



Procedure on the Appointment of Directors on the IDC board

July 2021

TABLE OF CONTENTS

| | |
|---------------------------------|---|
| 1. Introduction..... | 3 |
| 2. Purpose..... | 3 |
| 3. The Appointment Process..... | 3 |

1. Introduction

The IDC Act No 22 of 1940 as amended (the Act) provides for the appointment of directors to the IDC Board. The Act provides that the operations of the Corporation shall be managed and controlled by a board of directors. The Minister is therefore tasked with the appointment of a board of directors.

The Government, as a major shareholder in the Corporation faces a wide range of risks associated with operations including financial, reputational, political and operational risks. It is the responsibility of the Minister in whose portfolio the entity falls to ensure that these risks are identified, reduced and managed through an oversight of a competent Board

This procedure should be read in conjunction with the IDC Board Charter.

2. Purpose

The purpose of this procedure is to provide guidance and outline the procedure for identifying and appointing directors to the board of the IDC taking into account the provisions of the Act, Board Charter and King IV Report on Corporate Governance for South Africa, 2016.

3. Background

The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The board composition, therefore, should be appropriate to the strategic direction of the Corporation and reflect the responsibilities that the board is vested with and the duties it has to discharge and perform.

Both Executive and Non-Executive Directors carry full fiduciary responsibilities and owe a duty of care and skill, and a duty of loyalty to the Corporation.

4. The Appointment Process

4.1. The IDC Act in section 6 provides the process as follows:

4.1.1. That the appointment of IDC directors is the responsibilities of the Minister as the

shareholder representative of the government.

- 4.1.2. The IDC Board shall consist of not less than 5 and not more than 15 directors: provided that if at any time the number of directors holding office falls below 5, the remaining directors shall manage and control the affairs of the corporation.
- 4.1.3. When the Minister chooses the directors he/she will look into their ability and experience in business or administration, and their suitability otherwise for appointment as directors.
- 4.1.4. The Minister shall appoint one of the directors appointed by him/her as the chairperson of the board. The directors may appoint one of their number to be deputy chairperson of the board.
- 4.1.5. Any person who is a member of the parliament, any provincial legislature or municipal council is disqualified from being appointed/nominated or elected as a director of the IDC.
- 4.1.6. A director shall hold office for a period of 3 years, with the exception of a director appointed as a Managing director who may be appointed for a 5-year term.

4.2. In terms of section 69 of the Companies Act the following persons are disqualified from being directors of a company;

- 4.2.1.1. A person is ineligible to be a director of a company if the person-
 - (a) is a juristic person;
 - (b) is an unemancipated minor, or is under a similar legal disability; or
 - (c) does not satisfy any qualification set out in the company's Memorandum of Incorporation.
- 4.2.1.2. A person is disqualified to be a director of a company if-
 - (a) a court has prohibited that person to be a director, or declared the person to be delinquent in terms of section 162, or in terms of section 47 of the Close Corporations Act, 1984 (Act No. 69 of 1984); or
 - (b) subject to subsections (9) to (12), the person-
 - (i) is an unrehabilitated insolvent;
 - (ii) is prohibited in terms of any public regulation to be a director of the company;
 - (iii) has been removed from an office of trust, on the grounds of misconduct involving dishonesty; or
 - (iv) has been convicted, in the Republic or elsewhere, and imprisoned

without the option of a fine, or fined more than the prescribed amount, for theft, fraud, forgery, perjury or an offence-

(aa) involving fraud, misrepresentation or dishonesty;

(bb) in connection with the promotion, formation or management of a company, or in connection with any act contemplated in section 69 (2) of the Companies Act.

4.3. In addition to the requirements from the IDC Act the following should be considered;

4.3.1. The Minister should, in consultation with the existing Board with the assistance of the Board Human Capital and Nomination Committee have established minimum qualification criteria for selecting and nominating board members.

4.3.2. The minimum qualification criteria should give consideration to whether a candidate has the skills, experience and background that add to and complement the range of skills, experience and background of existing directors.

4.3.3. Potential directors should display high personal, professional and ethical integrity.

4.3.4. In addition, the Minister should consider a staggered rotation process to provide continuity and institutional memory within the board.

4.3.5. A programme ensuring the rotation of non-executive directors should be put in place. Rotation of board members should be structured so as to retain valuable skills, maintain continuity of knowledge and experience and introduce people with new ideas and expertise.

5. Exclusions

5.1. This procedure shall exclude the nomination and appointment of directors to the Corporation's subsidiaries and/or any other entities for which the Board has the right to nominate and/or approve the appointment of directors.

6. Endorsement

| Activity | Name |
|---------------|--|
| Compiled by | Group Company Secretary Name and surname Nomini Rapoo |
| Authorised by | The Board of Directors |

