

STRATEGIC ADVISORY: BOARD & BOARD COMMITTEE EVALUTION

1. Board and Board Committee evaluation and services

Through CGF's lead contractors, strategic partners and associates, we are able to assist your organisation with its Board and director evaluation, including suggestions regarding the composition of the Board Committees and structuring.

Our evaluations are typically conducted on an individual basis, then on a 360 degree basis as may be required by the Board. This exercise is then typically repeated at each Board Committee level. Whilst individual assessments are most often the preferred route, CGF also has the means to conduct its evaluations on an electronic basis, using the world wide web and well recognised Board evaluation assessment tools.

Standard questions may be used as provided by CGF, which cover the usual line of questioning regarding the fiduciary duties of an organisation's prescribed officers, including the organisation's expectation of them. Allied to this approach, additional questions can also be added at any stage to customise the assessments and in line with the client's expectations of its prescribed officers, not least the requirements of the industry sector in which it operates.

2. Why conduct a Board evaluation?

Chapter 2 of the new Companies Act 2008 deals with the governance of companies. In particular, Sections 75 to 78 contain far reaching provisions in terms of the legislature which has attempted to codify director's conduct and liabilities.

The King Code on Corporate Governance (King III) states that "the performance of the Board and its committees and the individual directors should be evaluated annually."

The reason for conducting evaluations is that improved Board performance and its effectiveness can be achieved through regular and timely appraisals of the Board. King III makes the following recommendations regarding Board evaluations:

- formal evaluations should be led by the Chairperson or an independent service provider. The Chairperson should ensure that directors know that they will be subject to review, know the criteria used for evaluation, and know the procedures that will be followed. A series of evaluation questions should be distributed in time for directors to complete prior to any meeting with the Chairperson or independent service provider;
- annual performance appraisals of individual directors, the Board as a whole, Board committees and the Chairperson, can provide the basis for identifying future training needs and, where necessary, explain why a re-appointment may not be appropriate;
- the Board should discuss the Board evaluation results at least once a year;
- the Board should state in the integrated report that the appraisals of the Board and its committees have been conducted;
- the same principles adopted in the evaluation of the Board should be applied to the Board committees' Chairperson and members;

- should a deficiency in a director's performance be identified, a plan should be developed and implemented for the director to acquire the necessary skills or develop appropriate behavioural patterns. It is important that the director evaluation be approached in an open, constructive and non-confrontational manner;
- the action plan arising out of the evaluation should be reported and discussed and a consolidated summary of the whole process should be reported to the full Board;
- evaluation questions should include the questions to evaluate the performance of the Chairperson;
- the Board should appoint an independent non-executive director from within its ranks to lead the process of the evaluation of the Chairperson's performance. Where a lead independent director has been appointed, that person should lead the process;
- the Chairperson should not be present when his performance is discussed by the Board; and
- the Chairperson, or a committee appointed by the Board, should evaluate the performance of the CEO at least once a year. The evaluation should assess the performance of the CEO, both as a director and as the Chief Executive Officer. The results of such an evaluation should also be considered by the Remuneration Committee to guide it in its evaluation of the performance and remuneration of the CEO, and a summary of the Remuneration Committee's evaluation should be provided to the Board.

3. Why CGF?

Since our inception in 2003 we have developed an exceptional track record with Boards and CEOs and are a trusted partner to many South African organisations. We are a business of high integrity and widely recognised.

Our Company Secretarial services team consists of highly experienced individuals. They have to be able to adapt rapidly to new cultures and operational processes and they have to be results driven with a dedication to leading change and making a difference.

4. Further information & contact details

Please contact CGF for further information on +27 (11) 476 8264/ 1/ 0 or email accounts@cgf.co.za or email tbooysen@cgf.co.za or corpadmin@mweb.co.za

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