external audit feedback on the status of risk management internal control and governance and provides objective advice to the board on the status thereof with suggested corrective actions relating to audit findings.

#### Remuneration Committee

This committee considers matters relating to remuneration of directors and senior management. It also evaluates the performance of the Chief Executive Officer and the Chief Financial Officer in the discharge of their duties.

#### Human Resources Committee

The committee considers and makes recommendations on Human Resources policies and principles.

### 4. INTERNAL CONTROLS

In line with Section 51 of the PFMA, the Board continued with its role of maintaining effective, efficient and transparent systems of financial and risk management and internal control. In this regard the Board ensured that the Internal Audit function is under the control of an Audit Committee and has, among others, prepared a rolling three-year strategic internal audit plan, and an operational plan for the first year of the rolling plan.

The Corporation adopted a Risk Management Framework and Policy during the year under review. In terms of the Policy a Risk Assessment Process took place whereby known and possible risks and opportunities to which the Corporation may be exposed were identified and evaluated. Significant risks are controlled and/or transferred. The Corporation is in the initial stages of integrating risk management into all management processes and will complete implementation during the 2008/09 financial year.

The Board has established structures and delegations for the day-to-day management and operations of the organisation and its risk management activities.

### 5. DIRECTORATE

The Member of the Executive Council responsible for the Department of Economic Development and Environmental Affairs appoints the Board of Directors in terms of section 7(3) of the Eastern Cape Development Corporation Act, 1997 (Act No. 2 of 1997). The Shareholder removed all the directors reflected in Table 6.1 below in terms of section 220 of the Companies Act, 1973 (Act No. 61 of 1973) on 20 March 2009 and appointed new directors as reflected in Table 6.2 with effect from 20 March 2009.

#### 5.1 ECDC Board 2008

Directors	Appointed	Removed
Nkuhlu, W L – <i>Chairperson</i>	01/07/2006	20/03/2009
Tabata, S – <i>Deputy Chairperson</i>	01/03/2007	20/03/2009
Buthlezi, S	01/03/2007	20/03/2009
Fikeni, S	01/03/2007	20/03/2009
Heynes, E	01/03/2007	20/03/2009
Ndabeni, M	01/03/2007	20/03/2009
Nonkwelo, L	01/03/2007	20/03/2009
Nodada-Qhali, T	01/03/2007	20/03/2009
Pakati, X	01/03/2007	20/03/2009
Mfenyana, SAH	01/10/2007	20/03/2009
Mawala, F	01/01/2008	20/03/2009

## 5.2 New Director Appointments

Subsequent to the removal of the Board in March 2009, new directors were appointed as follows:

Directors	Appointed
Fikeni, S	20/03/2009
Buthlezi, S	20/03/2009
Mlonzi, N	20/03/2009
Mhlaba, N	20/03/2009
Silinga, M	20/03/2009

## 5.3 Directors' Fees

Fees paid to Directors for Board and Board Committee attendance during the financial year were as follows:

Directors	Board	Audit Committee	REMCO	HR Committee	Total
Nkuhlu, W L – <i>Chairperson</i>	102,500	-	15,000	-	<b>117,500</b>
Tabata, S – <i>Deputy Chairperson</i>	104,000	-	15,000	17,000	<b>136,000</b>
Buthlezi, S	38,500	22,000	-	-	<b>60,500</b>
Fikeni, S	76,500	-	10,000	5,000	<b>91,500</b>
Heynes, E	20,500	22,000	-	-	<b>42,500</b>
Ndabeni, M	62,253	-	-	12,000	<b>74,253</b>
Nonkwelo, L	58,500	-	-	12,000	<b>70,500</b>
Pakati, X	51,500	-	-	5,000	<b>56,500</b>
Nodada-Qhali, T	33,000	2,000	-	-	<b>35,000</b>
Mfenyana, SAH*	-	-	-	-	-
Mawala, F*	-	-	-	-	-
<b>Other</b>					
Njeke, J	13,000	43,000	5,000	-	<b>61,000</b>
Nicholls, R		19,000	-	-	<b>19,000</b>

\*These directors are government employees and are not permitted to receive remuneration.

## 5.4 Attendance fees

Fees paid for Attendance of Portfolio Committee and meetings called by the Member of the Executive Council for Economic Development, Environmental Affairs (Special Attendance):

Directors	Special Attendance Fees
Nkuhlu, W L – <i>Chairperson</i>	-
Tabata, S – <i>Deputy Chairperson</i>	13,000
Buthlezi, S	7,500
Fikeni, S	12,500
Heynes, E	0
Ndabeni, M	7,500
Nonkwelo, L	0
Pakati, X	0
Nodada-Qhali, T	7,500
Mfenyana, SAH*	-
Mawala, F*	-
<b>Other</b>	
Njeke, J	-
Nicholls, R	-

\*These directors are government employees and are not permitted to receive remuneration.

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### 5.5 New director appointments after year end

Subsequent to financial year end the following directors were appointed:

Sibiya , B - *Chairperson*

Sharpley G

Cerff J

### 5.6 Company Secretary Statement

The Company Secretary certifies that the Eastern Cape Development Corporation has lodged with the appropriate authority all such returns as are required in terms of the Eastern Cape Development Corporation Act, 1997 (Act No. 2 of 1997).



Mziwoxolo Mavuso  
Company Secretary  
Eastern Cape Development Corporation  
6 August 2009