

	DENEL SOC LTD COMPANY POLICY	NUMBER 71
SUBJECT: EXTERNAL DIRECTORSHIPS		EFFECTIVE DATE 1 NOVEMBER 2017
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1. OBJECTIVE

The objective of this policy is to regulate the acceptance of membership and serving as non-executive directors on external companies' board of directors and/or committees by Denel SOC Ltd ("Denel") employees.

2. DEFINITIONS

- 2.1 "Approving Authority" means approving authority as contemplated on section 5.6 herein.
- 2.2 "Employees" means any Denel employee as defined in the Denel's occupational levels, excluding top management and senior management categories.
- 2.3 "External Non-Executive Directorship" means:
- a. not being involved in the day to day management of the relevant company's business; and
 - b. not involved in a company that is a material supplier or customer of Denel, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that person is compromised by that relationship.
- 2.4 "Member of Executive" means an employee that is a member of the Denel group executive committee and/or a member of a Denel division and/or subsidiary executive team.
- 2.5 "*Senior management*" means a senior manager as defined in the Denel occupational levels as managed by the human resources department, who reports to a member of the executive.

3. POLICY STATEMENT

Denel promotes professional and personal development of members of its executive and senior management teams. This professional and personal development may include opportunities to serve as directors on boards of directors and/or committees of external companies.

4. SCOPE AND APPLICABILITY

- 4.1 This policy applies to all Denel employees.
- 4.2 Only employees at executive level and senior management are permitted to serve as external non-executive directors on boards of directors and/or committees of external companies in accordance with the requirements of this policy.
- 4.3 Employees below group executive and division / subsidiary executive level can be permitted to serve on external companies' boards of directors and/or committees only for



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succession, retention or strategic reasons and only upon acceptance and approval by the relevant Approving Authority.

5. POLICY RULES

Employees applying for external directorships and those approving external directorships have various responsibilities related to assessing conflicts of interest, risk to the Denel and time away from Denel duties. This section details the responsibilities of Employees and the Approving Authority.

5.1 Responsibilities of Employees

- 5.1.1 Employees are required to act in the exclusive interest of Denel, and therefore serving on boards of directors and/or committees of external companies is limited to members of its executive and senior management. Deviation to the foregoing shall only be made if there are compelling strategic and retention reasons.
- 5.1.2 To avoid conflict of company interest or the impairment of an employee's ability to render productive service to Denel, an employee may not accept membership of a board of directors and/or committees without prior written permission or authorisation as stipulated in section 5.5.3 below.
- 5.1.3 Authorisation to serve as a director in boards of directors and/or committees of external companies must be obtained as follows:
 - a. In the case of Group Executive Directors, permission must be obtained from the Denel Board Chairman.
 - b. In the case of Denel group executive and division / subsidiary executive committee members and senior management, authorisation must be obtained from the Group Chief Executive Officer.
 - c. In the case of employees below group executive and division / subsidiary executive levels and senior management levels, authorisation must be obtained as stipulated in section 4.3.
- 5.1.4 Employees must clearly state their intended role in making such application for permission to serve on such boards of directors and/or committees.
- 5.1.5 Prior to accepting any external directorship, employees must:
 - a. be fully aware of the requirements and obligations pertaining to external directorships.
 - b. familiarize themselves with potential conflicts of interests and issues that may arise because of the external directorship.



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- c. obtain approval in writing from Approving Authority at the appropriate level as stipulated in this policy.
- 5.1.6 Where the external directorship is at the request of Denel, the Employee must:
- a. ensure that they have no personal interest that could be seen to have the potential to interfere with their objectivity in performing their duties or exercising their judgement on behalf of Denel.
 - b. refer to the Denel Central Executive Committee with respect to representing Denel's interests on a board of directors and/or committees.
 - c. refer to Risk and Compliance Group Manager to ensure coverage under Denel's outside director's liability insurance.
 - d. Ensure that the external company has adequate directors' liability and indemnification insurance.
- 5.1.7 Employees with approved external directorships must:
- a. not influence or participate in any board of directors and/or committees decisions of the external company with respect to services provided by or supplied to Denel by the said company.
 - b. recuse themselves from any discussions or voting on issues affecting Denel.
 - c. ensure that they have no personal interest that could be seen to have the potential to interfere with their objectivity in performing their duties or exercising their judgement.
 - d. not accept directorship in a company that is a competitor or a supplier or customer or a company that could cause a conflict of interest.
 - e. understand that management approvals may be rescinded in the future if Denel determines that the employee's involvement has become incompatible with serving the best interests of Denel.
- 5.1.8 Employees with approved external directorships must obtain re-approval if there has been a material change to the nature or the terms of the external directorship.
- 5.2 **Responsibilities of Approving Authority**
- 5.2.1 must review external directorship requests for possible conflicts of interest. The Employee's application should provide reasonably adequate background and motivation to assist the Approving Authority with the approval process.



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5.2.2 The Approving Authority may:

- a. Decline external directorship requests where there is a conflict of interest that cannot be eliminated or effectively managed or where the external directorship may impact negatively on the Employee's ability to perform satisfactorily at Denel.
- b. Provide a written response approving requests including circumstances where a conflict of interest exists but can be effectively managed.
- c. Review if the external directorship is a private enterprise or company and the Employee will receive some form of compensation and/or benefits or the whether the enterprise / company has a business relationship with Denel. In these cases, the Approving Authority should consult the office of the Group Executive: HR and Transformation to verify on Employee declaration of interest / conflict of interest records.

5.3 **Compensation for serving**

Employees serving on external board of directors and/or committee of private and/or profit companies as defined in the Companies Act, Act 71 of 2008, as amended ("Companies Act"), may accept compensation flowing from such position. Such income and/or compensation must be declared as per Denel's policy on declaration of interest.

5.4 **Attendance of meetings**

- 5.4.1 Employees may attend meetings in their own time by taking vacation leave. Attending these meetings is capped to a maximum of 10 working days per annum, and may be increased by 5 working days with special permission.
- 5.4.2 Employees who are serving on the boards of directors and/or committees of other State Owned Companies and/or Non-Profit companies, as defined in the Companies Act and do not receive compensation, will not be required to take vacation leave.

6. **COMPLIANCE**

- 6.1 Denel may withdraw permission for an Employee to serve on boards of directors and/or committees at any stage.
- 6.2 Violation of this policy may lead to disciplinary action up to and including dismissal.
- 6.3 Management with the appropriate level of authority must review and approve all requests for external directorships as stipulated in this policy.
- 6.4 Approvals must be in writing and must be submitted to the office of the Group Executive: HR and Transformation for group Employees and/or division / subsidiary human resources departments for Employees in the divisions / subsidiary annually and any changes should be brought to the attention of the applicable human resources department.

- 6.5 Employees will be asked to disclose their external directorships at the point of hiring.
- 6.6 Employees must adhere to all company policies pertaining to the disclosure of information.
- 6.7 Employees undertake to familiarise themselves with related legislation including but not limited to the Companies Act, Public Finance Management Act, Act 1 of 1999, as amended (“PFMA”), and/or all other legislation that might be applicable in this regard.

7. RELATED POLICIES AND PROCEDURES

- 7.1 Policy 41 - Code of Ethics and Business Conduct Policy
- 7.2 Employee Declaration of Conflict of Interest
- 7.3 Policy 75 - Disciplinary Code and Grievance Procedures

8. COMMENCEMENT AND REVIEW

This policy will be reviewed by the two (2) years from effective date.

9. REVISION HISTORY

Date	Version	Comments
20 June 2013	001	
1 November 2017	002	