Code of Conduct – Board of Directors

Introduction:

This constitutes a code of conduct for the Board of Directors of the Observatory Improvement District (a registered Not for Profit Company). The Code of Conduct is drawn from similar resource material for other NPC Boards, and our own Memorandum of Incorporation. It is also aligned to and should be read in conjunction with the King IV Governance Code, its specific application for NPC's and the more recent and applicable Independent Code of Governance for Non-Profit Organisations in South Africa.

The King IV Code includes differentiated practice for municipalities and not-for-profits and is therefore applicable to the functioning of the Observatory Improvement District Board of Directors. According to this code we understand the role of non-executive directors as follows:

- The non-executive director plays an important role in providing objective judgement independent of management on issues facing the company.
- Non-executive directors are independent of management on all issues including strategy, performance, sustainability, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance.
- The non-executive directors should meet from time to time without the executive directors to consider the performance and actions of executive management.

The OBSID further understands the role the board is to:

- Direct and approve, for adoption by AGM, a:
    - 5 year strategy, implementation plan and budget;
    - Annual version of the same;
- Adopt necessary policies for OBSID;
- Monitor and evaluate the performance (financial and non-financial) of the OBSID, and the CEO as the accountable manager;
- Take key strategic and governance decisions and manage risk;
- Review and adopt the audited financial statements and annual performance report;
- Account to members, primarily at the AGM;
- Report to and engage with the community at large, including ratepayers, residents, business and workers in the area.

Objectives:

This Code of Conduct provides a framework for non-executive directors to perform their function in a manner that ensures adherence to the spirit and principles of the King IV Code across all aspects of their scope of responsibility, defined as:

- Consideration and adoption of the strategy and policies for the organisation;
- Exercises oversight and accountability for the achievement of these;
- Emulates the principles and practices laid out in the Code towards the outcomes of:
    - Ethical practice
    - Good performance
    - Effective Control
    - Legitimacy

Code of Conduct commitment:

As an individual charged with governance duties in an organisation(s), Directors commit:

- To serve the best interest of the organisation with integrity, care, skill, diligence and courage.
- To be responsible for the actions and assets of the organisation and for keeping the organisation on its strategic path.
- To be accountable to stakeholders for decisions and actions of the organisation.
- To be fair to stakeholders of the organisation by considering the legitimate interests of those who are affected by the organisation.
- To be transparent by disclosing information that will enable stakeholders to hold the organisation to account and that provides a holistic representation of the organisation's *past performance* and its prospects for future value-creation.

Leadership and stewardship:
Directors promote public benefit values to employees through their exemplary behaviour. They encourage a strong culture of accountability where issues are raised early, Board decisions are *implemented quickly* and people operate within their delegated authority and cooperate with one another.

Complying with establishing legislation and board policies:
Directors comply with Constitution of the Republic of South Africa, Municipal Property Rates Act, Companies Act, The SRA By-Law of the City of Cape Town and the *Memorandum of Incorporation of the OBSID*. They also comply with any government policies or OBSID policies affecting the work of the board.

Care, diligence and skill:

1. Directors exercise their powers with a reasonable degree of care, diligence and skill. They understand the business of the OBSID and the role of the Board. They act responsibly, drawing on any knowledge they possess when considering matters before the Board.

2. Directors regularly attend bi-monthly Board meetings, apologizing when they cannot, are actively involved in matters before the Board, and consider the financial, strategic and other implications of Board decisions. The MOI requires that directors seek the permission of the chairperson should they not be able to attend a board meeting. This code of conduct will also require the Chairperson to seek the permission of the vice-chairperson should he or she not be able to attend. The MOI states that a director will cease to be one if they have been absent for more than three consecutive meetings without the permission of the chairperson. This code of conduct further states that a director ceases to be a director if they do not attend, irrespective of apologies or non-consecutive occurrence, three meetings in a period, marked by annual AGMs.

3. Directors seek and consider all relevant information and ignore irrelevant information. They base their decisions on the best information available at the time, seek further information if necessary, and accept responsibility for their actions.

4. Directors ask questions about matters before the Board. They may ask COO, for detailed briefings on the OBSID's business to inform strategic planning and risk minimisation.

Best interests of the OBSID:
Directors act in good faith in the best interests of the OBSID. They are active members of the Board and professional in all dealings with fellow Directors.

While Directors may be members or office-bearers of other organisations they do not represent those organisations on the OBSID board. All directors take personal responsibility for taking all decisions in the interest of the OBSID.

Only the OBSID CEO or their delegated manager will officially represent the OBSID in any forum or meeting. Only the CEO will be the OBSID spokesperson on OBSID business. On matters related to the governance of the OBSID, the Chairperson, or another delegated board member may represent the Board of the OBSID or speak on its behalf.

Directors do not allow their personal or professional interests or relationships to influence their judgement.

This impartiality means they are objective when participating in Board discussions and decisions.

They behave in a way that reflects well on their standing as a Director and on the reputation of the OBSID.

Proper use of position:
Directors use their position to promote the best interests of the OBSID. They do not use their position to seek an advantage for themselves or another person or to cause detriment to the OBSID.

Directors should not incur any financial benefit from their role in the OBSID. No director should in any way benefit or be perceived to benefit, directly or by association from the work of the OBSID.

Directors do not seek gifts or favours for themselves, members of their family or other close personal or business associates. In addition, they decline gifts or favours that may cast doubt on their ability to apply independent judgement.

Directors do not join a Board where they consider that the impartiality of their decisions may be compromised or would reasonably be perceived to be compromised.

Proper use of information:
Directors use the information they gain in the course of their Board duties only for its intended purpose. They do not use the information, including privileged information or commercially sensitive information, to obtain an advantage for themselves or another person or to cause detriment to the OBSID.

Directors are well informed about freedom of information, privacy and protected disclosure legislation. They respect confidentiality and use their discretion, prudence and good judgement when deciding how to treat information.

Directors make a protected disclosure to relevant regulatory and anti-corruption authorities if they believe improper conduct is occurring within the OBSID.

They do not leak information internally or externally.

Directors use email appropriately, and adhere to this code of conduct in their use of email. Emails should be short, professional and respectful.

Emails can only be used to make decisions on the official OBSID email addresses and provided that all directors have had adequate opportunity to be part of the decision. Directors are required to respond to OBSID email-decisions (chaired by the Chairperson) within 72 hours. Should a director not be available on email for more than 72 hours, he or she should inform both the Chairperson and CEO, at the very least.

Standing for election:
Directors notify the Board if they become, or intend to become, a candidate for an election in any national, provincial or local election. They do not use the OBSID's resources in connection with their candidature.

Fairness and impartiality:
Directors act fairly and impartially. When participating in Board deliberations and decisions or when resolving disputes between Directors, they behave in a manner that is free of favouritism and self-interest.

Directors consider all relevant facts objectively when implementing OBSID's policy and programs to ensure equitable outcomes. They act in accordance with equal opportunity legislation which protects people from discrimination.

Directors are courteous to others. They respect human rights and foster a culture that is free of intimidation and bullying.

Financial responsibility:
Directors act in a financially responsible manner. They exercise care in relation to public funds and assets and, if applicable, comply with the requirements of government including the City of Cape Town.

Directors demonstrate due diligence through active monitoring of the OBSID's financial accounts and financial position. They regularly review financial statements and management reports at bi-monthly board meetings

Directors ask questions about the financial material put before the Board, if that material is unclear or raises matters that may be of concern from a financial perspective. They understand the financial justification for decisions taken by the Board. They vote to record their disagreement if they do not believe the financial implications are sufficiently clear or if a Board resolution has financial implications that they consider imprudent.

Honesty and integrity:
Directors act with honesty and integrity. They comply with laws, policies and generally accepted standards of behaviour. They are open and transparent in their dealings.

Directors give proper consideration to matters before the Board. They express their views genuinely, clearly and without ambiguity. They *disclose the information or considerations they relied upon* in coming to their view.

They speak up when a decision or advice is being considered that may be detrimental to the public interest and vote to record their view.

Caucuses amongst groups of directors, in person and on email, is strongly discouraged. Caucuses refer to an increasing use of informal and unaccountable structures or blocs that undermine the effective and democratic deliberation expected in board meetings. Caucuses, undermine the independence and impartiality expected of directors. They also undermine the creation of a culture of openness and transparency, as caucus discussions are not minuted. Discouraging caucuses does not restrict directors from engaging with each other or in groups outside board meetings. As this requirement is difficult to enforce, it will be important for directors to self-regulate their discussions when they undermine the deliberations to be had by the board and are better held openly and transparently. It is understood that caucuses may become necessary in the extreme event that democratic and open discussion is stifled in board meetings.

Conflicts of interest and duty:
Directors follow Board policy on managing conflicts of interest and duty. Wherever possible, they avoid any real, potential or perceived conflicts.

At the start of each Board meeting, Directors confirm that their entries in the register of interests are complete and correct. See above. They also disclose any interests that relate to particular agenda items.

Directors, who have a material conflict of interest or duty in a matter, as determined by the Board, leave the room while the matter is being considered. They do not discuss or take part in any decisions on the matter.

Similarly, employees such as the CEO will recuse themselves when matters related to their respective contracts or performance is being discussed.