

# 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 the Constitution, relevant Acts, regulations, standards, protocols and codes. The PPECB's key enabling legislation are: The Perishable Products Export Control Act (PPEC Act) (Act 9 of 1983); the Agricultural Product Standards Act (APS Act) (Act 119 of 1990); and the Public Finance Management Act (PFMA) (Act 1 of 1999). Both the PPEC Act and APS Act are under review. In order to ensure that the PPECB remains focused on complying with applicable legislation, the Legal and Corporate Governance Department is drafting a Legal Compliance register which will:

- a) Identify relevant legislation, policies and best practice; and
- b) If applicable, indicate a management action plan, due date and responsible party.

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 MEMBERS AND ITS SUB-COMMITTEES**

The PPECB is a statutory body constituted in accordance with Section 4 of the PPEC Act. The PPECB Board comprises 10 non-executive Board members representing the industries in which the PPECB operates. An independent non-executive member has not been appointed as a lead independent; such an appointment is not provided for in the PPEC Act. PPECB Board members are appointed by, and are accountable to, the Minister of Agriculture, Forestry and Fisheries and represent six of the largest export groups as determined on the basis of export volume.

The Minister also appoints an additional Board member to represent the Department of Agriculture, Forestry and Fisheries. As such, the majority of the non-executive Board members and chairperson of the PPECB Board cannot be categorised as independent, as recommended by the King IV report. In terms of the PPEC Act, Board members serve for a period of three years.

To discharge its duties more effectively, the Board has approved and delegated authority on specific matters to the following committees: Audit Committee; Human Resources (HR) Committee, where social and ethics matters are considered; and Strategic Projects Committee, which has oversight over strategic matters and projects such as Information and Communications Technology (ICT), Project Titan, the Laboratory and risk-based sampling. The sub-committees serve under written and approved charters, which are

reviewed and updated annually. The Human Resources Committee and Strategic Projects Committee are satisfied that they have fulfilled their responsibilities in accordance with their charters for the reporting period. 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 Board members receive professional advice when needed;
- Serving as an informal link between the Board members and the Executive Management team (EXCO) and providing support and advice, while respecting executive responsibility;
- Serving as the link between the PPECB Board and the Minister of Agriculture, Forestry and Fisheries; and
- Ensuring that regular and objective appraisals are administered to assess the Board's effectiveness.

## CHIEF EXECUTIVE OFFICER (CEO)

The CEO has been appointed by the Board in terms of Section 13 of the PPEC Act with the power to manage and control the work authorised by the Board and to exercise supervision over the other officers and employees in the employ of the Board.

The CEO is employed in terms of a five-year employment agreement which terminates on 31 June 2020. A three-

month written notice period is applicable should either party wish to terminate the agreement prior to the termination date. Succession planning is a focus area and will be managed in terms of the talent framework that is being formulated.

The CEO is a member of the Institute of Directors Southern Africa, a Board member of the Fresh Produce Exporters' Forum (FPEF) and is a country council member of the Produce Marketing Association (PMA).

The Board is satisfied that it has determined the appropriate delegation of authority to ensure that both management and the CEO are empowered to manage the day-to-day activities of the PPECB. The PPECB acts in accordance with a Board-approved delegation of authority framework which stipulates levels of authority for the CEO, EXCO and senior managers.

## BUSINESS CONDUCT

The PPECB Board endeavours to lead ethically, effectively and with integrity and has adopted a code of conduct, which was approved by the Board. The EXCO 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. During the reporting period, the PPECB created awareness in terms of articles on the PPECB intranet to ensure that employees are aware of which matters to report to the ethics hotline and that they may remain anonymous when reporting such matters. In line

with its Code of Conduct, the PPECB has both a Board member and employee declaration of interest and gift policy in order to ensure that Board members and employees act in good faith. Employees and Board members are required to disclose any interests on an annual basis and as they arise. Board members are also required to disclose any interests relating to agenda items of a particular meeting. Such disclosures must be made prior to discussion of the agenda item and in writing on the attendance/declaration register which is circulated at every committee and Board meeting. In addition, the PPECB's EXCO 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 Portfolio Committee on Agriculture, Forestry and Fisheries meet with the PPECB in Parliament twice a year. The chairperson, the vice-chairperson, the CEO and CFO represent the PPECB at these meetings.

The PPECB's strategic plan and budget for the following year are 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 Portfolio Committee plays forms part of the PPECB's overall governance.



## THE MANAGEMENT COMMITTEE (MANCO)

The MANCO is made up of the CEO, EXCO, general managers, regional operations managers and other senior managers. MANCO's chief role is to support the CEO in the PPECB's strategic management. The MANCO strategic meetings have been rebranded into PACE sessions. The purpose of the PACE sessions is to provide a platform for the leadership of the PPECB to engage on matters of strategic and tactical importance and to ensure all MANCO members are informed and equipped to perform their duties. Any organisational ethics outcomes are addressed in PACE sessions and, where appropriate, directly with employees.

During the reporting period, EXCO noted that there was a need to have a monthly Operational MANCO meeting to provide a platform to communicate and share information on day-to-day operational matters at a senior management level.

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 managed by the in-house Legal and Corporate Governance Manager, a suitably qualified employee. The Legal and Corporate Governance Manager ensures that the Board members and the Board have access to professional guidance on corporate governance and legal matters. The Legal and Corporate Governance Manager co-ordinates the functioning of the Board and its sub-committees, and contracts with external specialist service providers on legal or Board matters. The PPECB has contracted Ms Gaby Gess, an attorney, to assist primarily with the drafting of the PPEC Bill and the Regulations thereto.

The PPECB has various 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 managers. Organisational procedures are approved by the Board and operational procedures are approved by the relevant departmental Executive Committee member.

