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MEYERSDAL NATURE ESTATE HOMEOWNERS' ASSOCIATION EXT 9-12
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MEYERSDAL NATURE ESTATE EXT 8-12

GOVERNANCE AND CODE OF CONDUCT FOR DIRECTORS

Corporate Governance is the application of best management practices, compliance of law in the true letter and spirit and adherence to ethical standards for effective management

- King II Report

The MEYERSDAL NATURE ESTATE EXT 8-12 HOMEOWNERS ASSOCIATION (MNEHOA) Board of Directors is ultimately accountable and responsible for the performance of the estate. The Board endorses and is committed to the fundamental principles of good corporate governance.

These include discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

In accordance with this commitment, the Board of Directors embraces the principles of good governance as set out in the King Report on Corporate Governance for South Africa, 2002 ("King II Report").

OBJECTIVE

Though the above referred, estate philosophy is interwoven in the day to day operations of the estate. This code is expressly prescribed for the purpose of express communication to the members of the homeowners association (MNEHOA) and to ensure that it is clearly understood by each director, who is supposed to follow the same.

A written code would intimate all the directors about their responsibilities towards the estate and the standards of conduct expected of them. On the other hand, members of the homeowners association would be in a position to know as to whether the globally accepted business and ethical standards and values are being followed by the directors of the board and estate management or not.

DEFINITIONS

CODE – means Code of Conduct for the Board of Directors and Estate Management

BOARD – means the Board of Trustees and associated Board of Directors of Meyersdal Nature Estate Homeowners Association

NON-EXECUTIVE DIRECTORS – means all directors that are not managing or whole-time directors

ESTATE – means Meyersdal Nature Estate and the associated Meyersdal Nature Estate Ext 8-12 Homeowners Association (MNEHOA)

APPLICABILITY

The code is applicable to executive management and all the directors of the board. Every director of the board shall receive and read the Code for proper and complete compliance and provide the acknowledgement to the estate in the prescribed format as attached to this code.

CODE OF CONDUCT

A. FOR THE DIRECTORS OF THE BOARD

Each Director of the board shall:

1. DUTY OF CONDUCT

- 1.1 Respect the fiduciary capacity of a director and transact the responsibilities associated with the office of a trustee.
- 1.2 Act with honesty, integrity and display utmost ethical conduct while executing the office of director of the estate.
- 1.3 Act with ethical integrity, accept and promote majority decisions and refrain from undermining trust and the image of the estate and board of directors by lobbying or petitioning without the board's consent.
- 1.4 Avoid direct or indirect personal involvement in any transaction of the estate and ensure that at no instance there is any conflict of interest between personal and estate interest. Where there is any conflict, the estate's interest shall reign supreme.
- 1.5 Ensure that the assets of the estate are not used for any personal gain. Further it shall be the duty of the director to ensure that the assets of the estate are not used for any unlawful purpose and further that the usage not amount to misuse or wastage.
- 1.6 Owe undivided loyalty to the estate by forbidding any personal involvement in any opportunity or activity wherein the estate has any right or interest.
- 1.7 Make complete and full disclosure as to the nature of transaction, parties to the transaction, etc. to the Board, as may be required, in case a transaction is effected by the estate with any related party or director. Further, such transactions should be entered into only to the extent and in the manner as permitted by the prevailing law.
- 1.8 Maintain complete secrecy and confidentiality of the information related to the estate or its business. This commitment shall continue even after the termination of office.

2. DUTY OF CARE

Directors undertake to show the standard of care, diligence in directing the estate and its business that may be reasonably expected from individuals with their knowledge and experience.

This is achieved by:

- 2.1 Understanding the business of the estate in all operational, financial, human resources, risk management, and environmental respects.
- 2.2 Making informed decisions based on a complete understanding of the estate's business and the issues that might materially affect it.

- 2.3 Obtaining independent professional advice in circumstances where the director believes that, despite a good understanding of the estate and efforts to obtain further information, he or she is still not in a position to make informed decisions.
- 2.4 Diligently preparing for board meetings by reviewing and understanding board pack material well in advance of board meetings, actively participating in board meetings, and bringing to bear the full measure of one's experience and expertise to which the estate is entitled.

3. DUTY TO EXERCISE AN INDEPENDENT DISCRETION

Directors accept that they are not answerable to certain groups of members or other stakeholders, but to the estate only. Independent mind and judgement are exercised in assessing what is in the best interest of the estate even if detrimental to the interests of the appointing member or minority groups.

4. DUTY OF GOOD FAITH

Directors are required at all times to act in good faith towards and in the interests of the estate.

This is achieved by:

- 4.1 Always setting the estate's interests before personal or the appointing member's interests or gain.
- 4.2 Always acting impartially and independently in the interests of the estate, unhampered and unfettered by any other interest (whether it be personal, another member's, stakeholder's or minority groups).
- 4.3 Always conducting the affairs of the estate with the utmost honesty and integrity.
- 4.4 Avoiding any conflict between the interests of the estate and any personal interest. In the event of there being the slightest hint of any possible interest, it is openly and formally declared.
- 4.5 Avoid undermining the image, good faith and trust relation of the estate or board of directors by lobbying or petitioning without prior consent of the board of directors.

5. DUTY TO ACT WITHIN POWERS AND AUTHORITY

Directors do not exercise powers that are beyond the normal capacity of the estate or request that powers be given to them unless bestowed by the estate's articles of association.

Compliance with this duty is achieved by strict adherence to the articles of association, levels of authority as determined by the estate in general meeting (the members), specific mandates from the board of directors, and the law.

B. FOR THE BOARD OF DIRECTORS

6. PRIME DUTY

The Board accepts its responsibility to act as a board and to do so in the interests of the estate only and not in a director's personal interests or in the interests of any member a director may represent.

7. MAIN DUTIES

The Board accepts the following as its main duties:

- 7.1 A duty of care, diligence and skill, which can be reasonably expected from persons with their level of knowledge and experience.
- 7.2 A duty to exercise an independent discretion.
- 7.3 A duty of always acting in a *bona fide* manner, i.e. in good faith.
- 7.4 A duty to act *intra vires*, i.e. within the powers and authority bestowed upon them by the estate's constitution.
- 7.5 Duty to provide the members of the homeowners association with the true and fair report on the financial performance of the estate.
- 7.6 Duty to ensure compliance of all applicable Acts, Regulations, Rule, By-laws or other statutory provisions, which govern the conduct of the estate.

7.7 A duty to determine and revise Architectural and Aesthetical Guidelines, a Code of Conduct for Contractors and Community Participation Rules.

8. BOARD CHARACTERISTICS

8.1 Board size and membership

The board's size is such to be effective and meet in the estate's requirements. It comprises of non-executive directors of which the majority must be homeowners of the estate.

8.2 Suitably-qualified directors

The following attributes are brought into consideration when directors are nominated:

7.2.1 Calibre and credibility.

7.2.2 Skills and experience.

7.2.3 Time and attention to devote to role.

7.2.4 The process of director appointment is transparent and is facilitated during the annual general meeting (AGM).

8.3 Separation of chairperson of the board and Estate Manager's roles

The positions of chairperson and estate manager are vested in two separate persons.

8.4 Chairperson of the board to be an independent non-executive director

The chairperson is an independent non-executive director.

8.5 Balance of non-executive directors

All members of the board, whether elected or co-opted, are non-executive directors of which the majority must be homeowners of the estate.

8.6 Formal delegation of power and authority to management

An approval framework, which defines the authority of management and matters for board approval, has been introduced.

8.7 Regular meetings

The board meets regularly (every two months) to review the operational performance of the estate, strategic issues, the business plan, acquisitions, disposals, longer-term contracts and commitments, estate policies and stakeholder reporting.

8.8 Rotation of directors

Provision is made for the rotation of directors in the estate's Articles of Association whereby directors are elected for a one-year period, following which they must stand down but may be re-elected by the members in the general meeting.

8.9 Access to organisational information and records

Directors have access to all organisational information and records.

8.10 Access to independent professional advice

The board is at liberty to retain external professionals' services when required.

8.11 Balance between performance and conformance with governance standards

The estate's performance is measured according to the "triple bottom line", viz. on financial, social and environmental levels.

8.12 Importance of meaningful corporate disclosure

The board lays great emphasis on the importance of corporate disclosure, notably as a means of transparency, accountability and responsibility, on matters of significance, interest and relevance to members and a wide range of stakeholders.

C. FOR THE FUNCTIONING OF THE BOARD OF DIRECTORS

9. Role and function of the board

The board's functions include:

- Establish vision, mission and values.
- Approve goals, strategy and policy.
- Ensure organisational integrity.
- Ensure independence from any vested interest.
- Appoint Estate Manager (CEO) and management.
- Establish executive powers.
- Risk management.
- Disclosure.

9.2 Key functions of the board

Key functions fulfilled by the board include:

- 9.2.1 Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
- 9.2.2 Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- 9.2.3 Ensuring the integrity of the estate's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.
- 9.2.4 Monitoring the effectiveness of the governance practices under which it operates and making changes as needed
- 9.2.5 Overseeing the process of disclosure and communications.

9.3 Role and function of the chairperson

The chairperson's primary function is to preside over directors' and members' meetings and ensure their smooth functioning in the interests of good governance.

There is a clearly accepted division of responsibilities at the head of the estate to ensure balance of power and authority, so that no individual has unfettered powers of decision-making.

The chairperson is a non-executive director.

The chairperson of the board accepts responsibility for the following essential tasks:

- Providing leadership to the board.
- Ensuring proper information to the board.
- Planning and conducting board meetings effectively.
- Getting all directors involved in the board's work.
- Ensuring that the board focuses on its key tasks.
- Engaging the board in assessing and improving its performance.
- Supporting the estate manager.

9.4 Role and function of the Estate Manager

Given the strategic and operational role of the Estate Manager, this function is separate from that of the chairperson.

The estate manager is responsible for the performance of the estate, as dictated by the board's overall strategy. He reports to the board of directors.

His responsibilities include:

- Formulating and successfully implementing estate policy.
- Directing strategy towards the effective operation of the estate.
- Developing strategic operating plans that reflect the longer-term objectives and priorities established by the board.
- Maintaining an ongoing dialogue with the board of directors.
- Putting in place adequate operational planning and financial control systems.
- Ensuring that the operating objectives and standards of performance are not only understood but owned by the management and other employees.
- Closely monitoring the operating and financial results against plans and budgets.
- Taking remedial action where necessary and informing the board of significant changes.
- Maintaining the operational performance of the estate.
- Assuming full accountability to the board for all estate operations.
- Representing the estate externally and acting as chief spokesperson of the estate.
- Building and maintaining an effective management team.

The board of directors is responsible for appraising the performance of the estate manager. The board considers the results of such appraisal in order to evaluate the performance of the estate manager and to determine his remuneration.

9.5 Relationship between the board and estate manager

The board as a body controls corporate objectives in an affirmative, prescriptive way and controls corporate means in a limiting, proscriptive way. The estate manager implements objectives and strategic operating plans in an affirmative, proactive way ensuring adequate operating and financial results against plans and budgets of the estate

9.6 Remuneration

The financial sub-committee has been appointed to make recommendations to the board on the remuneration package of the estate manager.

9.7 Board meetings

Board meetings are held bi-monthly. The number of board meetings and directors' attendance are disclosed in the annual report.

9.8 Sub-committees of the board

Sub-committees make general board meetings more productive through reports as a basis for action. Sub-committees can sort through minutiae and come forward with a well-developed proposal for the whole board to consider. Sub-committees are delegated to assist and enable the board to properly discharge its duties and responsibilities and to effectively fulfil its decision-taking process.

Sub-committees have formally determined terms of reference in respect of:

- Composition,
- Objectives, purpose and activities,
- Delegated authorities,
- Reporting mechanism to the board.

The following principles are applied:

- Feedback from committees are provided at bi-monthly board meetings.
- Board committees are free to take independent external professional advice if deemed necessary, subject to budget constraints.
- Membership of all board committees is disclosed in the annual report and the chairpersons of board sub-committees attend the estate's annual general meeting to answer questions from members.

9.9 Director selection and evaluation

The board annually evaluates, with emphasis on performance:

- The board as a whole.
- Chairperson of the board
- Individual directors
- Sub-committees

9.10 The Business Judgement rule

This measure has been introduced to protect directors and executive management against accountability where a business decision was taken based upon all available information, in good faith and without any conflicting interests, but which later proved to be a major mistake. This rule encourages innovation and risk taking while limiting judicial intrusiveness in private sector decision making.

10. SAFETY, SECURITY, RISK MANAGEMENT AND CONTROL

The board is responsible for:

- The total safety, security and risk management.
- Introducing and maintaining an effective system of safety, security and access control.
- Introducing and maintaining an effective system of risk management and internal control.
- Determining the estate's safety and security philosophy, strategy and policy.
- Determining the estate's risk management philosophy, strategy and policy.
- Disclosure of salient facts

10.1 Estate Manager's responsibility

Estate Manager is accountable to the board for:

- Designing, implementing and monitoring the process of safety, security and access control management.
- Integrating it into the day-to-day activities of the estate.

10.2 Application

The annual safety, security and risk assessment addresses the estate's exposure to the following:

- Physical and operational safety and security risks
- Human resource risks
- Technology risks
- Business continuity and disaster risk recovery
- Debit and credit risks
- Compliance risks

11. FINANCIAL SUB-COMMITTEE

The Financial Sub-committee has been established and is maintained by the board as one of its standing committees as recommended by King Code II.

12. RELATIONS WITH MEMBERS

12.1 Relations with members

The following *modus operandi* is applied:

- Members' attendance at annual general meetings is encouraged
- A reasonable time for discussion at general meetings is allowed
- Committee chairpersons are encouraged to attend general meetings
- The ballot process is used where contentious issues are under consideration
- Members are informed of decisions taken at general meetings

12.2 General disclosure

Openness and substance are considered more important and of higher relevance than form. Both positive and negative aspects of performance are reported.

Characteristics pertaining to disclosure, which have been adopted

- Relevance
- Reliability
- Clarity
- Comparability
- Timeliness
- Verifiability

12.3 General meetings

Annual general meetings and other general meetings of the estate are dealt with in accordance with the estate's Articles of Association.

12.4 Communication

Communication with members on the state of the estate's assets, business conduct and business practices is done at least once per annum by means of the board's annual report. To ensure timeliness of relevant information a bi-monthly newsletter are send to all members via post and is also available on the estate website. The website and newsletter is the only means of formal communication between the board and homeowners association members.

D. VIOLATIONS AND WAIVERS

13. VIOLATIONS AND WAIVERS

The estate, through its Financial Sub-committee of the Board of Directors, will take appropriate action against any Director whose actions are found to violate the Code or any other policy of the estate. The Financial Sub-committee shall be empowered to investigate the violation and shall present its report to the Board of Directors together with its conclusion on the action to be taken. The decision of the Financial Sub-committee shall be final and binding to all concerned.

Any violation of law, this Code or any other estate policy, should be promptly reported to the Estate Manager or Chairperson.

The estate reserves the right to amend this Code on review. Any amendments or waiver of any provisions shall be approved by the Board of Directors and shall be adequately disclosed on the estates website at the earliest possible.

14. CLARIFICATIONS AND INTERPRETATION

Any questions relating to the meaning or application of the Code, any estate policy or legal and regulatory requirements applicable to the Directors, or any clarification relating thereto shall be

addressed to the Estate Manager or Chairperson. The questions and queries and their sources shall be maintained in strict confidence.

END OF CODE