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KOMATI BASIN WATER AUTHORITY



KOBWA
WATER FOR EVER

EVALUATION OF DIRECTORS' PERFORMANCE POLICY


| | Title | Approval Initials |
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| Created By | CS | |
| Reviewed By | CEO | <i>Jawet at 30.6.22</i> |
| Recommended By | THRC Chairperson | |
| Approved By | KOBWA BOARD CHAIRMAN | <i>[Signature]</i> |

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1. INTRODUCTION

The Board of Directors of Komati Basin Water Authority (KOBWA) acknowledges the need for an Evaluation of Directors' Policy, as stipulated in the KOBWA Board Charter..

KOBWA must have a policy on the evaluation of the performance of the Board and that of its committees, its chairperson, and its individual directors, according to the provisions of the King IV Report on Corporate Governance for South Africa 2016 (King IV) and Section 15 of the Board Charter.

1.1 Purpose of the Policy

Performance evaluations produce insights into the effectiveness of the Board, its committees, and the individual directors.


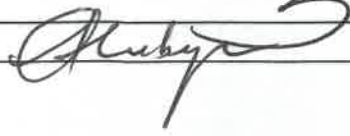
There are several factors that the Board must consider ensuring that the process adds value and contributes to effectively assessing and improving its performance.


For the Evaluation of Directors' Performance Policy, the following factors need to be considered for it to yield the best results possible:

- (i) All Board members should support the evaluation process. Board members need to give the evaluation process due regard and attention to ensure that it is effective. This includes applying their minds to the evaluation questions and answering these honestly, complying with agreed timelines, and making time for interviews (if held).
- (ii) The evaluation process should ensure the anonymity of responses to elicit honest and frank input from members.
- (iii) The Company Secretary or nominee will take responsibility for the process to ensure it is carried out effectively.
- (iv) The Board meeting following an evaluation should provide sufficient time on the agenda for a presentation and discussion of the evaluation results. An action plan should be created to address the results and the action plan should be attended to with the utmost attention.

The objective of this Policy is the following:

- a) To ensure compliance with the applicable provisions of the Companies Act, 2008 ("the Act") and the KOBWA Board Charter relating to the evaluation of the performance of the Directors and the Board

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- b) To adopt best practices to manage the affairs of the Company seamlessly.
 A) To achieve good corporate governance as well as sustained long-term value creation for stakeholders.

1.2 Scope of the Policy

This policy applies to Komati Basin Water Authority [KOBWA] and includes:

- (i) The Board
- (ii) Board Committees
- (iii) Individual members of the Board of Directors, and
- (iv) The Company Secretary.

2. POLICY PRINCIPLES

2.1. Reasons for and Benefits of Performance Evaluations

The Board is the custodian of corporate governance of Komati Basin Water Authority [KOBWA].


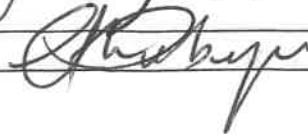
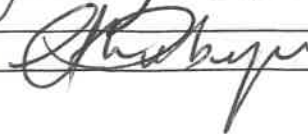
There is a direct correlation between the performance of the Board and the performance of KOBWA. Board culture influences the organisational culture, and it is thus important to assess and intentionally develop the culture that is required at all levels in the organisation towards yielding the best results possible.


The King IV Code, under Principle 9, provides that the Board should ensure that the evaluation of its own performance and that of its committees, its chairperson, and its individual members, support continued improvement in its performance and effectiveness.

Continuous performance assessments provide the Board and its directors, with an opportunity to review and improve their performance. A rigorous performance evaluation allows the Board and its directors to reflect on its roles and responsibilities, its culture, and its relationship with management.

Performance evaluations are a useful diagnostic tool that aims to help identify where the Board is performing well, and which areas require development. Some of the benefits that arise from performing regular performance evaluations include:

- (i) Identifying key development areas.
- (ii) Identifying director development programs to improve the competency of Board members.

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- (iii) Improving Board composition through identifying skills needed on the Board.
- (iv) Using the results to inform the nomination and election processes of new Board members.
- (v) Managing performance of Board members and the Company Secretary, and
- (vi) Identifying changes needed to company and Board governance documents/processes.
- (vii) Creating a culture of accountability and transparency.

2.2. Responsibility

The Chairperson, with the support of the Company Secretary, is responsible for leading the performance evaluation of the Board or its relevant committees.

Where the Board does not have a lead independent director, the Board should appoint an independent non-executive member to lead the performance assessment of the Chairperson.

The Chairperson should relay the results of the evaluation to the members of the Board or relevant Committees and allow the members to discuss the results openly.

Where individual peer evaluations are conducted, the Chairperson should have one-on-one consultations with each member to review the results and manage any performance issues which have been identified. Individual peer evaluation results should be kept confidential and should be treated with appropriate sensitivity.


These results should not be shared with the rest of the members of the Board or relevant committee to avoid causing a negative and/or disruptive impact on the morale of individual members and overall Board dynamics.

2.3. What is Evaluated and How Often

The performance evaluation should examine the roles and responsibilities of the Board, the effectiveness of its committees, its relationship with key governance players, and overall, assess the key areas which impact its effectiveness.

The assessment should not be conducted by way of a tick box approach but should probe thought and application of mind to assess the performance for the previous period.

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The Board assesses its overall performance and identifies its developmental areas. The committee evaluations allow the Board to evaluate the committee's contribution and effectiveness in fulfilling its mandate. Individual evaluations provide insights into the competency and engagement levels of each member of the Board. These also include specific evaluations of the Chairperson and Company Secretary. Individual peer evaluations should be used when determining whether to nominate a member for re-election.

The Board will conduct a formal performance evaluation every year. An independent assessment will be conducted should be conducted every third year.

2.4. Methods

2.4.1 Quantitative and/or qualitative methods

Quantitative methods aim to obtain specific, numerical, and measurable data through surveys or questionnaires. The results are aggregated and reported back to the Board and committees.

Qualitative methods are utilised to reveal trends in thought and opinions of Board members, and this can take the form of one-on-one interviews, observation of Board meetings, and review of applicable documentation.

King IV is not prescriptive on the format of performance evaluations and the decision ultimately depends on the needs of the organisation and the resources available.


The decision on what method should be used must be based on KOBWA's size, nature, industry, and organisational needs.

2.4.2 Internal vs external facilitated evaluations

Internally facilitated performance evaluations are conducted by the Chairperson, lead independent director, or Company Secretary. Externally facilitated evaluations are conducted by an independent third party.

Irrespective of which method is selected, the facilitator should aim to elicit honest input from the board members.

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Conducting an externally facilitated evaluation means that the process by which Board members' views and scores are obtained is independently facilitated. It is still a self-evaluation and thus the evaluation report provided is still a reflection of what the Board feels. An externally facilitated performance evaluation affords the process a level of objectivity and candour.

Whichever method is used the evaluation should not cause disruption or cause tension on the Board. Responses received should be handled with requisite sensitivity as needed.

2.5. Results of Evaluations

Effective boards are committed to continuous development. The outcomes of performance evaluations and the identified action items must be implemented and embedded into the practices of the Board and the committees (if evaluated as well) once the evaluation has reached its conclusion.


Communicating and understanding the results of the performance evaluation is a crucial part of the process, as it allows for the evaluated members and structures to understand the reason for their inputs.

- **Step 1:** Discuss the results of the evaluation with the entire Board and its committees (if previous evaluations were conducted, compare the results).
- **Step 2:** Create an action plan to address the outcomes of the evaluation. The action plan developed should adequately identify developmental areas, proposed interventions, and timelines and allocate resources to monitor the implementation of the action plan. Action plan items should be incorporated into the Board and its committee's annual work plans
- **Step 3:** Regularly assess progress against the action plan created
- **Step 4:** In the next evaluation, ensure to check or include a question to assess whether the previous concerns were adequately addressed.

Although conducting performance evaluations is instrumental in ensuring continuous development of the Board and its committees, performance evaluations can only add value when recommendations are implemented, and the identified matters of concern are addressed through a measured and duly supported action plan.

3. COMPLIANCE WITH THIS POLICY AND REVIEW

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Compliance with this policy will be monitored. Any breach of or non-compliance with this policy must be communicated to the policy owner as soon as reasonably practical. The policy owner, with input from the Chairperson of the Board of Directors of KOBWA, will consider the appropriate action(s) required.

All instances of non-compliance with this policy will be included within the regular risk reporting process. This policy shall be reviewed every three years in line with the KOBWA Policy review period, unless there arises a need before the lapse of the 3 year period.

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