

GOVERNANCE

The NEF Board is committed to sound corporate governance practices and subscribes to the principles of good corporate governance as recommended in the King III Report on Corporate Governance. The NEF has established corporate governance structures to assist the Board to ensure compliance with legislation and regulatory requirements, and in terms of corporate governance best practice.

GOVERNANCE STRUCTURES

The NEF's shareholder is the Government of the Republic of South Africa, represented by **the dti**, which serves as the NEF's executive authority in terms of the PFMA.

A Shareholder's Performance Compact (Shareholder's Compact) was concluded with **the dti** for the year under review. The purpose of the document is to define and regulate the mandate from **the dti** to the NEF; document the parameters of the relationship between the NEF and **the dti**; and outline the roles and responsibilities of the two parties. The Board finalised and submitted its Annual Performance Plan and the Strategic Plan for the years 2016/17 – 19 to **the dti**. These plans were duly authorised by the Minister of Trade and Industry.

Board of Trustees Composition

The Board of Trustees is appointed in terms of the National Empowerment Fund Act. Board members possess expertise in the fields of, amongst others, law, economics, business practice, development practice and finance. The Board currently comprises 5 independent non-executive Trustees and 2 executive Trustees. The roles of the chairman and CEO are separate and the composition of the Board ensures a balance of authority precluding any one Trustee from exercising disproportionate power of decision making.

Mr Rakesh Garach, who had been acting in the role of chairman since March 2014, was appointed as the permanent chairman of the Board on 11 December 2015.

During the year **the dti** withdrew the membership on the Board of the three government representatives with reason that their participation was no longer required as the NEF had stabilised over the years. Mr Allon Raiz who had been a Trustee since 2009 resigned with effect from 1 July 2015.

The removal of the government representatives and the resignation of Mr Raiz resulted in the loss of resources and key skills, which affected the Board's representation in its subcommittees. In the latter part of the 2015 calendar year, **the dti** commenced with the process of identifying candidates with the required skills and experience to fill the current vacancies on the Board. This process is still ongoing.

Board Meetings

The Board holds regular meetings to ensure that it meets its objectives as outlined in the Board charter. The elements of the Board charter are derived from the NEF Act 105 of 1998 and the Shareholders Compact concluded between **the dti** and NEF.

Board Members	Meeting Attendance
Rakesh Garach (Chairman)	10/10
Philisiwe Mthethwa (CEO)	10/10
Nomalanga Pascal	10/10
Zukiswa Ntlangula	9/10
Jacqueline Williams	10/10
Innocentia Pule (CFO)	10/10
Angelina Makwetla	10/10
*Allon Raiz	1/1
**Avril Halstead	3/10
**Jacqueline Molisane	1/10
**Sipho Zikode	3/10

*Resigned with effect from 1 July 2015

**Government representatives withdrawn with effect from 6 November 2015

In addition to continued monitoring of the implementation by management of the organisation's current strategy, the Board at its strategic session held during the year also considered the current poor economic environment and how the NEF could respond to the job losses in the mining and steel manufacturing sectors. Consideration was also made to possible attractive investment opportunities for the NEF that could contribute towards stimulating the economy and creating jobs.

Amongst other activities Board and its committees reviewed their terms of reference to ensure alignment with the principles of good corporate governance.

Lack of recapitalisation remained a major concern for the Board throughout the year. The Board continues to support management in engagements with various government departments and other entities in efforts to raise funding.



Board Subcommittees



Audit Committee

The Audit Committee assists the Board of Trustees in its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of Annual Financial Statements and related reporting in compliance with all applicable legal and regulatory requirements and accounting standards.

The Audit Committee has adopted comprehensive terms of reference that have been approved by the Board of Trustees. The committee has conducted its work over the past financial year and discharged its responsibilities in accordance with those terms of reference and has reported quarterly in this regard to the Board of Trustees.

Audit Committee members

The Audit Committee, consisting of the members listed below, met five times during the year under review to undertake its responsibilities.

- Anthony Coombe (Independent Non-Trustee member and Acting Chairman)
- Zukiswa Ntlangula (Trustee)
- Rene van Wyk (Independent Non-Trustee member)
- Jacqueline Williams (Trustee)
- Kumaran Naidoo (Ex-officio member)

Attendance of the meetings of the Audit Committee for the year is reflected in the table below:

Member	Meeting attendance
A Coombe*	5/5
Z Ntlangula	2/5
R Van Wyk	5/5
J Williams	5/5
K Naidoo**	0/5

*With effect from 22 April 2014, A Coombe was appointed as Acting Chairman of the Audit Committee.
 ** K Naidoo was granted official leave not to attend meetings during the current financial year.

Assessments of the effectiveness of the finance function and of the external audit function will be conducted in August 2016, following approval of the 2015/16 annual financial statements by the Board.

The Audit committee conducted the following assessments for the 2015/16 financial year:

- Individual performance of each member by the chairman.
- The effectiveness of the internal audit function.

In the 2016/17 year the Audit Committee will focus on new revenue recognition standards and will also consider how the organisation's disclosures could better tell the NEF's story.

Risk & Portfolio Management Committee (RPMC)

The core function of the RPMC is to ensure appropriate risk management and to provide an oversight role regarding the performance of the NEF's invested portfolio.

The RPMC comprising 4 members, met 3 times during the year.

Name	Meeting Attendance
* Zola Fihlani (Chairman)	3/3
**Jacqueline Molisane	2/2
Rakesh Garach	3/3
Simon Harford	3/3

* Chairman with effect from 6 November 2015

**Chaired until 6 November 2015 when her participation on the Board was withdrawn by the dti

During the year the RPMC focused on:

- Reviewing the NEF's Empowerment Dividend model;
- The appropriateness of transaction structuring; and
- Indepth portfolio analysis since inception and the strategic decisions for future implementation.

Focus for FY2017 will be on assisting management to adequately capacitate the Post Investment Unit to ensure proactive identification of early signs of distress in investees and implement appropriate interventions. The RPMC will also consider ways in how the NEF could maximise the empowerment dividend.

Board Investment Committee (BIC)

The BIC assesses, evaluates, approves (where appropriate) and recommends to the Board investments in accordance with the Board approved Delegation of Authority framework.

The BIC comprised 7 members in the year under review and held 9 meetings:

Name	Meeting Attendance
Nomalanga Pascal (Chairman)	9/9
Philisiwe Mthethwa (CEO)	9/9
*Sawa Nakagawa	4/5
Pani Tyalimpi	7/9
Zukiswa Ntlangula	8/9
Claire Busetti	8/9
** Zola Fihlani	1/1

* On maternity leave from 1 August to 30 November 2015

** Appointed as a member with effect from 1 March 2016

Human Capital & Remuneration Committee (HCRC)

The HCRC oversees and monitors the level and remuneration structures of the NEF in line with overall performance; and reviews compliance to appropriate policies, procedures and structures relating to human capital.

The HCRC comprising 4 members, met 3 times in the year under review as follows:

Name	Meeting Attendance
* Jacqueline Williams (Chairman)	4/4
** Avril Halstead	2/2
Angelina Makwetla	4/4
Sonja Stojanovic	4/4

* Chairman of the HCRC with effect from 6 November 2015

** Chaired until 6 November 2015 when her participation on the Board was withdrawn by the dti

“To accelerate inclusive growth we must expand investments. The focus must be to provide venture capital-type funding and monitoring to these target groups – especially black entrepreneurs.”

His Excellency, President Jacob Zuma, during a meeting with business and labour leaders at the Union Buildings in Pretoria on 9 May 2016

In the 2016/17 financial year the HCRC will focus on:

- Emerging strategic HR trends; and
- HR as a strategic business partner and how the HR unit could be transformed.

Social & Ethics Committee (SEC)

The SEC assists the Board with the oversight of social and ethical matters relating to the NEF, including the statutory duties as required by the Companies Act No 71 of 2008.

The Social & Ethics Committee met 4 times during the year with attendance as follows:

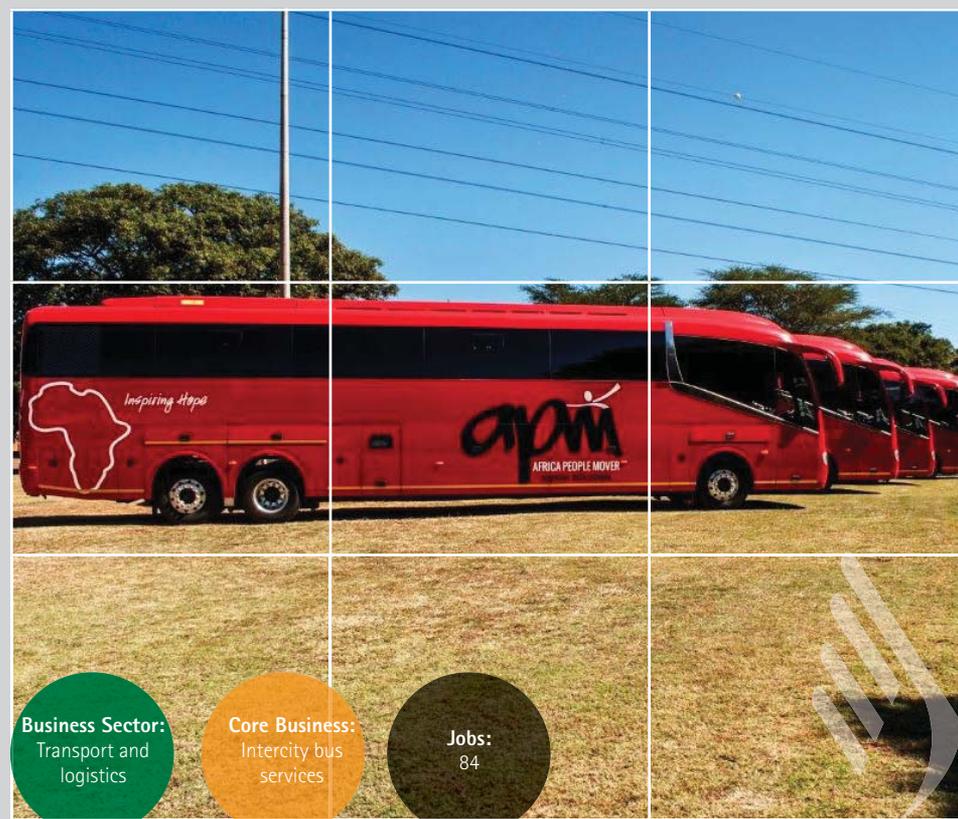
Name	Meeting Attendance
Angelina Makwetla (Chairman)	4/4
Jacqueline Williams	4/4
Michelle Mbaco	4/4

The SEC's key focus areas for the year included:

- Reviewing the NEF's Corporate Social Responsibility and Investment Policy; and
- Employment equity.

In the next financial year the Committee intends focussing on the following:

- Monitoring the implementation of the NEF's strategic responses to the brand audit findings;
- The NEF's media relations;
- Reviewing policies relating to conflicts of interests and code of conduct to ensure that best practice is adopted; and
- Ethics awareness in the workplace (to be determined from the results of the ethics survey).



Investee Profile:

uMnotho Fund

Africa People Mover (Pty) Ltd. (APM)

Africa People Mover (Pty) Ltd is a black majority owned and managed enterprise which provides intercity passenger transport services within South Africa. Established in 2014, Africa People Mover (APM) has developed a service model that revolves primarily around the passenger whilst ensuring commercial and social sustainability for the organisation in the long term.

APM has a mission to unlock and deliver value to the stakeholders by consistently ensuring that the intercity passenger service remains relevant to intercity travellers. This mission is underpinned by our commitment to on time departures, newness and the reliability of our fleet, service excellence, passenger safety and bus cleanliness. The company has a vision to be an intercity passenger service alternative of choice by raising the benchmark in intercity travel, adopting sustainable work methods, encouraging continuous improvement and being an honourable corporate citizen.