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- Quality Board appointments – people who will talk the entity forward
 - CEO appointments (reporting relationship) – not negatively impacting governance
 - Board dynamics – Board to work together for common purpose
 - Role of Chairman – run the Board not the Company
 - Role of CEO – run the Company and account to Board
 - Role of the Shareholder Representative on the Board



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- Role of CEO – run the Company and account to Board
 - Compacting- Shareholder Compact – deals with expectations
 - Accountability – to be enforced
 - Board Performance – Annual Board evaluation with corrective measures
 - Organisational Performance – effective delivery and sustainability
 - Reporting – ethical reporting



- Chairperson normally elected by the Board in terms of the Articles (Cabinet appointment)
- Leads the Board & harnesses input of all Directors
- Acts as conciliator between Directors
- Directs Board meetings & agendas
- Maintains the quality of information to Board
- Involved in selection & induction of new Directors
- Ensures Board effectiveness & ongoing Director development
- Link between management (CEO) and Board
- Handles official communication with **stakeholders**

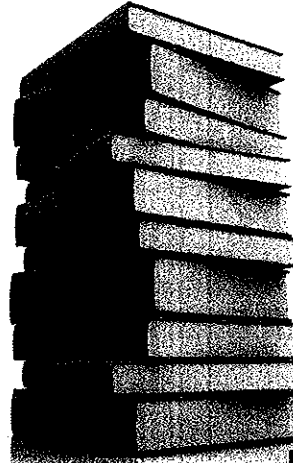


- Appointed by the Board (usually Cabinet appointment), what about CEO succession planning
- Operates in terms of authority delegated by Board
- Develops strategies, budgets & business plans for consideration & approval by Board
- Runs the company – implements the strategy
- Ensures daily operations are appropriately controlled
- Builds a management team
- Represents company to media & stakeholders
- Employment & performance contract



“Board should appreciate
that
strategy, risk, performance and
sustainability
are inseparable.”

King III



- Set parameters (influence of Shareholder)
- Insist on a robust strategic process
- Challenge the assumptions
- Strategic sounding board
- Resource allocation
- Measurable performance milestones (KPA/ KPI)
- Effective monitoring and actions (Board and Committee meetings)
- Competent CEO and Exec team (performance driven)
- Reward system



Strat Obj.	Prob / Severity	Impact	Total	Mitigation / Current Control (Effectiveness)	Total	Add. Controls or mitigation	Resp. Official	Time to complete
Strat Risks			XXX H/ M/ L		XX H/ML		PMS	IA monitoring

Board to focus on strategic risks which could impact the achievement of strategic goals.
Sufficient resources to be allocated strategic risks

Three Lines of Defence

1. Line Management - the 1st line is the most important
2. Supervisory and Consultative – includes Group Risk; Includes the consultative role of Compliance
3. Assurance – Internal Audit, External Audit, the assurance role of Compliance

- Global Financial Crisis – Banking sector – “Inside Job”
- (Board of Lehman Brothers and AIG – Executive behavior questionable)
- Construction Industry (executive behaviour questionable)
- Bread Industry (executive behaviour questionable)
- Disasters do not stop – ABIL, what could have gone wrong? Business Model??

Suppressing information?
Ineffective bank supervision?

- SAA – Strategy and Sustainability techniques
- SAPO (Post Bank – IT Risk)
- SABC
- Eskom (Governance, Performance, Sustainability)



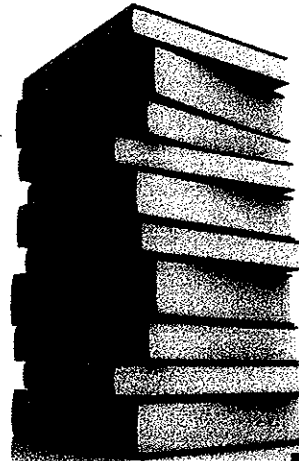
Can the public sector **business** entities ever reach a stage when they can stand on their own, are very profitable (like the private sector) and sustainable without expecting Government backup / bailout!!!!!!

(Impact on fiscus)




“Corporate governance is ultimately about leadership”

King III




- “ ... if management is about running the business, governance is seeing that it is run properly ...” Professor Bob Tricker, author of *Corporate Governance*

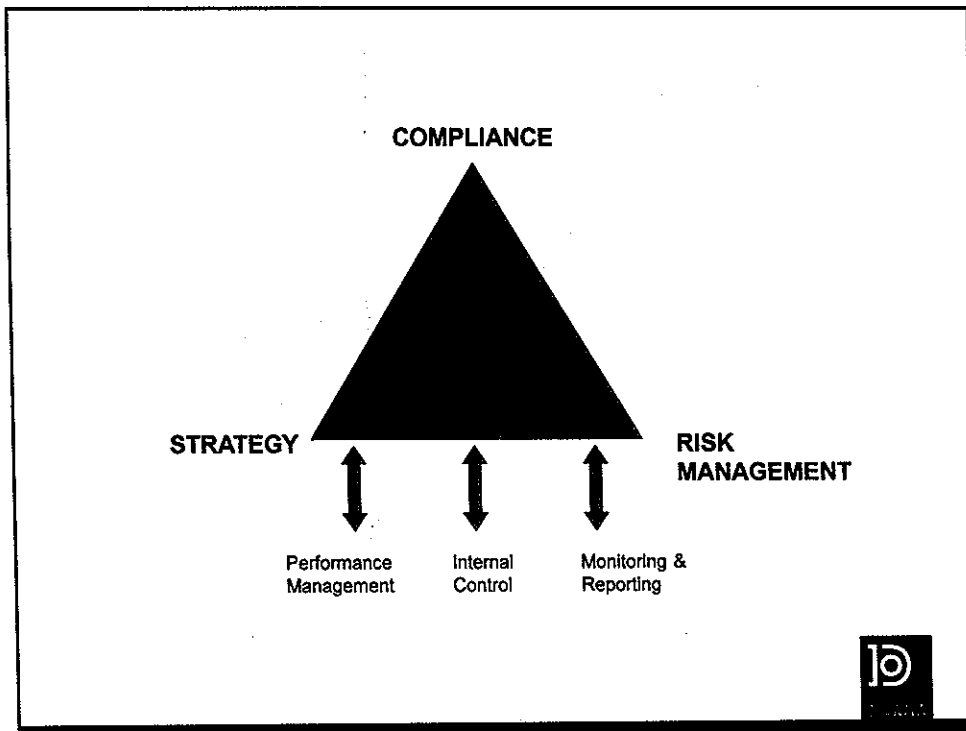
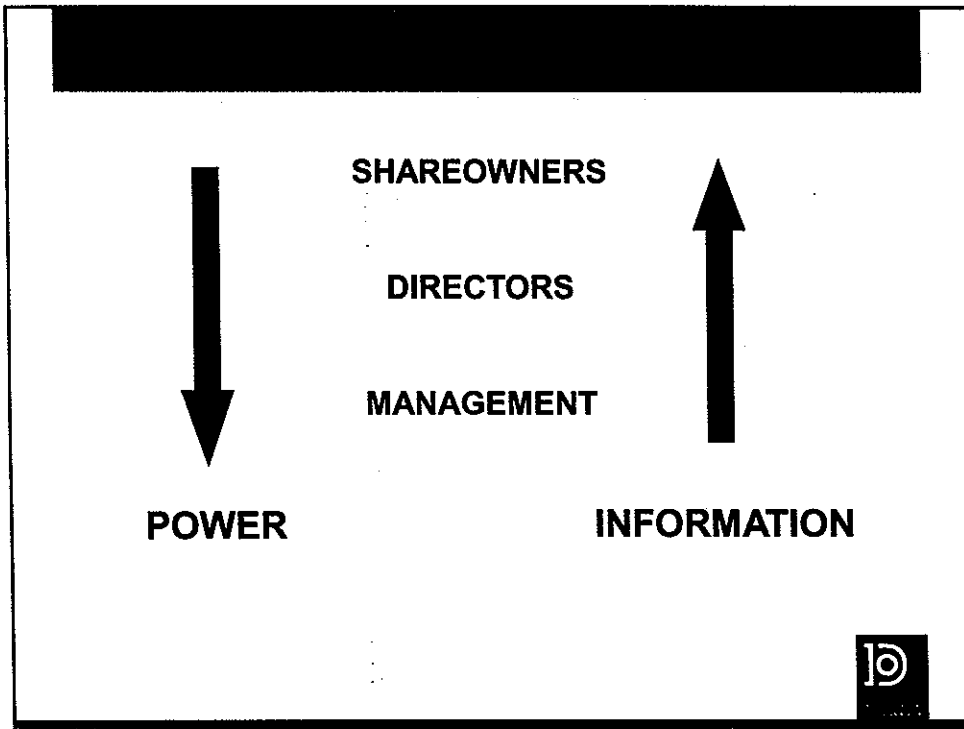



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1. Ethical leadership and corporate citizenship
 2. Boards and directors
 3. Audit committees
 4. The governance of risk
 5. The governance of information technology
 6. Compliance with laws, codes, rules and standards
 7. Internal audit
 8. Governing stakeholder relations
 9. Integrated reporting and disclosure




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- The board is essentially a decision-making body
 - The board has neither the time nor the resources to enact every decision itself so must delegate to management
 - The board remains ultimately responsible for the company and any actions taken on its behalf
 - Monitor management



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- Exercise leadership, enterprise, integrity & judgement
 - Ensure the establishment of a system of internal control to protect the assets and reputation of the company
 - Ensure the company complies with all relevant laws, including tax laws
 - Establish succession plans for executive directors and other key management



- Many years ago there was a belief that with the External Auditor's signed opinion, all was well and no one – especially the Board of Directors - had to worry about anything.
- With the changes that have evolved in the Governance and Accountability space, Audit Committees are no longer expected to rely fully on what External Auditors are telling them **without applying their own minds and interrogating the reports**



- that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- that appropriate accounting policies supported by reasonable & prudent judgements & estimates have been used consistently;
- that applicable accounting standards have been adhered to



- Always act in the best interests of the company and never for any sectoral interest
- Act with enterprise and always strive to increase shareowner value while having regard for the interests of all stakeholders
- Exercise the utmost good faith, honesty and integrity in all their dealings with, or on behalf of the company



- Insist that board papers and information papers are given to them timeously so that they have time to study them and make proper informed decisions
- Obtain independent professional advice if in doubt about any aspect of their duties
- Ensure that confidential matters of the company, learned in their capacity as a director, should be treated as such and not divulged to anyone without the authority of the company



- Declarations of conflict of interest not taken seriously enough
- Directors duty to company vs personal interest
- If perception is that conflict exists - declare it
- Conflicted directors should offer to recuse themselves when relevant matters discussed
- It is for the Board to decide whether a conflicted individual should remain or be recused
- Remember the requirement is "to avoid conflict" – actions must amount to avoidance!



- A director need not be an expert in everything but must display the skills they actually possess
- A director cannot be expected to exercise a level of skill they do not have
- But must have the level of skill of a 'reasonable' director – so what are these?



- Rhodes – 'So much to do – so little time'
- Annual Board plan drives agendas for the year
- 'Is this a matter for the Board?'
- Don't allow management to pass the monkey
- Strategic v flag pole issues
- Chairperson's role re agendas
- Board Agenda must facilitate effectiveness of the Board
- Minutes as a tool to monitor decisions and actions



- Strategic versus operational information,
- Enabling effective decision-making,
- Trends and context,
- Link to strategy,
- Responsibility (to inform, to be informed),
- Monitoring.



- To run the company based upon the authority delegated by the shareholders
- King Report - Every Board should have a Charter
- Board Charter or Terms of Reference for Boards
- Responsibilities of board and individual directors defined
- Delegation & reservation of powers
- Access to professional advice
- Board appraisal process



- Delegation of powers to management must be precise & in writing as there can be no room for misunderstandings
- The powers of the board and managers should be articulated in a statement of powers reserved to the board
- This statement serves to specify the limits to the powers of the executive



- An aid to assist the Board
- Board cannot shield behind Committees
- Formal procedure for delegation
- Terms of Reference - life, role, function, reporting procedures and authority
- Transparency and disclosure to Board
- Independent professional advice
- Effective Audit Committee
- Audit Committee to work with other committees




- Against objectives, strategies, business plans, risk assessments, budgets & delegations of authority
- To ensure timeous corrective action
- Board must define its information needs
- Data – information – knowledge
- Standard agenda item – CEO's report? With analysis & comment
- Monitoring v 'meddling'





Portfolio Committee Expectations



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- How effective is the Board
 - What are the board dynamics
 - What is the compliance cultures
 - What is the relationship with the Shareholder
 - How proactive is the organization
 - What is the ethical culture at Executive level
 - How is effective is the governance

Critically look at the AGSA management letter



**Purpose of the Board
Summary**

***Leadership in a company is the responsibility
of the board***



“Leadership marries us to our Destiny, long before we dare dream about it! It taps into our being, our inner energy releasing enthusiasm in spite of darkness that we traverse. Without Bold and Decisive Leaders our Future remains undefined, invisible and without inspiration. ...

Effective Leadership bears Authentic Happiness, embodies integrity, upholds respect and epitomizes triumph of ubuntu. Its reward is felt, lived and enjoyed beyond the Leader. Its gratitude is in the prosperity of the followers... a journey without an end, but ever calling elevations towards Destiny, untouched yet lived through desire and infectious passion, everlasting...”

• - SL -

