

REPORT ON CORPORATE GOVERNANCE



Introduction

Corporate governance is one of the key pillars on which the day-to-day operations of the NEF is based. Through the continuous improvement of existing corporate governance structures and establishment of new ones, the NEF's governance framework has evolved to include a suite of processes and procedures that enable the Board of Trustees and the Executive to optimally perform their legal responsibilities.

Legislative Framework

The NEF is founded on the basis of the National Empowerment Fund Act No. 105 of 1998 and it further subscribes to the principles embodied in the *Report on Corporate Governance for South Africa 2002 (King II Report)* and the *Protocol on Corporate Governance in the Public Sector 2002*. The entity's financial reporting requirements are guided by the provisions of the Public Finance Management Act No. 1 of 1999 (PFMA), as well as the National Treasury Regulations published in terms of that Act.

Corporate Governance Structures

The hierarchical organisational structure consists of the government of the Republic of South Africa, represented by the Department of Trade and Industry (**the dti**), as the sole shareholder, the Board of Trustees which is the organisation's accounting authority in terms of the PFMA and the Chief Executive Officer who is appointed by the Board of Trustees, with the approval of the Minister of Trade and Industry.

The dti

To regulate the relationship between **the dti** and the NEF, a shareholder compact is concluded every three years, setting the objectives and key performance targets of the NEF. Conversely undertakings from **the dti** are also set out in the shareholder compact.

The Board of Trustees

The NEF is governed by a Board of Trustees appointed by the President of the Republic of South Africa, on the advice of the Minister of Trade and Industry.

On 2 December 2008, the term of the Board of Trustees which had commenced on 1 November 2005, came to an end. Cabinet, through the Minister of Trade and Industry, granted an extension of the term by a period of one year.

This extension saw the appointment of additional Trustees who are representatives of the Departments of Trade and Industry, Public Entities and National Treasury respectively. As evidenced in the profiles of the Trustees contained in this annual report, the Board's experience and expertise spans across a myriad of areas that enable it to deliver the NEF mandate, namely growing participation of Black people in the country's economy.

Role and function of the Board

In line with good Corporate Governance Principles the Board has developed a charter that maps out its roles and responsibilities and this strengthens and confirms the responsibilities endowed upon it by the NEF Act.

In addition to the traditional responsibilities of Boards in general such as providing the organisation's strategic direction; monitoring operational performance; ensuring risk effective risk management etc, the NEF Board is also responsible for approving transactions that exceed the delegated authority levels within the organisation.

Remuneration of the Board

The remuneration framework for independent non-executive Trustees and Board Committee members is determined by the shareholder and full disclosure of emoluments is contained on page 107 of the Annual Financial Statements.

Attendance of the Board

During the period under review the Board convened eight Board meetings, three of which were specially convened to deal with particular matters of urgency.

The attendance record of the members of the Board was as follows:

Member	24/04/ 2008	28/07/ 2008	26/08/ 2008	22/09/ 2008 (special)	28/10/ 2008	28/11/ 2008	14/03/ 2009 (special)	27/03/ 2009 (special)
Mr R Ntuli	✓	✓	✓	✓	✓	✓	✓	✓
Ms P Buthelezi	✓	✓	✓	✓	✓	✓	✓	✓
Ms A Halstead*	-	-	-	-	-	-	✓	✓
Ms J Hoffmann*	✓	Apology	Apology	Apology	Apology	Apology	-	-
Mr L McPatie*	-	-	-	-	-	-	✓	✓
Mr T Mhlambiso	✓	✓	✓	-	Apology	✓	✓	✓
Ms N Mesatywa*	-	-	-	-	-	-	✓	✓
Ms P Radebe*	✓	-	-	-	-	-	-	-
Ms S Sebotsa*	✓	Apology	✓	✓	✓	✓	-	-
Mr K Seitshiro	✓	✓	Apology	Apology	✓	✓	✓	✓
Mr J Theledi*	✓	✓	✓	✓	✓	✓	-	-

* Appointed on 3 December 2008

• Term ended on 2 December 2008

Resigned 24 April 2008

Board Committees

In line with the delegation of authority framework approved by the Board, it has delegated various responsibilities to Board Committees, which are established by the Board and members of which are appointed by the Board. The activities of these Committees are regulated by charters which are developed in accordance with governance best practice and approved by the Board.

The various Board Committees membership comprises at least one Trustee and independent members who neither form part of the Board of Trustees nor the Executive. These are individuals who are selected based on the contribution they bring to the NEF, based on their expertise and experience.

The Chairpersons of all the Board Committees, namely the Audit; Investment; Human Capital and Remuneration; and Risk Management Committees have provided separate reports, wherein their activities have been highlighted.

Executive Committee

In accordance with the delegation of authority referred to above, an Executive Committee which separates its business into Investments and Operations, deals with the daily operations of the organisation. Comprising the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer and Chief Operating Officer, the Executive Committees co-opt the relevant Heads of Departments as members thereof.

The Executive Investment Committee meets weekly to assess and decide on transactions that are within its delegated authority and Executive Operations Committee is also convened weekly, dependent on items that require its consideration and approval.

Management Committee

A Management Committee that has been established by the Executive and comprises the organisation's senior management, deals with operational issues and refers them to the Executive Committee for consideration and approval. Policies and procedures are some of the issues that are conceptualised and interrogated by this Committee for recommendation to the Executive Committee.

Secretariat

All the corporate governance structures that are linked with the Board of Trustees, including the Board and its Committees, are administered by a Secretariat department that boasts competencies and experience in the corporate governance, compliance and administration aspects of the business.

The Secretariat provides counsel to the Board and Executive on issues of a corporate governance and compliance nature and ensures that all administrative requirements in terms of meeting governance are adhered to.

Conclusion

The Board of Trustees together with the staff, and executive management of the NEF hope to continue serving the nation by delivering on the mandate that it has been entrusted with.

"The NEF is a young organisation but has proven to be an important vehicle for the economic growth of the country. With the current high unemployment rate and the difficulty of finding formal employment, the NEF plays a vital role through funding of Black entrepreneurs, resulting in employment opportunities for jobseekers."

Ms Asanda Ngesi – Strategy and Planning

