

CORPORATE GOVERNANCE REPORT

THE FOLLOWING REPORT SETS OUT THE CORPORATE GOVERNANCE FRAMEWORK ADOPTED BY THE PPECB BOARD (THE BOARD), AND HIGHLIGHTS THE KEY ACTIVITIES FOR THE YEAR UNDER REVIEW.

The corporate governance framework enables the Board to:

- Fulfil its role and discharge its duties and responsibilities as required by legislation and the regulatory environment in which the PPECB operates
- Contribute to servicing the PPECB's customers in a professional manner
- Decide on the PPECB's policy and strategic direction
- Set the parameters for delegating authority in the organisation
- Oversee risk management and internal controls at the PPECB

An essential characteristic of the PPECB's culture is its compliance with applicable legislation, including relevant Acts, regulations, standards, protocols and codes. The PPECB's key enabling legislations are: the Perishable Products Export Control Act (Act No. 9 of 1983) (PPEC Act); the Agricultural Product Standards Act (Act No. 119 of 1990) (APS Act); and the Public Finance Management Act (Act No. 1 of 1999) (PFMA). Both the PPEC Act and APS Act are under review.

The Board's approach to corporate governance is based on the fact that sound governance is essential to creating a sustainable business.

THE PPECB'S BOARD OF DIRECTORS AND ITS SUB-COMMITTEES

The PPECB Board is structured in accordance with the PPEC Act. The Board members are appointed by, and accountable to, the Minister of Agriculture, Forestry and Fisheries (DAFF). The Board comprises non-executive directors, representing industries in which the PPECB operates.

To discharge its duties more effectively, the Board has approved and delegated authority on specific matters to various committees: Audit Committee, Human Resources (HR) Committee, Information and Communications Technology (ICT) Committee and the Laboratory Committee. These committees serve under written and approved charters, which are reviewed and updated annually. The chairpersons of these sub-committees are responsible for relaying all proposals agreed by the sub-committees to the Board for approval or otherwise.

Notices, agendas and documentation pertaining to the Board and sub-committee meetings are distributed well in advance. Minutes of all meetings are taken, and are approved at the first and subsequent meetings. Where necessary, decisions can be taken between these meetings by round robin resolutions via email. All documented minutes and resolutions are stored either in fireproof safes at the PPECB, or at off-site storage facilities.

CHAIRPERSON

The Board appoints the chairperson who is responsible for the effective functioning of the Board. The chairperson's primary duties include:

- Providing overall leadership to the Board
- Presiding over Board meetings, ensuring they function smoothly and managing conflicts of interest
- Ensuring that the Board members receive professional advice when needed
- Serving as an informal link between the Board members and the General Management team, and providing support and advice, while respecting executive responsibility
- Serving as the link between the PPECB Board and the Minister of the DAFF
- Ensuring that regular and objective appraisals are administered to assess the Board's effectiveness
- Assisting with the formulation of the Board's Annual Work Plan, and ensuring it is strictly adhered to

INTERNAL CONTROLS

Internal controls are designed to provide reasonable assurance that organisational objectives will be achieved. While the Board is ultimately responsible for the internal controls at the PPECB, this function is delegated to the General Management team to ensure that business risks in particular are properly managed. The Board relies on the Audit Committee and the Risk Management Committee (RISCO) to monitor and report on the status of internal controls at the PPECB.

INTERNAL AND EXTERNAL AUDIT FUNCTION

Partially outsourced to Nexia SAB&T, the PPECB's internal audit function provides the Audit Committee and the Executive Management with reasonable assurance that one or more of the objectives are achieved in the following areas:

- Efficiency of operations
- Reliability of financial reporting
- Compliance with laws and regulations

The external audit function was performed by SizweNtsaluba-Gobodo. As required by law, the company's external auditor is responsible for independently auditing and reporting on the PPECB's financial statements. This reporting is done

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in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP).

BUSINESS CONDUCT

The PPECB has adopted a code of conduct, which was approved by the Board. The General Management team and RISCO monitor compliance with this code at all times. The PPECB has also set up an independently managed fraud and ethics hotline to create awareness and monitor potentially unethical employee behaviour. In addition, the PPECB's General Management team accepts its responsibility to address matters of significant concern for all stakeholders, taking into account the greater demand for accountability.

THE AGRICULTURAL PORTFOLIO COMMITTEE

The Agricultural Portfolio Committee for Agriculture, Forestry and Fisheries meets with the PPECB in Parliament twice a year. The chairperson, the vice-chairperson and members of the General Management team, if requested, represent the PPECB at these meetings.

The PPECB's strategic plan and budget for the following year is tabled at the April meeting, and its financial results and Annual Report for the preceding year are tabled at the September meeting. The oversight role that the Agricultural Portfolio Committee plays forms part of the PPECB's overall governance.

THE MANAGEMENT COMMITTEE (MANCO)

The MANCO is made up of the Chief Executive Officer (CEO), general managers, regional operations managers and other managers. The MANCO meets at least twice a year, and its chief role is to support the CEO in the PPECB's operational management. While the MANCO does not have any specific authority delegated to it, it remains an important middle-management forum that contributes towards decision-making in the organisation.

ADMINISTRATION AND LEGAL REQUIREMENTS

All legal, company secretarial and corporate governance matters are dealt with by the in-house Legal and Corporate Governance Manager. The PPECB has contracted Ms Gaby Gess, an attorney, to assist the in-house legal manager with, particularly, the rewriting of the PPEC Act, and other matters as required.

The PPECB has over 400 written policies and procedures supporting the management and staff in the day-to-day functioning of the business. Organisational policies are

approved by the PPECB Board, and operational policies are approved by the relevant departmental general managers.

Organisational procedures are approved by the Board and operational procedures are approved by relevant department general managers.

