

Ensuring your Board delivers value

Independent board evaluation

Sustainability and
Integrated Reporting:
Governance



Overview

The third King Report on Governance for South Africa 2009 (King III) was released on 1 September 2009 and came into effect from 1 March 2010. King III broadens the scope and enhances the standard of corporate governance; its core philosophy is based on ethical leadership, sustainability and corporate citizenship.

Evaluating the board

King III recommends board evaluations

Annual evaluations of the board, its committees and directors (including evaluations of the chairman, CEO and other executive directors) should be performed by the chairman or an independent service provider. An overview of the process should be disclosed in the integrated report. The performance evaluation for directors assists, among others, in identifying any training needs and should be a requisite before reappointment.

Recommendations for companies

The primary benefit of carrying out a board effectiveness review is to improve the performance of the board and, in so doing, improve the organisation's performance. There is a strong correlation between the performance of the board and the performance of the wider organisation.

Furthermore, self-evaluation provides a board with the tools and techniques to both review and plan ahead. Just as setting clear objectives and carrying out regular performance appraisals is important for employees, it is as important for the board.

How PwC can help you

Independent board evaluations

The board should have the appropriate balance of skills and experience to fulfil its mandate, as the composition and performance of the board and its committees are key factors that will determine the success of the organisation.

In order to maximise the benefit that the company obtains from the board, regular performance evaluations should be conducted and areas of improvement identified. This is important not only to enhance the efficiency and effectiveness of the board, but also to develop individual directors to enable them to better add value.

Boards and directors, acting in the best interests of the company, form the focal point of corporate governance with responsibilities extending to shareholders and other stakeholders. King III suggests: "Companies should be headed by a board that should direct, govern and be in effective control of the company."

King III requires boards to consider whether the evaluation of performance should be done by the chairman or independently by professional service providers. Our experience in South Africa and abroad suggests that the independence of an external service provider is preferred mainly due to the objectivity and, with the experience gained, interactions with a variety of boards benchmarked against best practice.

PwC offers a range of integrated solutions to assist boards and directors to meet the demands and expectations of stakeholders. Tailored and relevant to your needs, these embrace:

- independent company board and committee evaluations
- thorough independent evaluation of office bearers including directors, chairman and company secretary using a combination of questionnaires and structured in-depth interviews
- governance structure evaluation
- review and development of board and committee systems and processes
- review and development of board and committee documents
- governance compliance (e.g. King III readiness assessment)
- governance reporting, development and review, and
- review of corporate values, their dissemination and embedding in the corporate DNA.

The output is, typically, a comprehensive report using information obtained from questionnaires and interviews. The performance of individual board members is submitted confidentially to the Board Chairman to pursue with individual board members.

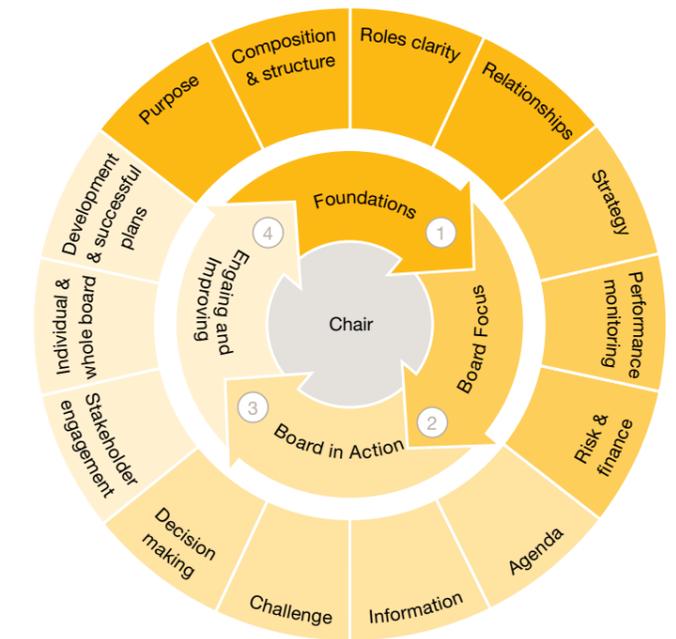
Throughout our engagement, we use our Board Effectiveness Model to guide our diagnostic and development activity. The model depicts what matters most when considering board effectiveness and areas requiring improvement. Board members' attention is focused on critical success factors and prompts debate and consequent action.

Possible areas to be covered in a Board Evaluation

Our experience

Strong track record in board evaluations – we have a strong track record in delivering board, board committee and director evaluations to a wide range of clients both in the private and public sector. Our skills mix in the governance team sets us apart in our ability to deliver on theory as well as practice.

PwC Board Effectiveness Model



Proven methodology – we draw on our significant experience and customise our methodology. Our approach conforms to governance best practice in South Africa and abroad and our tools include new approaches to questionnaires, structured interviews and facilitated feedback.

PwC has a highly regarded brand – quality delivery and client satisfaction are our foremost value.

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