

Understanding good governance in a business environment

presented to the

Limpopo Management of Local Government & Housing



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Limpopo

"Development is about people"



CGF Research Institute (Pty) Ltd
Reg. No. 2004/000744/07
+ 27 11 476 8264 / 1 / 0
+ 27 82 373 2249
tbooyesen@cgf.co.za

Agenda

- ***Applying good governance in a business environment***
 - refresh our understanding of corporate governance
 - ❖ view corporate governance with a “fresh set of eyes”
 - ❖ directing or managing an organization: a tricky act
 - ❖ honest management equals honest employees
 - connecting governance to innovation
 - connecting governance & legislative risk
 - ❖ using ICT to support compliance (Information, Communication & Technology)
 - ❖ moving ahead safely managing the risks
 - impacts & common hurdles
 - benefits
 - Q & A

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Preamble

- The role of ethics in public life is changing in all 4 sectors of democratic society
 - ⇒ public sector
 - ⇒ private sector
 - ⇒ non governmental sector
 - ⇒ large social institutions & government

Government must harness the power of ethics which is assuming a new level of importance & power . . .

- ***Applying good governance in a business environment***

- refresh our understanding of corporate governance

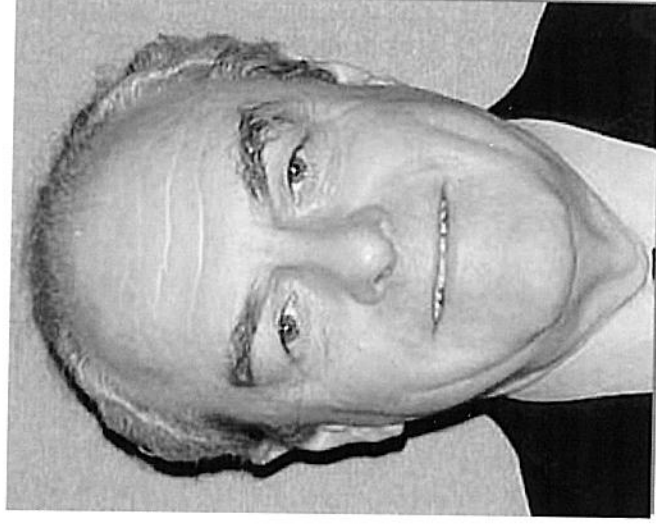
- ❖ King & governance

- ❖ Governance & PFMA

- ❖ Why is corporate governance important?
 - ❖ What is the business case for corporate governance?
 - ❖ How can we improve corporate governance?
 - our existing governance framework
 - connecting governance & legislation
 - ❖ using ICT to support corporate governance & Technology
 - impacts & common headings
 - benefits

What is corporate governance?

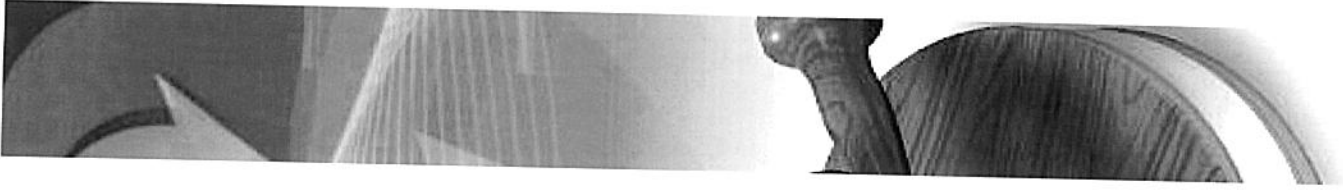
- Corporate governance can be described as:
 - “the system by which companies are directed & controlled”
(Source: The King Commission - 1994)
- Good corporate governance is about:
 - ‘intellectual honesty’
 - not just sticking to rules & regulations



Judge Mervyn King

King II & corporate governance . . .

- **King II**
 - regarded a catalyst for other countries to revise their governance policies
 - a comprehensive guidance on the conduct of boards, directors & senior management in line with international standards & practices
 - mandatory for listed companies
 - highlights the board of director's responsibility to assess & manage the business risks
 - highlights responsibilities of managers & directors of companies regarding their “triple bottom line” – viz.
 - ❖ financial
 - ❖ social, health & environmental responsibilities
 - ❖ reporting practices



Corporate governance & PFMA . . . (1)

Purpose

- **Public Finance management Act, 1999 (as amended)**
 - is part of government's national strategy to:
 - ❖ promote & improve financial management in the public sector
 - ❖ regulate financial management in the national government & provincial governments
 - ❖ maximise service delivery through the effective & efficient use of limited resources

Key objectives

- modernise the system of financial management in the public sector
- enable public sector managers to effectively manage, but at the same time to be held more accountable
- ensure the timely provision of quality information
- eliminate waste & corruption in the use of public assets

“The PFMA has been amended to close gaps in reporting requirements and quality control . . . it has been effective in that it has kept government spending under control in a way that is ‘quite unprecedented’ internationally.”

... the PFMA has wide reaching impacts (2)

- The PFMA applies to:

- the national & provincial departments, & public entities under their ownership & control
- Parliament & provincial legislatures
- independent institutions established by the Constitution
- public entities

The PFMA applies to . . .

Constitutional Institutions

(listed in Schedule 1 of the PFMA)

e.g:

- The Public Protector
- The Human Rights Commission
- The Financial & Fiscal Commission

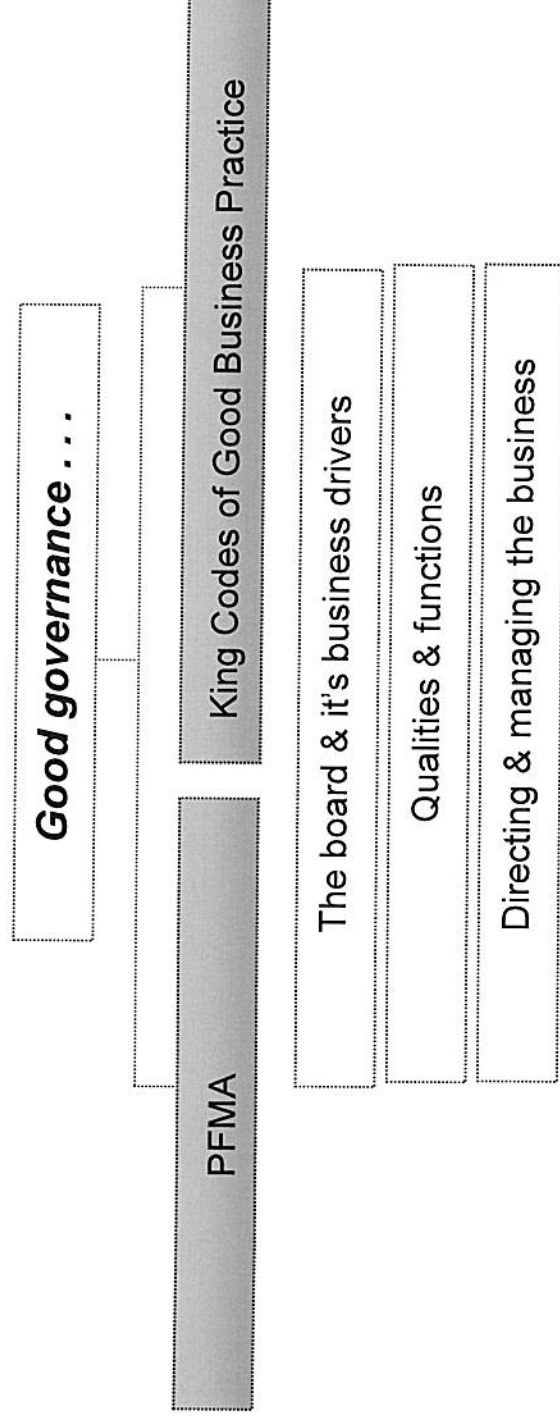
All public entities

(listed in one of two Schedules)

- major public entities are listed in Schedule 2
 - ❖ enjoy full managerial autonomy
 - ❖ government only able to intervene in its capacity as a majority or sole shareholder
- other public entities are listed in Schedule 3
 - ❖ enjoy lesser degrees of autonomy

... the PFMA has long-term outcomes (3)

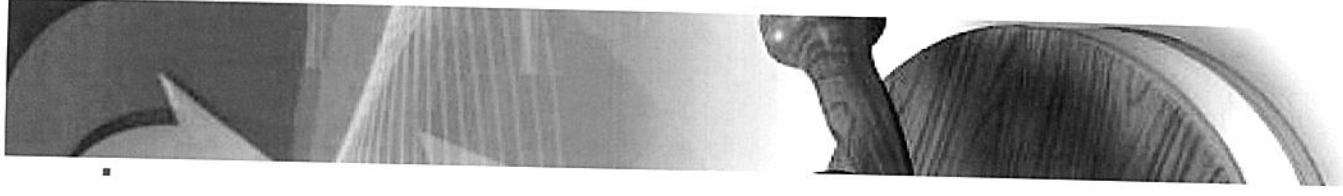
- The PFMA sets out to achieve:
 - implementation of sound financial management systems & processes
 - development of transparent budgeting processes
 - effective management of revenue, expenditure, assets & liabilities
 - timely, accurate reporting that reflects the actual financial & delivery situation



The Public Finance Management Act (PFMA) establishes stringent transparency requirements, including regular reporting and the assignment of accountability

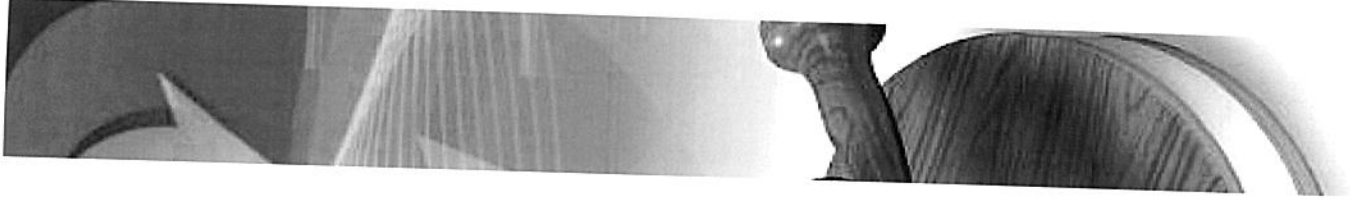
The Board of Directors & senior management . . .

- The Board of Directors must function effectively & with good governance to ensure an organization's success
- Overall, the Board's performance needs to be evaluated & assessed
 - chair ideally an independent NED
 - separation of duty
 - balanced board
 - balance of power, skill (experience)
 - accountability
 - sub-committees (Audit, Remco)
- Executive, non-executive directors & management must behave & perform in accordance with:
 - Public Finance Management Act, 1999
 - the King Code
 - the Companies Act
 - other appropriate legislation



Directors & management have a number of duties to fulfill under common law . . .

- **Company officers must:**
 - **act in good faith towards the company**
 - **exercise their powers conferred for the benefit of the company**
 - **avoid conflict of their own interests & the company's**
 - **not use company information for their own gain**
 - **retain their independence of mind & action**
 - **not bring their company into disrepute**



Directors & management have different roles . . .

(1)

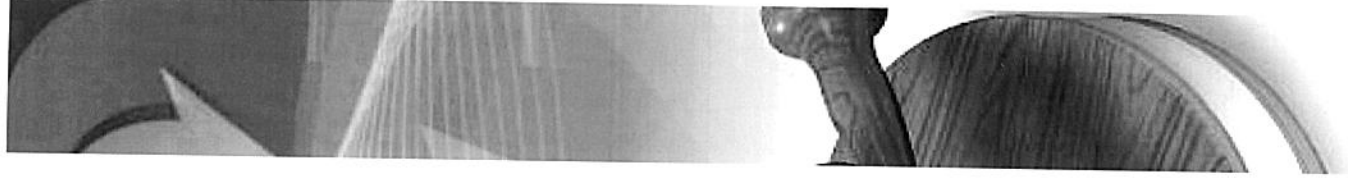
<i>DIRECTORS</i> <i>(Directing is a thoughtful, 'brains-on' activity, providing general leadership)</i>	<i>VS.</i>	<i>MANAGERS</i> <i>(Managing is a 'hands-on' activity, which involves action, crisis management & maintenance)</i>
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Directors & management have different roles

(2)

<i>DIRECTORS . . .</i>	<i>VS.</i>	<i>M A N A G E R S . . .</i>
... determine the future of a company & protect its assets & reputation	< <i>DECISION MAKING</i> >	... implement decisions & policies made by the board
... ultimately responsible for long term prosperity of the company & must apply, by law, skill & care when exercising their fiduciary duties. Breach or improper acts could see directors personally liable in civil & criminal law	< <i>DUTIES & RESPONSIBILITY</i> >	... are not bound by legal responsibilities other than those imposed by common law
... are accountable to shareholders & can be removed by them	< <i>SHAREHOLDER RELATIONSHIPS</i> >	... are normally appointed & dismissed by directors or management
... provide leadership & direct the company from the top	< <i>LEADERSHIP</i> >	... the CEO provides the daily leadership of the company where the managers act on behalf of the directors



Directors & management have different roles

(3)

DIRECTORS . . .	VS.	MANAGERS . . .
... determine the values & ethics of the company	< ETHICS & VALUES >	... enact the values & ethics from the board of directors
... are responsible for the company's direction, management & administration	< COMPANY ADMINISTRATION >	... are delegated the company administration, however final responsibility rests with the directors
... have various duties & responsibilities in the event that the company becomes insolvent which may include personal liabilities, criminal prosecution & disqualification	< STATUTORY PROVISIONS >	... are not affected by statutory provisions

- ***Applying good governance in a business environment***

- ❖ view corporate governance with a “fresh set of eyes”



An effective Board of Directors will lead & control the company

- The Board should:
 - determine purpose & values
 - determine the strategy that achieves the purpose (strategic intent & business objectives)
 - exercise leadership with integrity & judgment
 - ensure that procedures & practices are in place to protect the company's assets & reputation
 - monitor & evaluate the implementation of strategies, policies, management performance & business plans
 - ensure all relevant laws, regulation, business codes are complied with
 - identify key risk areas & performance in order to generate profit
 - regularly assess its own performance
 - develop / manage succession planning



Shareholder vs. management expectations must be managed . . .



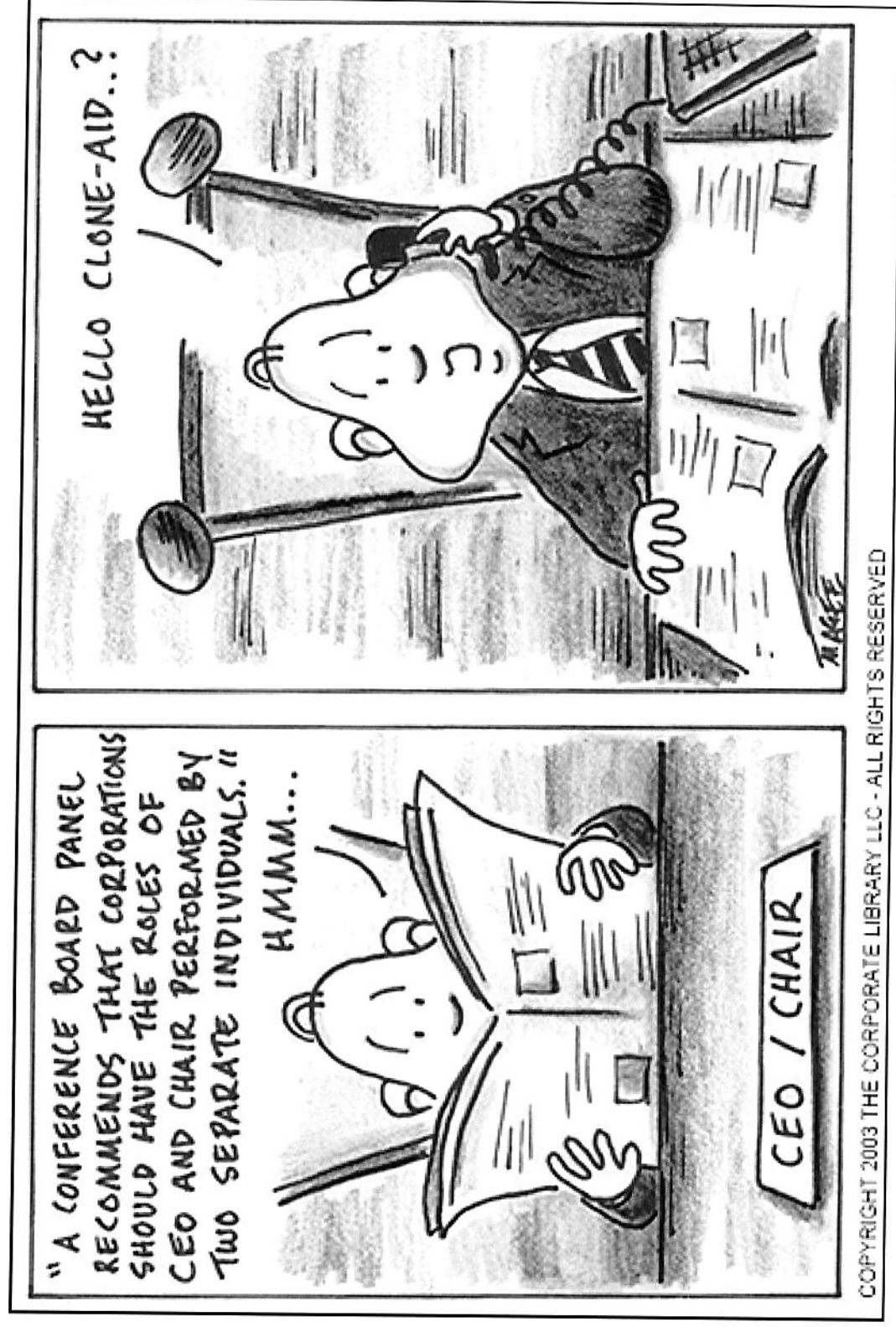
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Corporate governance must ensure all stakeholders get value for money . . .

- It is essentially about:
 - best business practices
 - enhancing organizational performance & well-being
 - adding shareholder value
 - understanding the role of board vs management?
- If “value for money” included moralistic values, then we would need to also look at:
 - probity
 - fiduciary
 - integrity

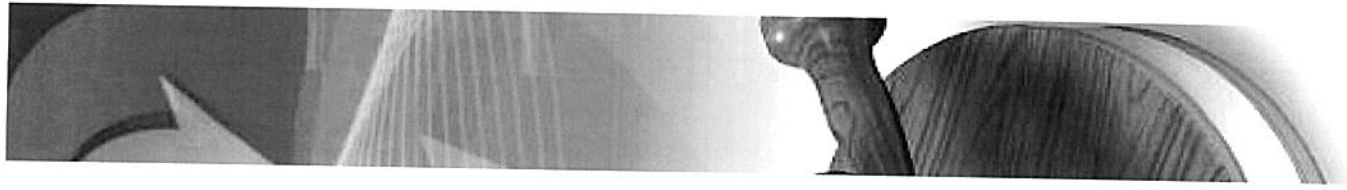


Some believe it's about relinquishing control .



Two key elements of governance must be driven from the top of the organization

- Supervising or monitoring management performance
 - organization leaders are responsible to ensure that all activities driven by management lead toward success & not failure
- Management being accountable to shareholders & stakeholders
 - organizations have evolved their understanding of importance from exclusive attention of shareholders to now also include stakeholders, namely employees, suppliers, general public, etc



Typical activities the King Commission(s) seek to eliminate

- Roles of Chair & CEO within the same company to be separated
- Avoid recruiting directors from personal contacts
 - a UK survey revealed more than 70% of the 1 000 NEDs it surveyed had been recruited through personal networks
- Informal 'taps on the shoulder' as opposed to stringent discipline & corrective measures
- Companies should:
 - show zero tolerance towards fraud & corruption
 - offer a function to protect whistle-blowers
- Understating the business risks taken by directors with failure to report to board & shareholders
- “Creative bookkeeping” techniques to overstate the financial health of a company

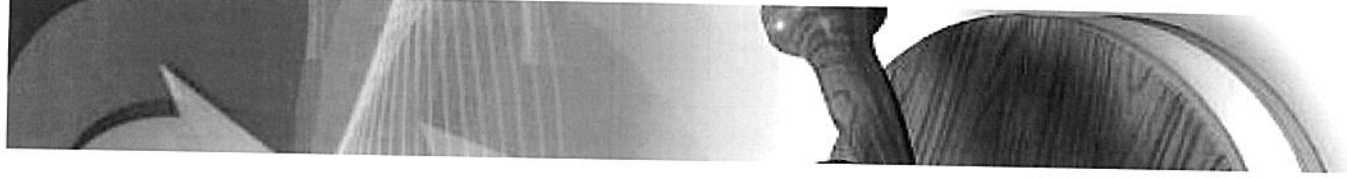
**“The (King II) Code is a set of principles. Work within them.
Bend them. Don’t break them.”**

Richard S. Wilkinson, Institute of Directors in Southern Africa



Good corporate governance has its rewards!

- Research by the Institute of Business Ethics (IBE) has shown unequivocally that companies with a clear commitment to ethical conduct outperform those which do not
- Returns from socially responsible investments can often be superior to those from conventional investment & also have enormous spin-offs including
 - investor confidence
 - economic growth
 - empowering people
 - developing skills
 - creating infrastructure
 - fostering entrepreneurship
 - creating jobs



- **Applying good governance in a business environment**

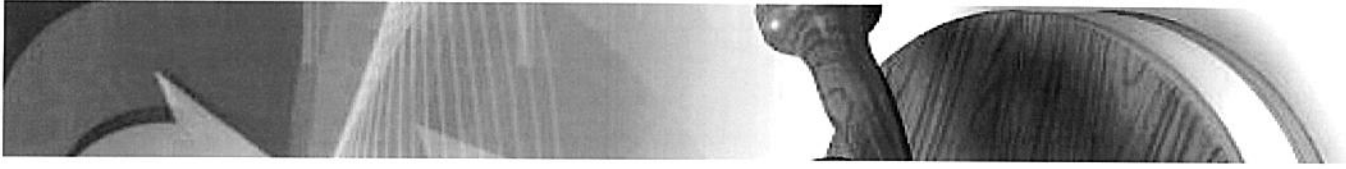
- refresh our understanding of corporate governance
 - how corporate governance can be implemented

- ❖ **directing or managing an organization: a tricky act**

- direct management and governance
 - corporate governance: a set of principles and practices that guide the behavior of the organization and its leaders
 - the role of the board of directors
 - the role of the executive management
 - the role of the shareholders
 - the role of the stakeholders
 - the role of the community
 - the role of the environment
 - the role of the technology

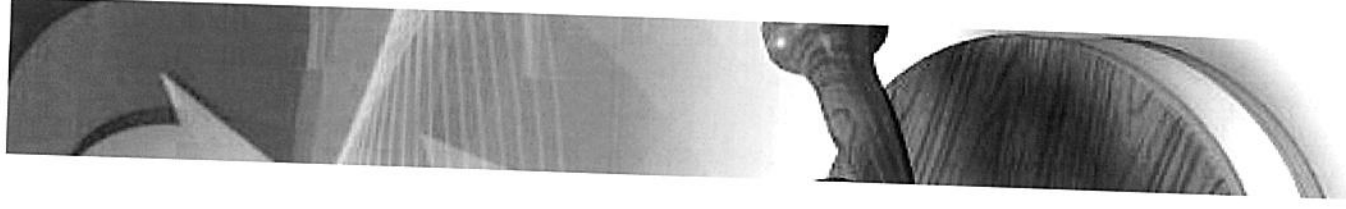
- impacts & common hurdles

- benefits



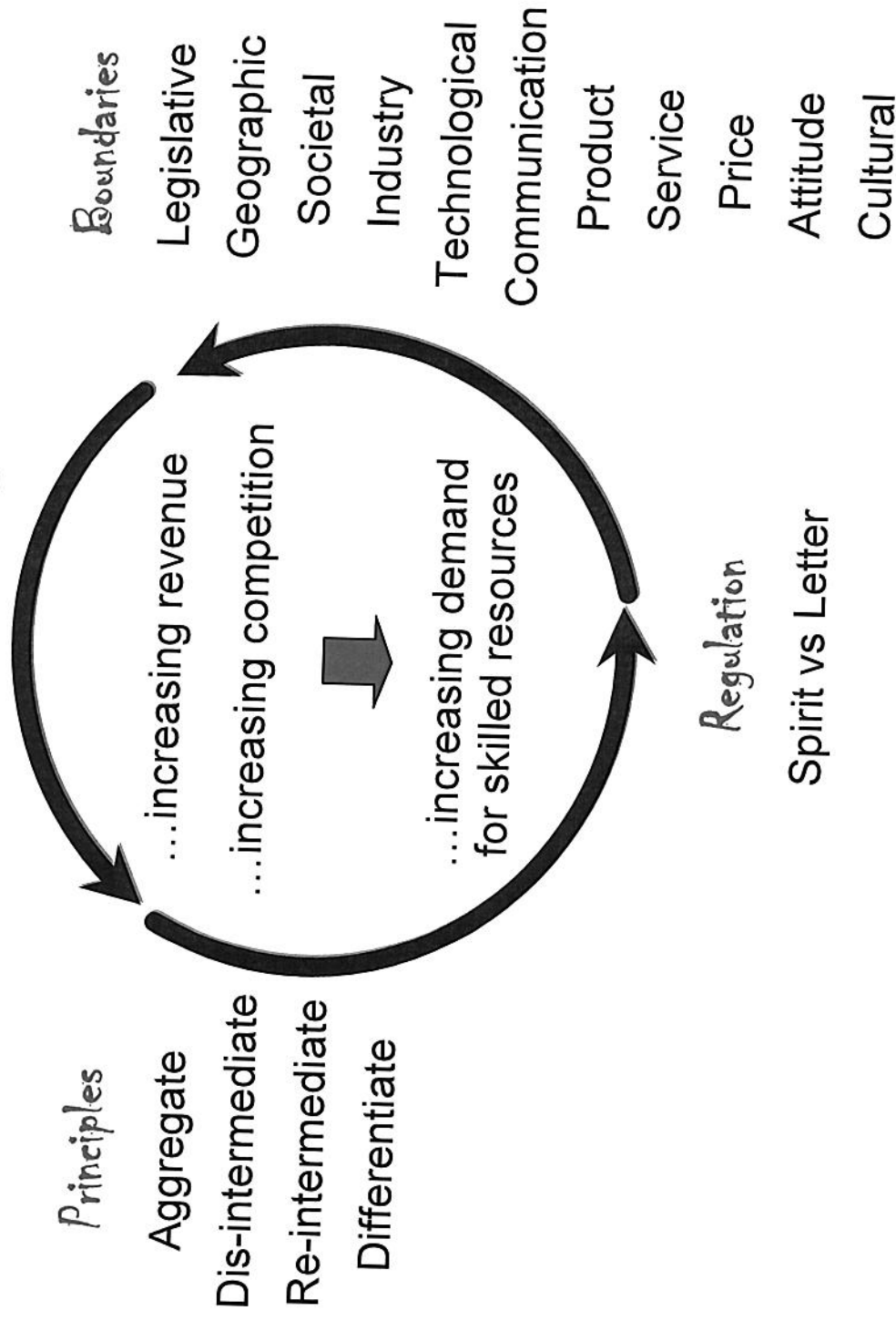
Directing or managing an organization is becoming a tricky act . . .

- With dilemmas, come great opportunities & major paradigm shifts will occur in SA & worldwide, namely
 - turbulent economic framework
 - evolving company law
 - share owner & stakeholder activism
 - information disclosure
 - board succession planning
 - selecting & appointing non-executive directors with integrity

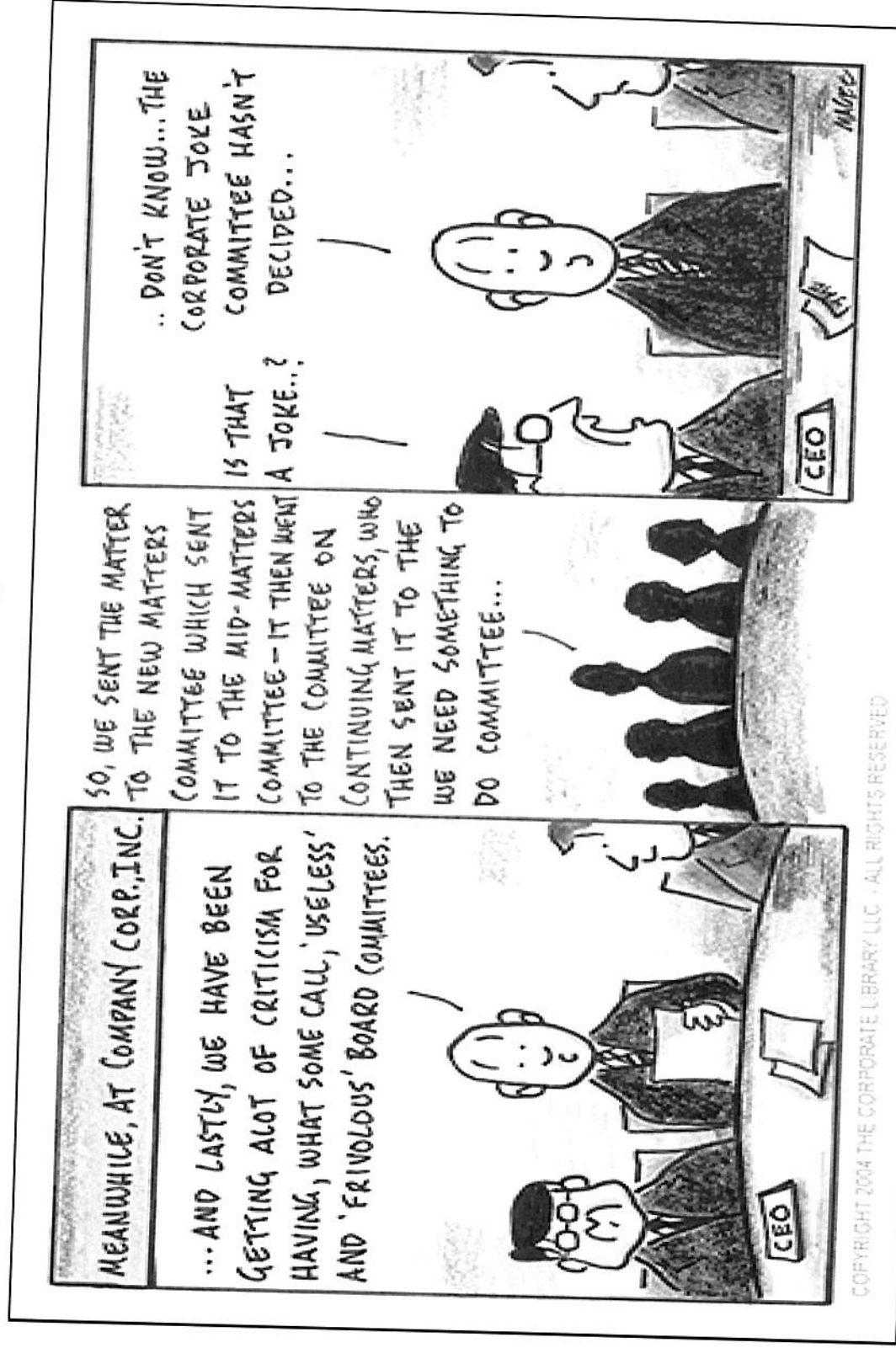


The sobering thought of running a company - *from a business perspective*

Rules of engagement



Many believe running an organization has become too complicated - a case of over regulation & over prescription?



The sobering thought of running a company -

from a fiduciary officer's perspective

Tips suggested by King for directors

- Take fewer board appointments to allow more focus on the companies they serve
- Exercise caution in serving long term appointments
- Pay close attention to:
 - the company's structure
 - the composition of the board of directors
 - corporate governance

Do not over commit to multiple directorships & appointments thereby ensuring that the companies they serve enjoy the full benefit of their expertise

The sobering thought of running a company -

from a fiduciary officer's perspective

Qualities of directors

• Personal attributes

- strong interpersonal & communications skills
- energetic / tenacious
- independent mind
- strategic / lateral thinker
- analytical / cautious
- ethical / diligent

• Market skills

- business skills / international exposure
- industry expertise
- financial knowledge
- understanding of regional, national & international changes viz; business, politics



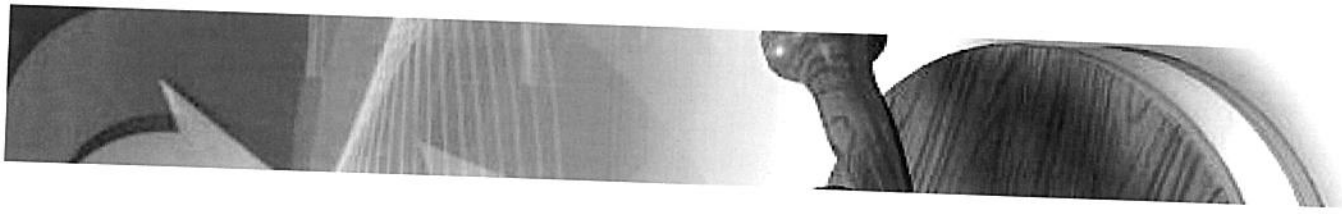
The sobering thought of running a company -

from a fiduciary officer's perspective

Unique legal status

• A director is a person who:

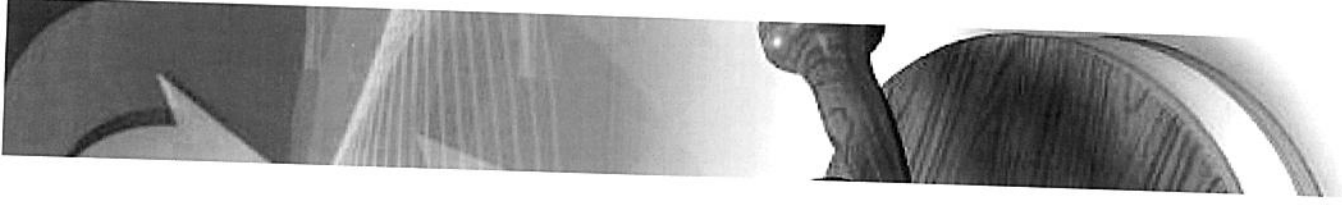
- is appointed to hold the office of a director
- is an officer of the company
- is & remains qualified to be a director
- manages the business of the company, together with other directors
- occupies a position of trust in relation to the company
- has specific statutory & common law rights
- has the powers given to him by the company's memorandum & Articles of Association
- has certain statutory & common law duties



The sobering thought of running a company - *from a fiduciary officer's perspective*

Executive vs Non Executive (NED) directors

- Directors are broadly classified in two categories
 - executive directors:
 - ❖ day-to-day management & running of the business
 - ❖ full time salaried company employees
 - ✓ sometimes referred to as 'management' or 'inside' directors
 - ❖ day-to-day management functions is delegated by the board to the executive directors
 - ❖ executive directors act in dual capacities, each capacity having different set of rights, powers & duties
 - ✓ executive directors removed from office doesn't imply that he will be dismissed as an employee



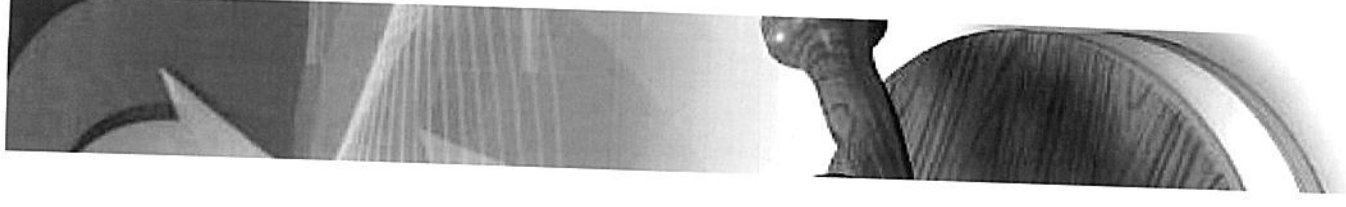
The sobering thought of running a company -

from a fiduciary officer's perspective

Executive vs Non Executive (NED) directors

– non-executive directors (NEDs):

- ❖ not involved in day-to-day management & running of the business
- ❖ are not full time salaried company employees
 - ✓ sometimes referred to as 'independent' directors, 'non-management' or 'outside' directors or 'unaffiliated' directors
- ❖ rely on management for reports presented to them at board meetings
- ❖ fulfil 4 functions;
 - ✓ expertise & knowledge to bear on strategy, innovative ideas & business planning driven by entrepreneurship & enterprise
 - ✓ objectively monitor the performance of executive management
 - ✓ play a role in resolving conflicts of interest
 - ✓ act as a check & balance against executive directors



The sobering thought of running a company -

from a fiduciary officer's perspective

Other directors

Alternate director

- appointed as a stand-in for a director

Shadow director

- a person in accordance with whose directions or instructions the directors of the company are accustomed to act. Shadow directors should be discouraged

Nominee directors

- is a person nominated to act as a director by a shareholder or other suchlike party

‘De Facto’ director

- one whose appointment has shown to be defective or who may be deemed to be a director if he holds fiduciary duties

Associate & divisional directors

- generally senior managers who have not been appointed as directors in the true sense



The sobering thought of running a company -

from a fiduciary officer's perspective

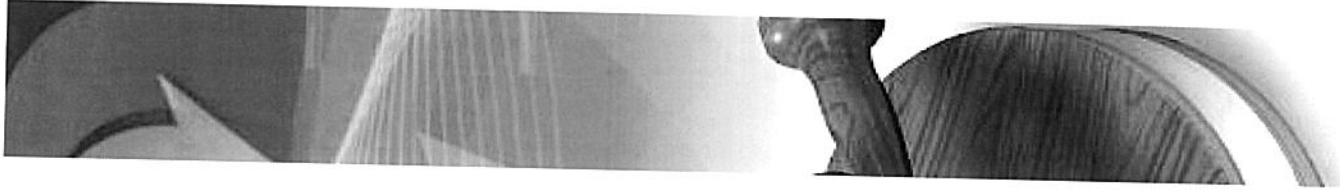
NEDs: Particularly vulnerable & exposed to personal liability

- Due to the nature & function of a NED, they need to exercise greater caution than executive directors:

– they need to change their approach their performance in the boardroom

– due to their limited company involvement, there is a danger of personal liability

- ❖ generally, their only involvement with the company is through attendance of board meetings
- ❖ acts of fraud or recklessness by the company could be concealed from them

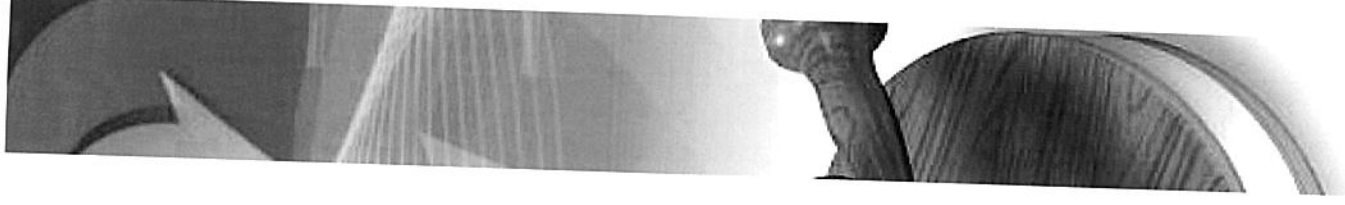


The sobering thought of running a company -

from a company's perspective

The incapacitated person

- **A company is an “artificial citizen”**
 - incapacitated
 - the director (s) are the company's heart, mind & soul
 - same for any entity



The sobering thought of running a company - *from a fiduciary officer's perspective*

Directors: Standards of conduct (S91)

- **As a director or as a sub-committee member when gathering information or preparing to act as such, you have:**

FIRST FIDUCIARY RESPONSIBILITY

1. **Duty to exercise the degree of care, skill & diligence:**
 - exercised by a reasonably diligent individual
 - reasonably be expected of an individual
 - the knowledge, skill & supervision of that director



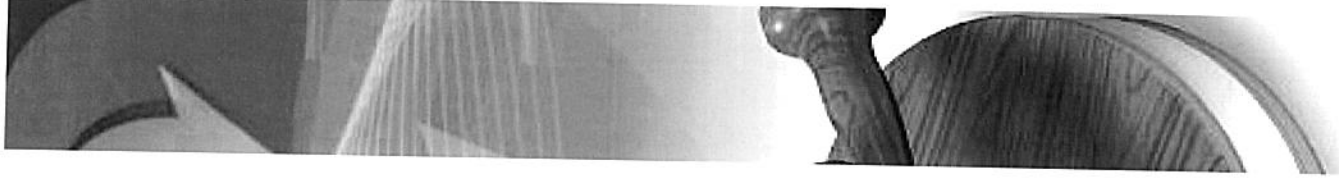
The sobering thought of running a company - *from a fiduciary officer's perspective*

Directors: Standards of conduct (S91)

- As a director or as a sub-committee member when gathering information or preparing to act as such, you have:

SECOND FIDUCIARY RESPONSIBILITY

2. Duty to “act honestly & in good faith & in a manner the director reasonably believes to be in the best interests of & for the benefit of the company”



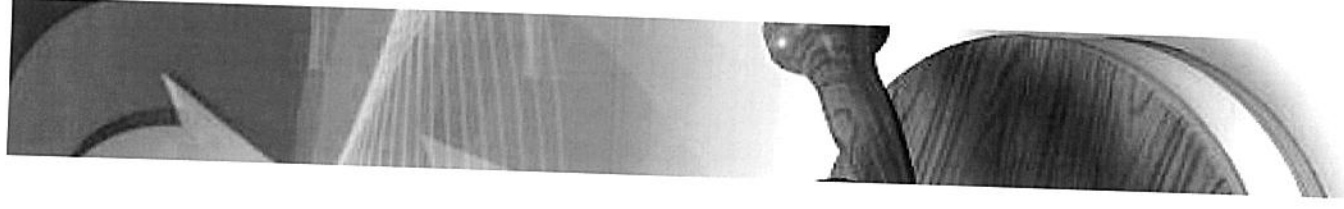
The sobering thought of running a company - *from a fiduciary officer's perspective*

Directors: Standards of conduct (S91)

- A director's judgment reasonable if . . .
1. Reasonably diligent steps to become informed &
 2. Does not have a personal financial interest

and

“A judgment that a reasonable individual in a similar position could hold in comparable circumstances”



The sobering thought of running a company -

from a fiduciary officer's perspective

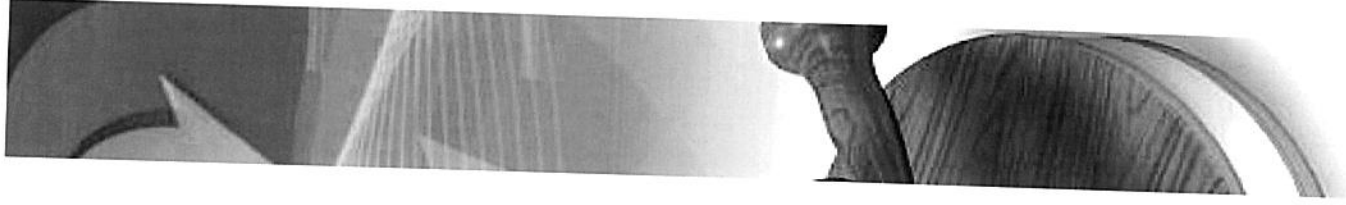
Directors: Standards of conduct

1. Act honestly & lawfully

- Director's behavior applies in an official & personal capacity
- If a director is convicted of crimes such as dishonesty or corruption, the court will disqualify him from being appointed or acting as a future company director
 - unlawful conduct includes, inter alia; theft, fraud, forgery, perjury, bribery & tax evasion

2. Exercise care

- By law, all directors are required to exercise the necessary care, skill & diligence whilst performing their duties & safeguarding the company's assets
- Director duties may only be delegated when authorized by the company's articles
- Directors are expected to exercise their own judgment in light of all relevant circumstances & not accept information/advice blindly
 - negligent directors will be personally liable to the company for losses suffered through either negligence or breach of duty / contract



The sobering thought of running a company -

from a fiduciary officer's perspective

Directors: Standards of conduct

3. Exercise skill

- Skill includes an understanding, practical knowledge & ability required to perform the particular directorship duties within a given field
- Directors are not necessarily expected to have special business expertise & will not be liable for mere errors of judgment
- Directors attending board meetings are obliged to pay attention to & exercise their business judgment regarding issues raised in the boardroom
- Directors must make every effort to understand the company's affairs & exercise their own judgment based on information received from company employees
 - directors failing to exercise skill will be **personally liable to the company for losses suffered through either negligence or breach of duty / contract**

4. Diligence

- Constant, careful attention should be the hallmark of a director's actions when executing their duties
- All directors are expected to exercise the same degree of diligence, which is generally measured at board & committee meetings



... directors & officers may seek personal protection – D&O Liability Insurance

Directors: Personal liability & protection D&O Liability

- At common law, where a director breaches any of his duties & the company suffers a loss as a result, the company will be entitled to recover the full extent of the damages suffered from that director
- Due the onerous duties imposed on directors, it would be prudent for directors to obtain D&O Liability Insurance cover to protect themselves in the event of a claim
- On appointment, a director becomes a fiduciary in relation to the company & is obliged to recognize & enforce the fiduciary & statutory duties of directors
- Such duties are generally found in:
 - ❖ their contracts with the company
 - ❖ the memorandum & articles of association of the company
 - ❖ statute, such as the Companies Act, 61 of 1973
 - ❖ the common law:
 - act in the best interests of the company
 - exercise powers for the proper purpose
 - disclose any conflicts of interest
 - refrain from making a secret profit

directors & officers may be held personally liable for breach of their duties

D&O Liability Insurance

Directors: Personal liability & protection

Statute: Liability for breach of duty

- There are various sections in the Companies Act, 1973, which, if breached, expose a director to civil liability, e.g.:
 - ❖ Section 424: a director or officer who knowingly participates in the unlawful or reckless conduct of the business of the company can be held personally liable for all the company's debts or other liabilities
 - ❖ Section 247: prevents a company from indemnifying or exempting its directors from liability for any negligence, default, breach of duty or breach of trust
 - however, it is possible for a company to insure against losses which may occur as a consequence of the actions of its directors
 - such insurance would not be void as it does not attempt to avoid liability on the director's part - it merely covers the company's loss where the director has incurred the liability & is unable to pay the damages
- The new Companies Bill, 2007, introduces a codification of directors duties that will operate in addition to any rule of the common law
 - ❖ Section 93: a director is liable to the company & to any other person for any loss arising as a consequence of having signed or consented to, e.g.: false financial statements, misleading written statements & prospectuses, reckless trading, defrauding a creditor or employee or security holder of the company, etc.

Globally, corporate governance codes & recommendations continue . . .

- **Treadway Commission (US)** – Oct'87
- **COSO (US)** – Sept'92
- **Reporting by Public Entities (SA)** – Jun'92
- **Cadbury (UK)** – Dec'92
- **TSE Report (Canada)** – May'94
- **King I (SA)** – Nov'94
- **COCO (Canada)** – Aug'95
- **Hampel Report (UK)** – Jan'98
- **Combined Code (UK)** – Jun'98
- **PMFA** – Mar'99
- **Turnbull Report (UK)** – Sept'99
- **King II (SA)** – Mar'02
- **The Codex (German CG Code)** – '02
- **Protocol on Corporate Governance** – May'02
- **Sarbanes Oxley (US)** – Jul'02
- **Higgs & Smith Reports (UK)** – Jan'03
- **PIC Codes (SA)** – Sept'07
- **King III (SA)** – Dec'08

More than 40 nations have developed their own corporate governance

- **Applying good governance in a business environment**

- ❖ **honest management equals honest employees**



Honest management equals honest employees & good business . . .

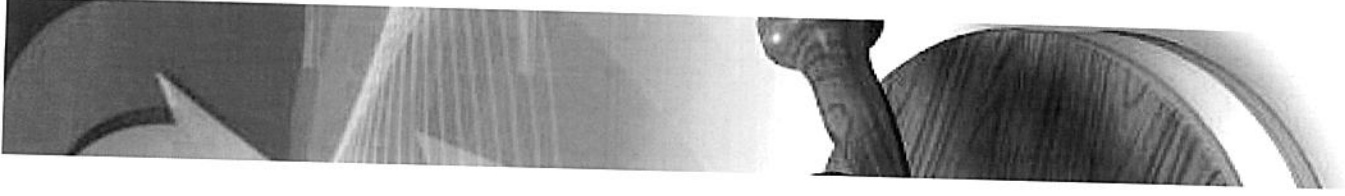
- Corporate governance encourages good behavior & trust
 - good business management
 - good relations with stakeholders
 - good consideration for staff
 - good relations with trading partners
 - good environmental practices
 - good compliance with laws & regulations
 - good business controls
 - good communication (internally & externally)



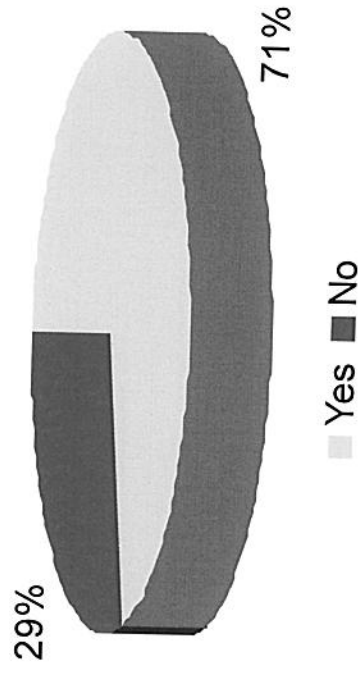
... the company needs to be seen as a honest
“citizen”

Decent corporate citizen

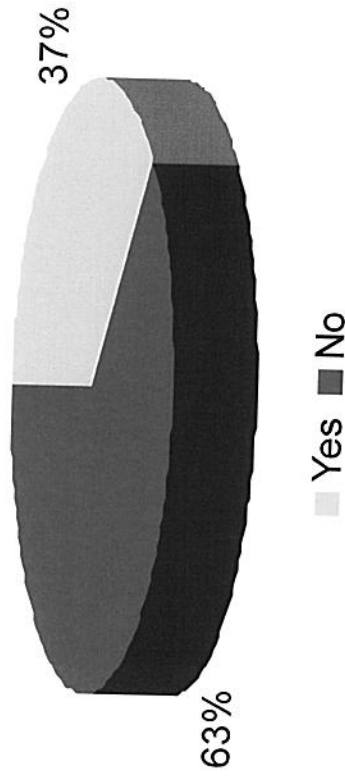
- **Entity should be & be seen to be a decent citizen**
 - the non-financial aspects of governance
 - the triple bottom-line
 - social, economic & environmental (PPP)
- **Needs of the present without compromising the ability of future generations to meet their own needs**
- **Legitimate expectations of stakeholders taken into account**



Statistics reflecting companies exposure to economic crime . . .

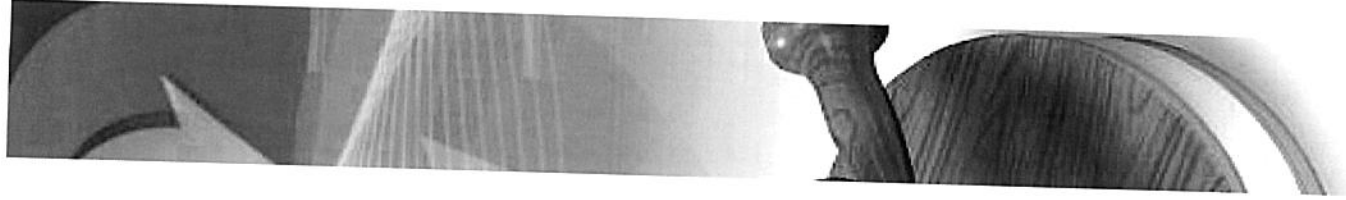


SA companies subject to economic crime in the last two years

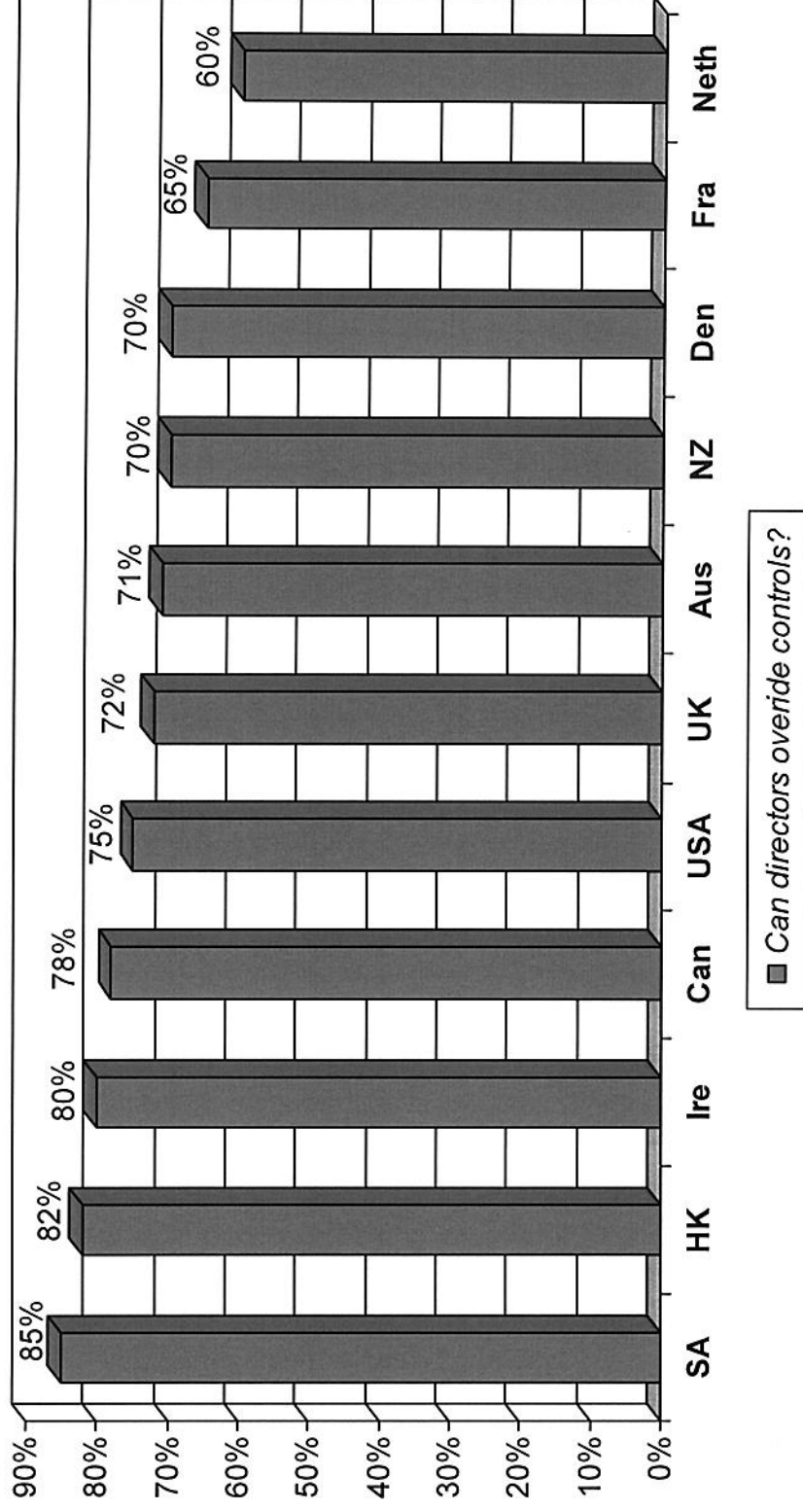


Global companies subject to economic crime in the last two years

Source: PricewaterhouseCoopers' 2003 Global Economic Crime Survey

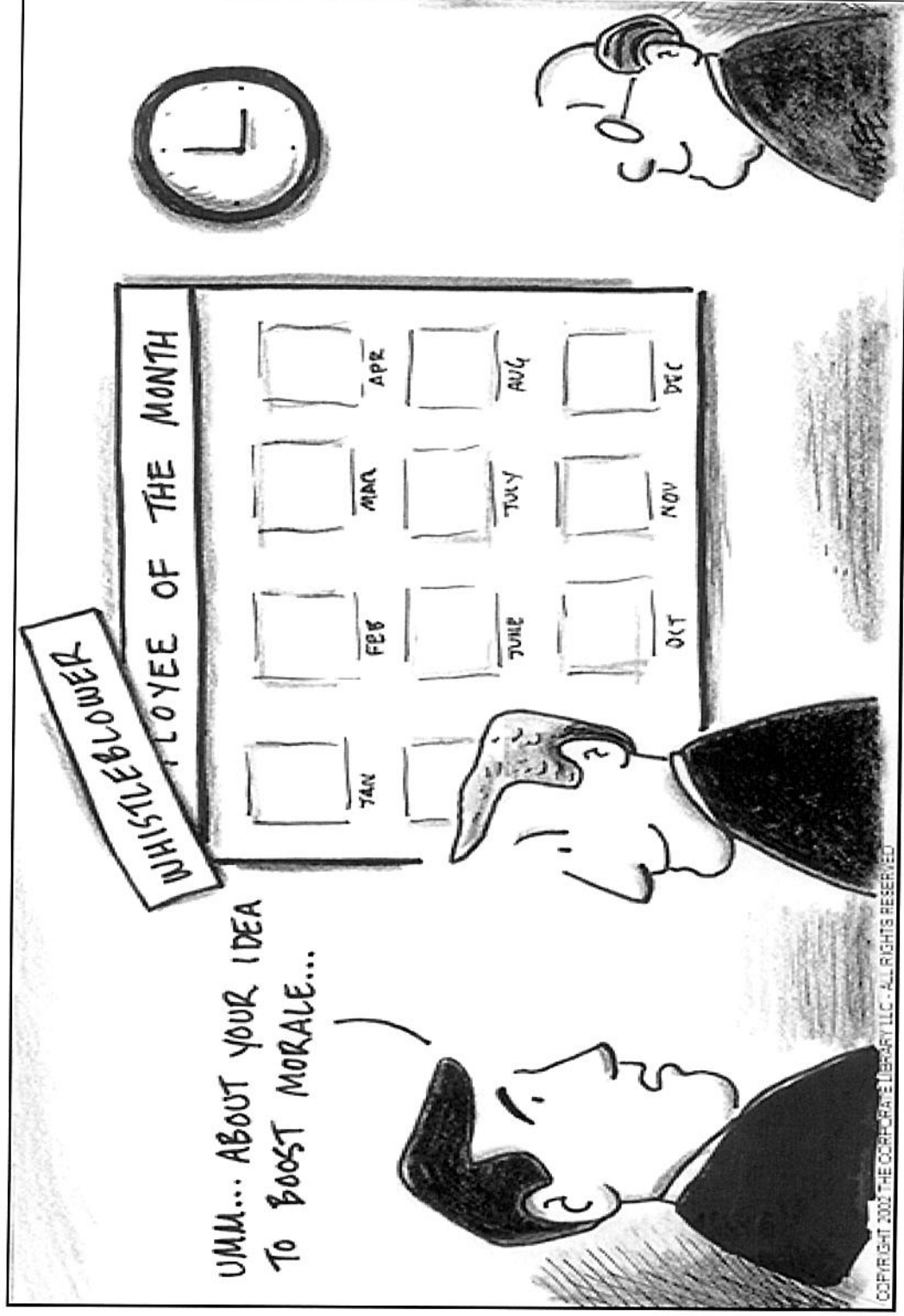


85% of international surveyed respondents believed directors or senior managers can or have overridden controls to perpetrate fraud



Source: South African Corporate Fraud Institute / KPMG Survey

Always watching your back . . . as you try running the company?



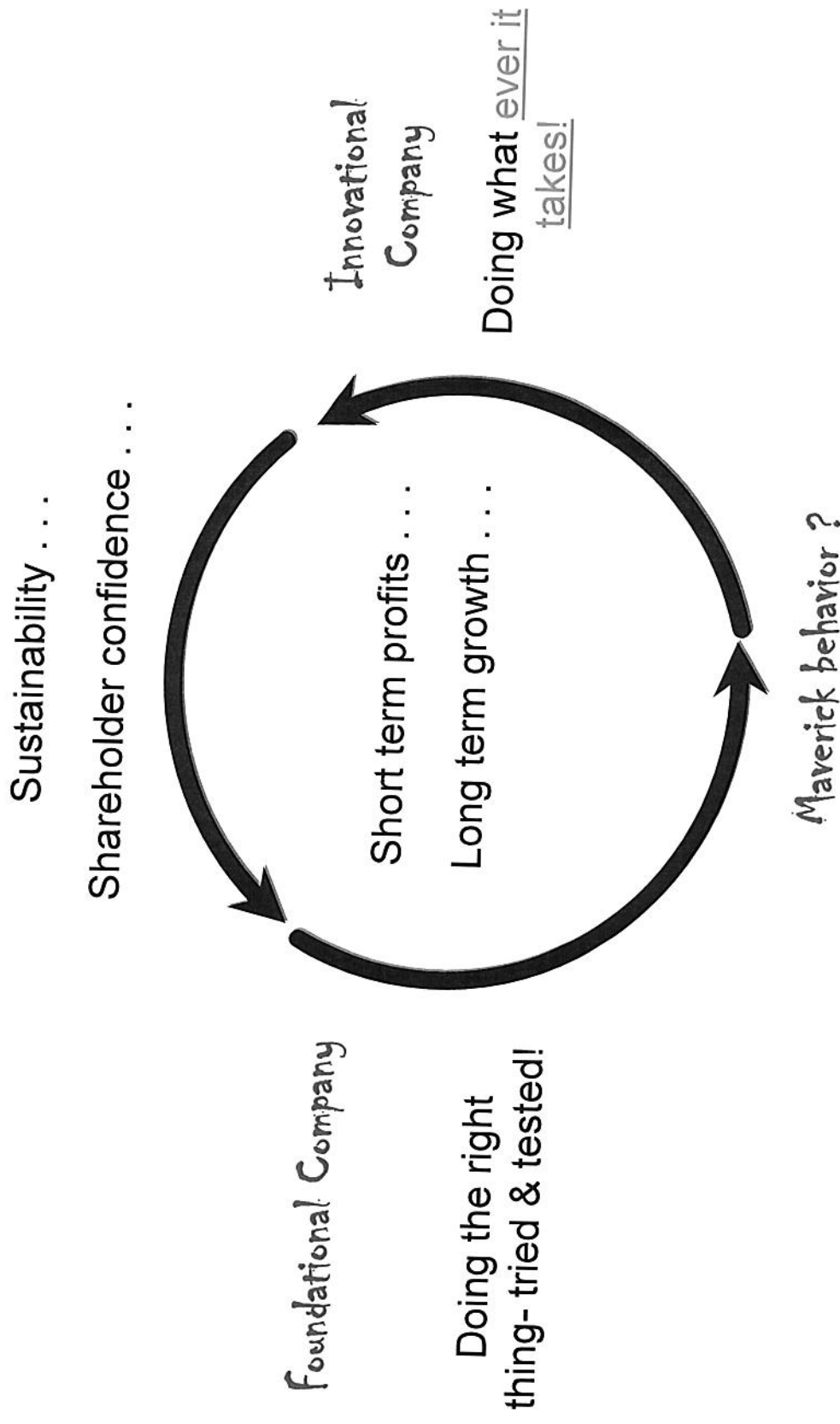
As corporate governance becomes more regulated, so new opportunities arise



- **Applying good governance in a business environment**

- **connecting governance to innovation**

How do these organizations compare?



Applied knowledge - which is accessible & understood by all employees, allows organizations to make informed decisions

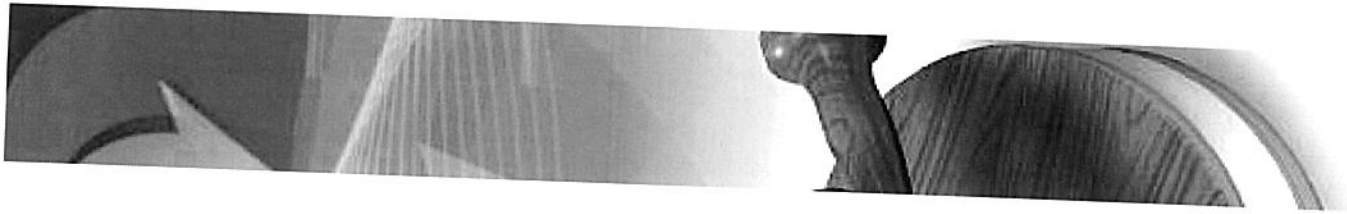
Corporate Governance Framework



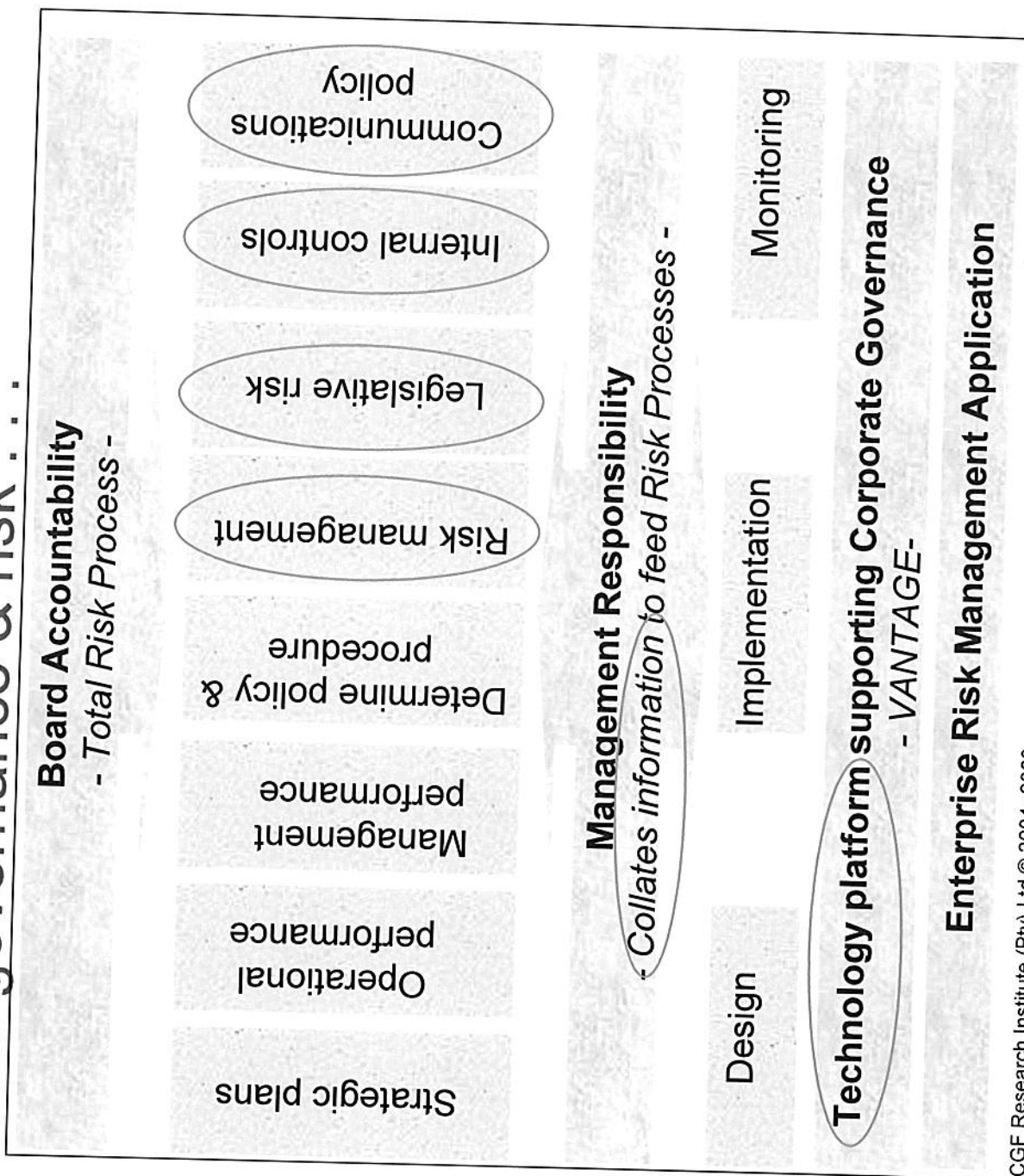
Governance Beyond Boards

- **Applying good governance in a business environment**

- **connecting governance & legislative risk**



An integrated, coherent approach is required to 'mechanize' the complex issues surrounding corporate governance & risk . . .



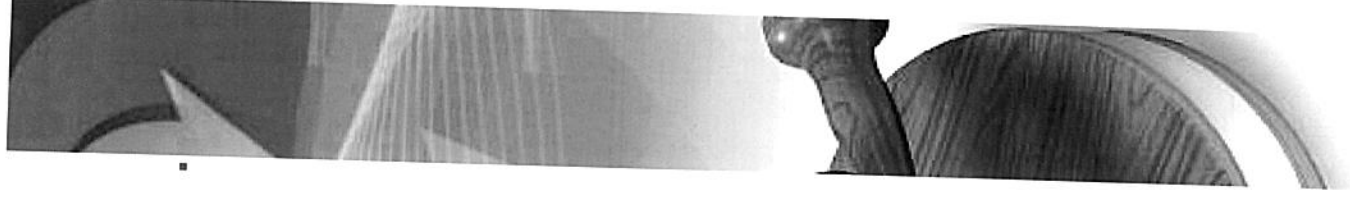
... risk management techniques have been moving up the list of organization's concerns

- RM techniques moved dramatically higher on the scoreboard from 16th to 9th position from 2003 to 2005 (rated out of 30 top risks)
- Whilst the general quality of RM within organizations has improved, there is a concern regarding the trend towards increasing use of computers to assess customer risk
- Respondents believe:
 - there is an over reliance on statistically-based risk management techniques
 - these risk management techniques are often incapable of intuitive understanding thereby losing certain experienced judgement from the risk management practice
 - many organizations use similar risk models & in times where the models contain similar biases or flaws, these same organizations will be faced with major risks
 - whilst historical bases have proved very useful, they are not perfect predictors
 - organizations that rely exclusively on risk models will be adversely impacted compared to those with a more balanced approach (i.e. judgement & quantitative techniques)
 - cost cutting tendencies may impact the quality of risk management, thereby eroding the organization's resilience to market events & shocks
 - the size & complexity of organizations generally makes risk identification & risk management very difficult
 - risk management techniques may, at times, be applied narrowly within the organization, instead of at a group-wide level

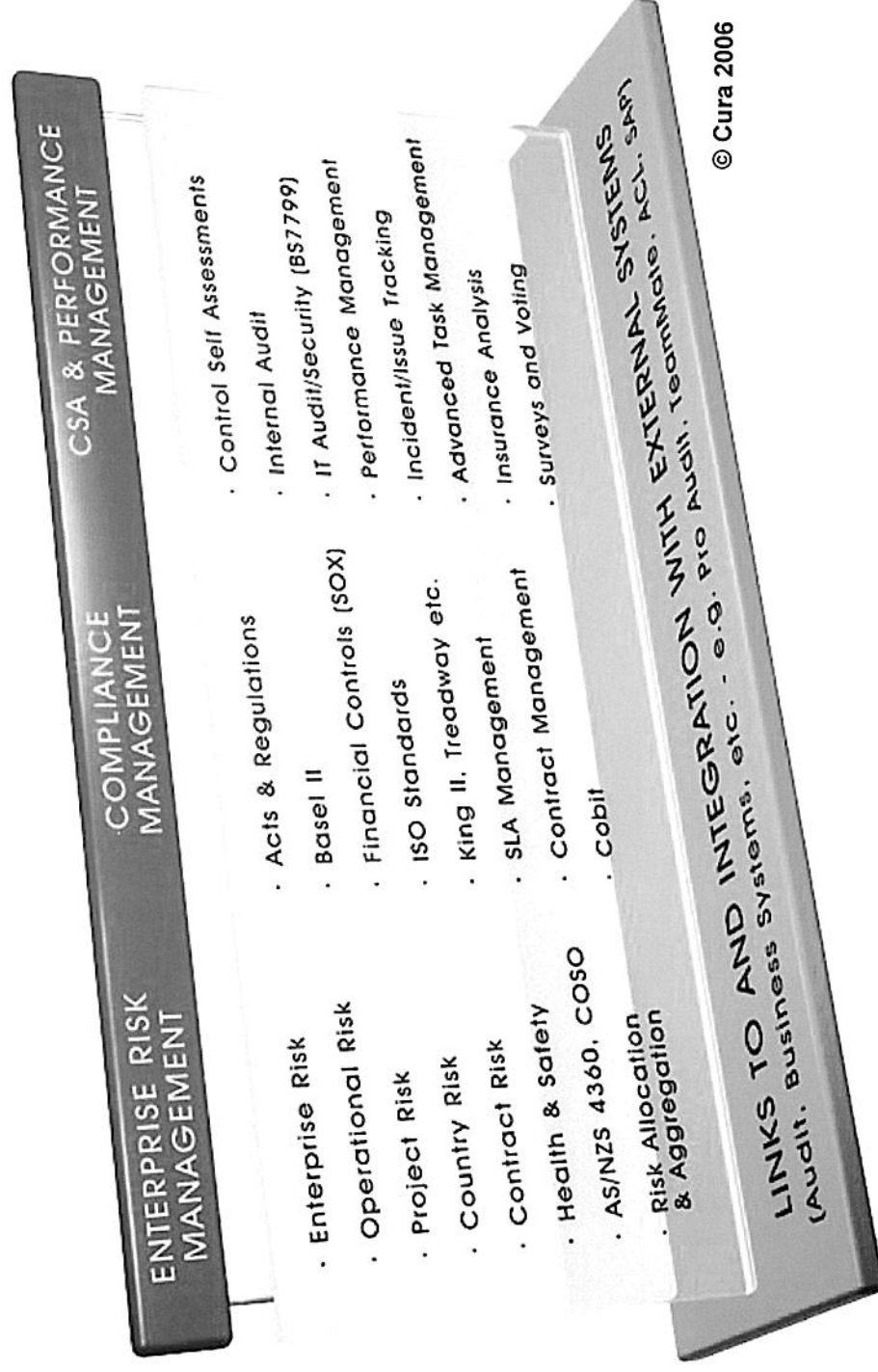


Good governance should factor the organization's levels of legislative compliance . . .

- Enterprise level compliance should be:
 - **an embedded process within Risk Management**
 - ❖ consistent & standardized
 - ❖ efficient
 - ❖ benchmarked against outputs
- The process to drive legislative compliance must make provision for:
 - **multiple business units**
 - **multiple geographies**
 - **multiple skills**



ERM, governance & compliance must be seen as an integrated approach . . .



© Cura 2006

King II* provides recommendations on RM & officers' responsibilities

1. Board accountability Section 2, Chapter 2 para 1 "The total process of risk management, which includes a related system of internal controls, is the responsibility of the Board."	2. Framework for Enterprise Risk Management Section 2, Chapter 1 para 11 "Sound risk management & internal control frameworks, tailored to the specific circumstances of the company, should be part of the daily operational activities of a company and should not be viewed independently or normal business activities."	3. Organizational structures Section 2, Chapter 2 para 1 "Management is accountable to the Board for designing, implementing and monitoring the process of Risk Management & integrating it into the day-to-day activities of the company."
4. Risk assessment Section 2, Chapter 3 para 1.2 "The risk assessment process should consider risks that are significant to the achievement of the company's objectives."	5. Control environment Section 2, Chapter 3 para 1 "Controls should be established to encompass all management responses to risk."	6. Risk monitoring Section 2, Chapter 3 para 1.5 "The monitoring of risk should be linked to key performance indicators & organizational objectives, so that the accuracy of risk assessment and the effectiveness of internal controls can be evaluated objectively."
7. Risk reporting Section 2, Chapter 4 para 3 "Sustainability means that each enterprise must balance the need for long-term viability & prosperity -of the enterprise itself & the society & environment upon which it relies for its ability to generate economic value - with the requirement for short-term competitiveness & financial gain."	8. Embedding the process of risk management Section 2, Chapter 3 para 1.3 "These should be designed to respond to risks throughout the company & its external environment & should include a diverse range of activities aimed at enhancing the control environment."	9. Assurance processes for key risks & for risk management processes Section 2, Chapter 3 para 2 "The system of risk management & internal control should, therefore, be intertwined with the company's operating activities to provide assurance that enterprise-wide policies & procedures are in place to address all forms of risk identified as inherent to the company's activities."
10. Sustainability responsibilities Section 4, Chapter 1 para 2 "Sustainability means that each enterprise must balance the need for long-term viability & prosperity -of the enterprise itself & the society & environment upon which it relies for its ability to generate economic value - with the requirement for short-term competitiveness & financial gain."		

- ***Applying good governance in a business environment***

- *helped by the introduction of digital technologies*
- *increased accountability and transparency*
- *streamlining of management processes*
- *improved the speed of decision making*
- *improved working relationships*
- ❖ **using ICT to support compliance (Information, Communication & Technology)**
- *improved & automation practices*
- *benefits*

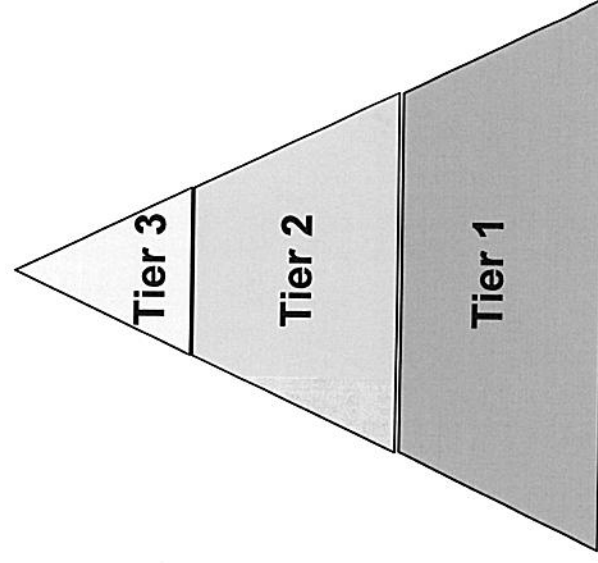


The most important test of a board comes in a time of crisis . . .

- It's at a time of crisis when the board will require robust GRC information which is drawn from a central repository wherein all management have "lived & acted" - corporate transparency:
 - the board all believe, understand & participate in GRC
 - the organisation (employees) supports the GRC
 - the stakeholders (shareholders & market) supports GRC
- Corporate transparency will include the following integrated practices:
 - participation within a set of truly global Generally Accepted Accounting Principles (global GAAP - e.g. IFRS, XBRL)
 - using standards for measuring & reporting information that are industry specific, consistently applied & developed by industry themselves
 - applying guidelines for company specific information
 - ❖ strategy, plans, risk management practices, compensation policies, corporate governance, performance measures unique to the company

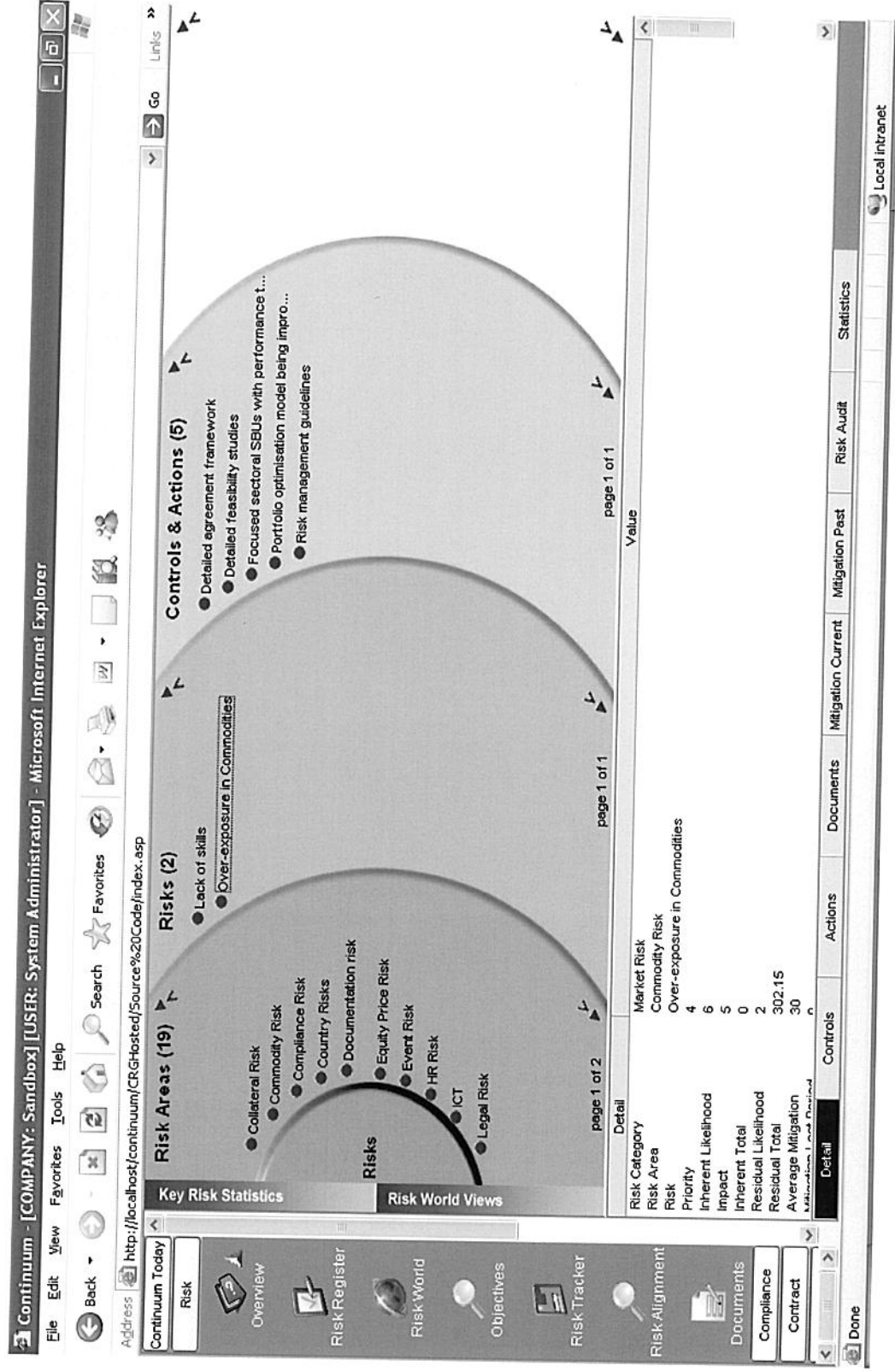
... a new model for corporate transparency is required

3 Tier Model for Corporate Transparency



Company specific information e.g. management's view of competitive environment, SWOT, value drivers, qualitative / quantitative targets, desired risk profile & management , internal controls & compliance, principles of corporate governance, commitment to stakeholders other than shareholders
Industry based standards e.g. competitive industry dynamics, environmental issues / impacts, benchmarking, agreed industry definitions principles & standards
Global GAAP principles

... legislative risk is rarely factored within the greater scheme of an organization's risk profile



Source: Continuum©

Governance beyond boards

Reliable & consistent legislative content is vital . .

Continuum - [COMPANY: Sandbox] [USER: System Administrator] - Microsoft Internet Explorer

Address: http://localhost/continuum/CRGHosted/Source%20Code/Index.asp

HOME | LAW LIBRARY | REPORTS | AUDIT TRAIL | HELP

Business unit: Sandbox | User: System Administrator

LAW LIBRARY

Law category: Labour [Add/Edit]

Regulatory requirement: Basic Conditions of Employment Act [Add | Summary | Edit]

Section: All [Add]

Subsection: All

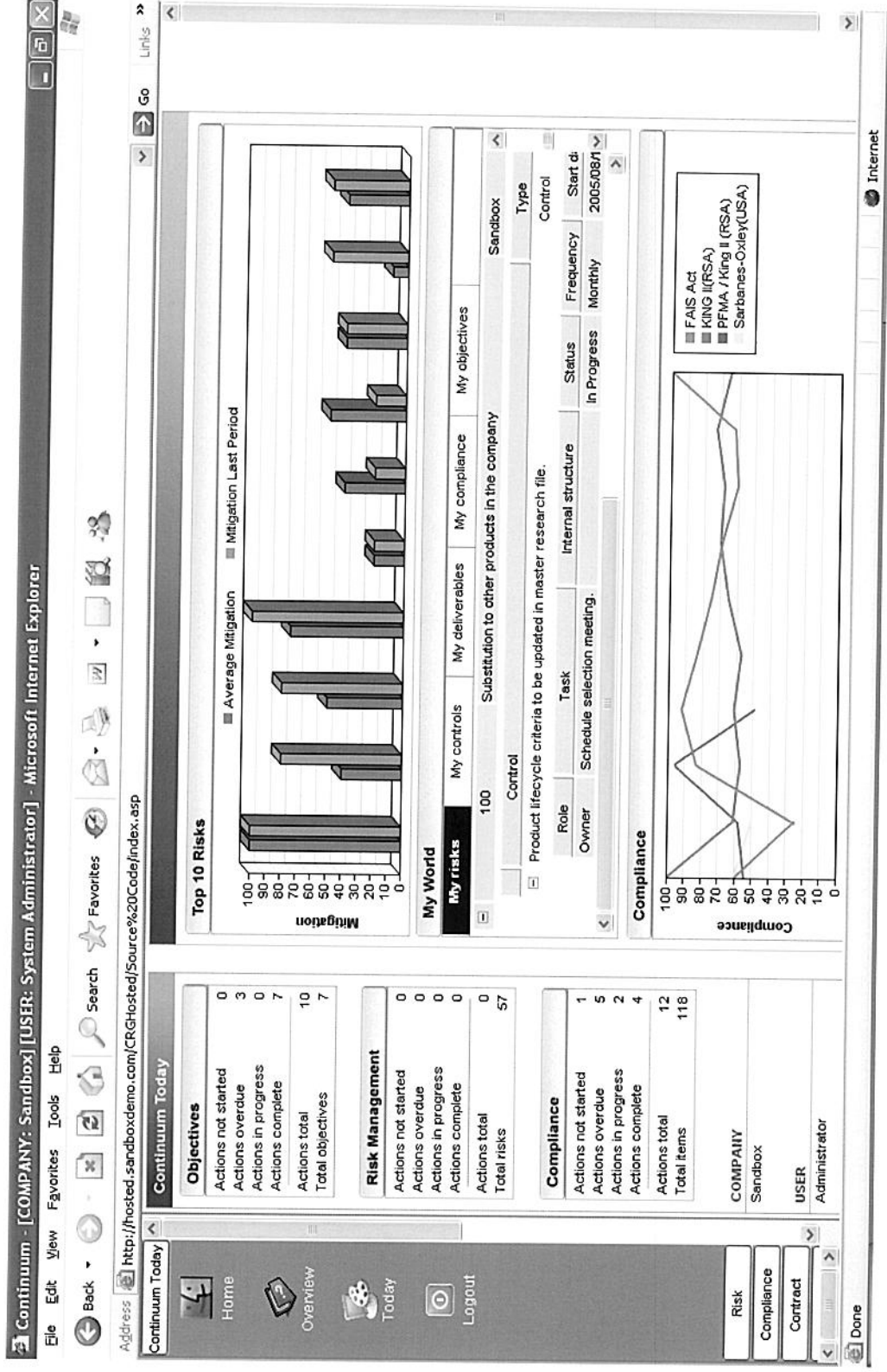
Please note that the list below will only display the first 200 characters of a Provision. Double-click on a Provision to view its complete details.

Clause No	Applicable to	BU	Provision	Category
84 (1)	☐	BU	For the purposes of determining the length of an employee's employment with an employer for any provision of this Act, Has the previous employment with the same employer been taken into account if ...	Core
84 (2)	☒		Has any payment made or any leave granted in terms of this Act to an employee contemplated in subsection (1) during a previous period of employment been taken into account in determining the ...	Core
20 (2) a/b	☒		Has the employer granted an employee at least - 21 consecutive days' annual leave on full remuneration in respect of each annual leave cycle or by agreement, one day of annual leave on full ...	Core
20 (2) c	☐		Has the employer granted an employee at least - by agreement, one hour of annual leave on full remuneration for every 17 hours on which the employee worked or was entitled to be paid?	Core
20 (4)	☐		Has the employer granted annual leave not later than six months after the end of the annual leave cycle?	Core
20 (5) a	☐		Is the employer aware that they may not require or permit an employee to take annual leave during - (a) any other period of leave to which the employee is entitled?	Core
20 (5) b	☐		Is the employer aware that they may not require or permit an employee to take annual leave during - (b) any period of notice of termination of employment?	Core
20 (6)	☐		Does the employer permit an employee, at the employee's written request, to take leave during a period of unpaid leave?	Core
20 (7)	☐		Has the employer reduced an employee's entitlement to annual leave by the number of days of occasional leave on full remuneration granted to the employee at the employee's request in that leave cycle?	Core
20 (8)	☐		Does the employer grant an employee an additional day of paid leave if a public holiday falls on a day during an employee's annual leave on which the employee would otherwise have worked?	Core

Source: Continuum©

Governance beyond boards

The organization's officers, including compliance, legal & audit should have a view of its risk & mitigation plan

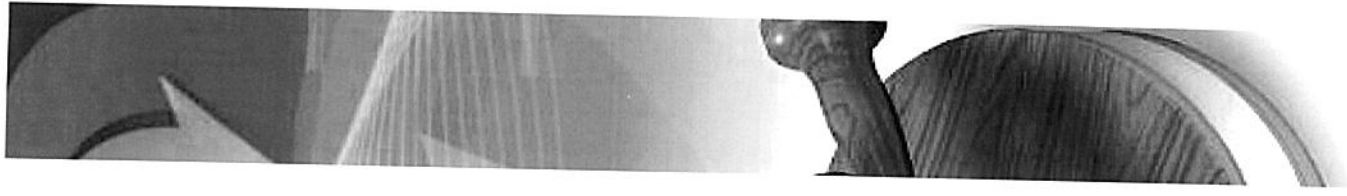


Source: Continuum©

Governance beyond boards

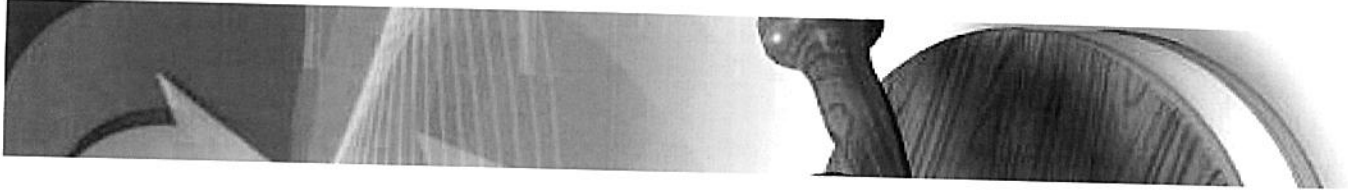
Increasingly, company management will need to report their Governance, Risk & Compliance on an integrated basis

- Reporting format
 1. Executive summary including GRC exposure
 2. Operational risk results
 - a. Risks identified
 - b. Risk changes & trends
 3. Graphic representations
 4. Monitoring & assurance
 5. Risk plan & risk maturity analysis
- Reports must provide the CFO, CRO with data that covers the enterprise governance, risk & compliance metrics



• **Applying good governance in a business environment**

- refresh our understanding of corporate governance
 - view corporate governance with a fresh set of eyes
 - directing or managing the affairs of a company
 - the way in which a company is run
 - to protect shareholders' interests
 - companies & governments & regulatory bodies
 - using ICT to support management & to improve company & "ethical" image
- impacts & common hurdles
- benefits



Some likely impacts . . . (1st wave)

Include inter alia;

- Legal
- Regulatory / Statutory
- Management “behavior”
- Operational
- People
- Cost
- Processes
- Business engagement
- Business sustainability



... Over time, more organizations will be expected to report on their SRI initiatives too (2nd wave)

- 160 SA companies were invited by the JSE to provide policy statements covering their approach & policy in respect of certain Social Responsibility Initiative areas, namely:
 - Corporate governance
 - Ethics
 - Corruption bribery & money laundering
 - BEE
 - HR & skills development
 - Health & safety
 - HIV / AIDS
 - EEA
 - Human rights
 - Community development
 - Consumers & consumer groups
 - Stakeholder engagement (shareholders, employees, customers, unions & government)

Creating & driving value in business requires a well structured organizational design, set upon essential pillars

Essential business value drivers

Business structure & strategy

(individual responsibilities & accountabilities must be in place)

Communication

(3 Tier Model for Corporate Transparency)

Information security

(well designed systems that produce information for decision making)

IT governance

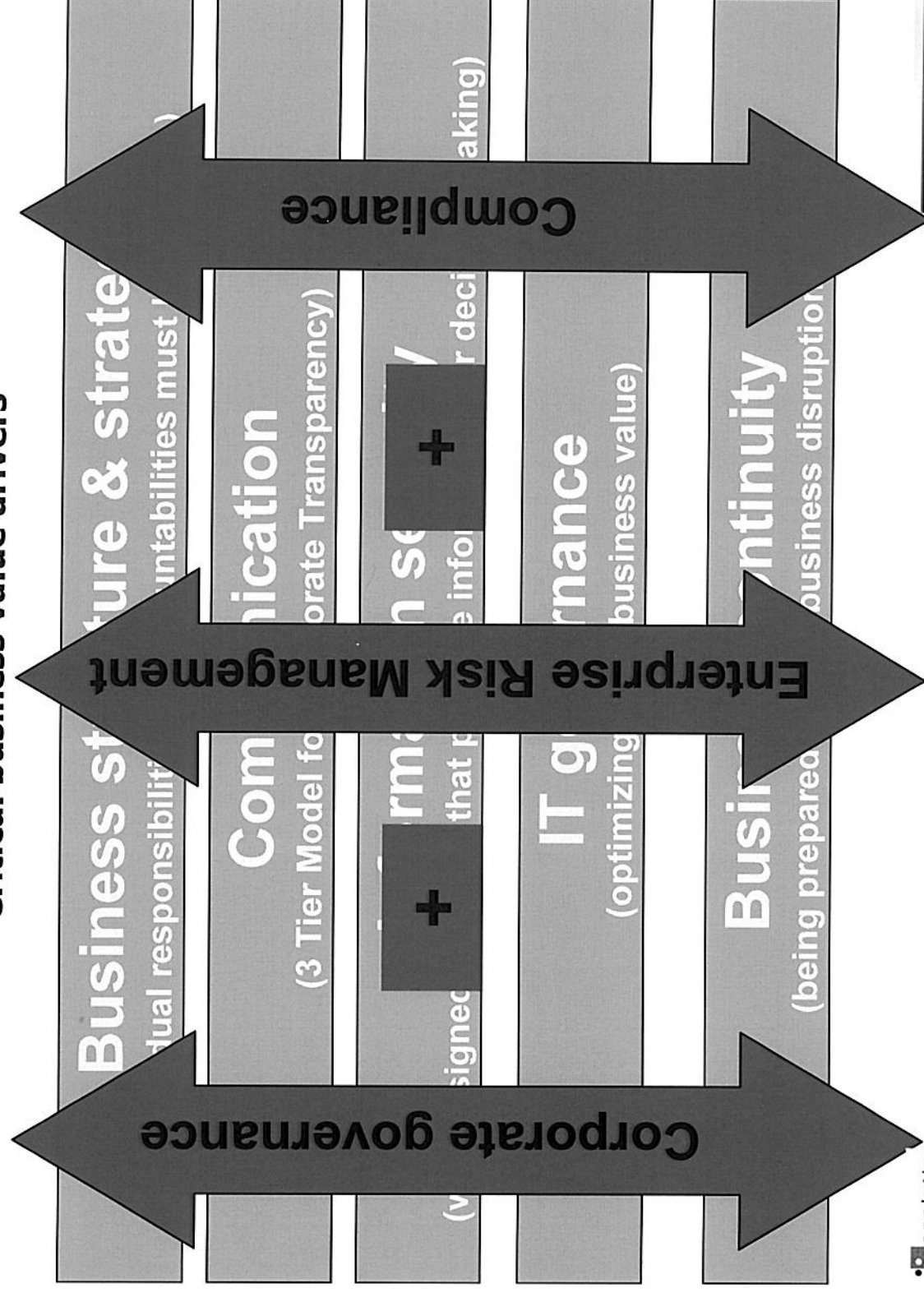
(optimizing IT for business value)

Business continuity

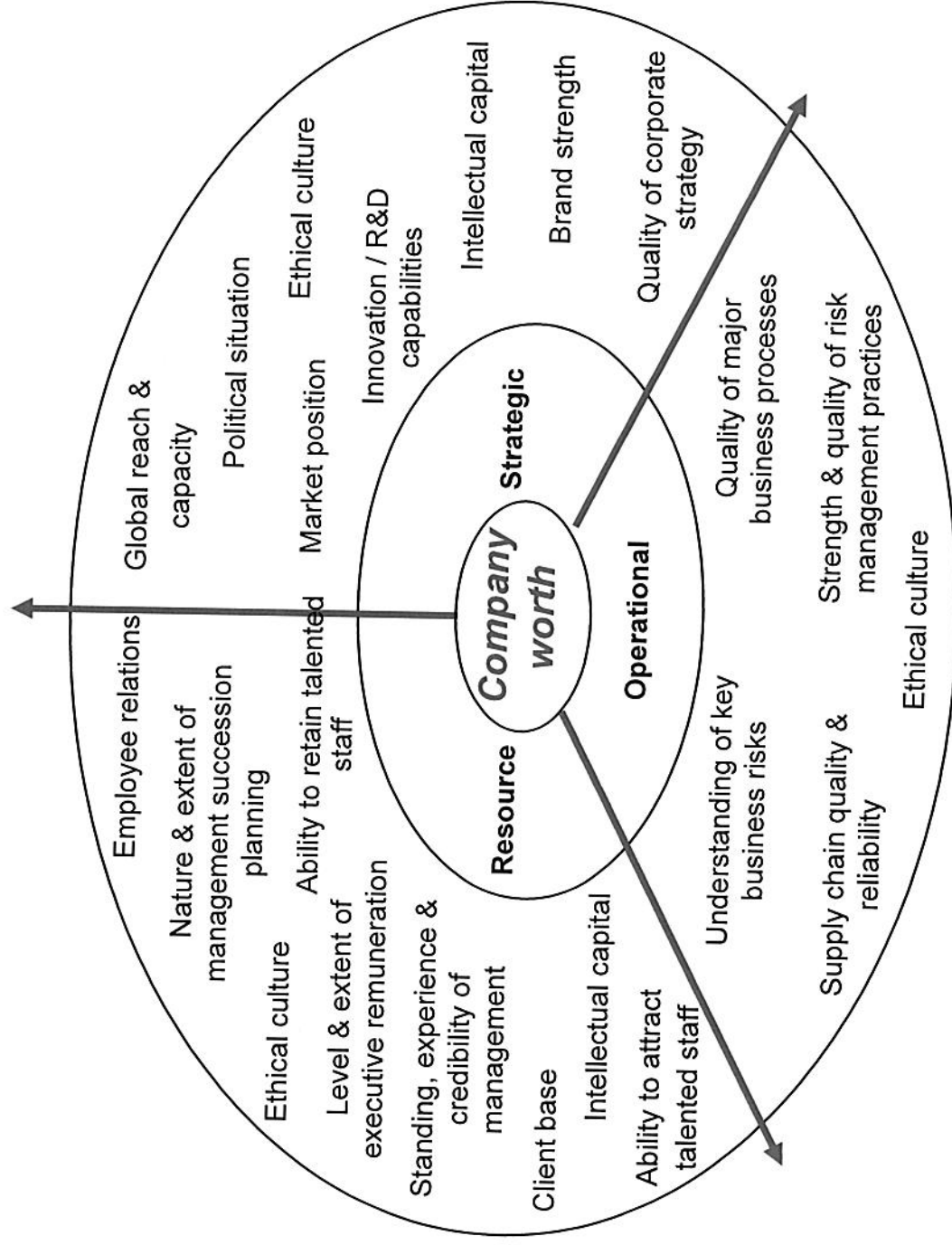
(being prepared for any business disruption)

The success of the business depends upon the manner in which GRC is applied

Critical business value drivers



Many non-financial components contribute to a company's "worth" as a potential investment vehicle . . .



The board must recognize GRC as an asset which represents great value to the organization

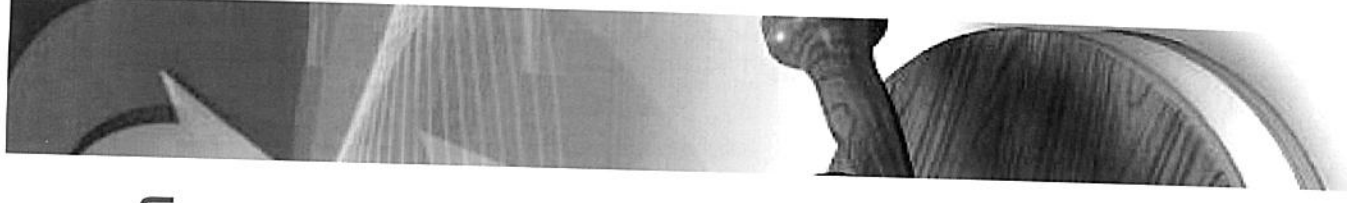
The cost of investing in an intangible asset represents a poor estimate of its value to the organisation. Intangible assets such as Governance, Risk, Compliance, IT & HR have potential value but not market value

- Internal processes such as design, production, delivery & customer service are required to transform the potential value of intangible assets
- If the internal processes are not directed at the customer value proposition or financial improvements, the potential value will not be realised

The board must be proactive in taking the reins in the context of any GRC matter affecting the organization

- Where there is uncertainty, there is risk which may present:
 - upside opportunities
 - downside hazards
- Failure to properly manage risk on an integrated basis
 - exposes management's inability to direct & control the business
 - exposes shareholders to unanticipated losses in value
 - losses the company's credibility, market share & brand
 - management relinquishes control of the company's destiny to outside forces
- Shareholders understand that value creation requires risk taking
 - shareholders need to be assured that:
 - ❖ the potential value creation is proportionate to the level of risk, and
 - ❖ potential down-side losses are managed intelligently

* Ref: Building Public Trust - The future of corporate reporting



Common hurdles to good governance

(directors)

- **At director level:**
 - **over regulation & overly prescriptive regimes**
 - **excessive reliance on advisors without adequate personal knowledge, information or advice**
 - **insufficient internal communication**
 - **director knowledge & experience in governance lacking**
 - **director's lack of understanding of their own industry, company matters & their responsibilities**
 - **low levels of confidence**
 - **compliance with ever increasing complex legislation**
 - **inaccurate information & data for decision making**
 - **too much recommendation with little practical guidance**

... common hurdles to good governance

(management)

- **At management level:**
 - **little connection with the board & shareholders**
 - **perception of no accountability for governance**
 - **governance disconnected from enterprise risk**
 - **regulatory risk not embedded in operational processes**
 - **lack of interest in governance matters which seemingly don't have impact on the organization's bottom line**
 - **lack of communication, education & information in governance matters**
 - **time & resource constraints**



... common hurdles to good governance

(organization)

- **At organizational level:**
 - **governance not formalized**
 - **lack of commitment to good governance**
 - **little or no understanding of governance requirements**
 - **inadequate monitoring of governance**
 - **lack of internal sponsorship / ownership for governance**
 - **poor / no audit committees**
 - **no budget for governance / no code of ethics**
 - **no independent review & monitoring of governance procedures & implementation**

The “buck” eventually rests with the board & the CEO

	Board	C E O	BU Managers	Finance	H R	IT	Market -ing	Employees
Governance	A	R	C	C	C	C	C	I
Risk	A	R	C	C	C	C	C	I
Compliance	A	R	C	C	C	C	I	I
Business structure & strategy	A	R	C	C	C	C	I	I
Communication	A	R	C	C	C	C	C	I
Information Security	A	R	C	C	C	R	I	I
IT Governance	A	R	C	C	I	R	I	I
BCM	A	R	C	C	I	R	C	I

- R = Responsible** (Those who do work to achieve the task - there can be multiple resources responsible)
A = Accountable (The resource ultimately accountable for the completion of the task - there must be exactly one A specified for each task)
C = Consulted (Those whose opinions are sought. 2 way communication)
I = Informed (Those that are kept up-to-date on progress. 1 way communication)

The RACI diagram splits project tasks down to 4 participatory responsibility types that are then assigned to different roles in the project. These responsibilities types make up the acronym RACI.
 Source: wikipedia.com

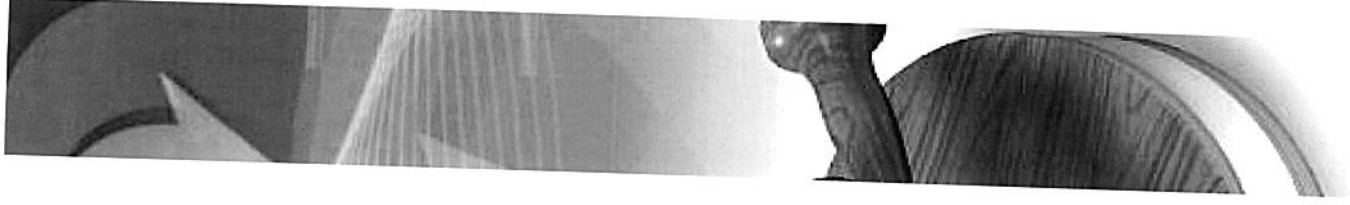
... other pressing issues ...

- **Corporate law reform (Companies Bill & new Regulatory Authorities)**
- **Regulatory risk management**
- **Director & officer liability insurance**
- **Reportable irregularities**
- **BCM**
- **Exchange control**
- **IFRS / XBRL**
- **BBBEE**
- **Auditor independence**
- **Executive remuneration**
- **De-listing to avoid regulation**
- **Corporate / employee health (HIV/AIDS, TB)**
- **Crime / Bribery & corruption**
- **Standards**



Corporate governance is drawing attention & focus from everywhere!

- Failure requires questions
 - effectiveness of board & management
 - director's accountability
 - director's independence
 - director's 'trustee ship' of shareholder & stakeholder interests
 - director's remuneration vs reward
 - white collar crime
 - risk assessment & management processes
 - financial reporting
 - effectiveness of audits & their independence



• Applying good governance in a business environment

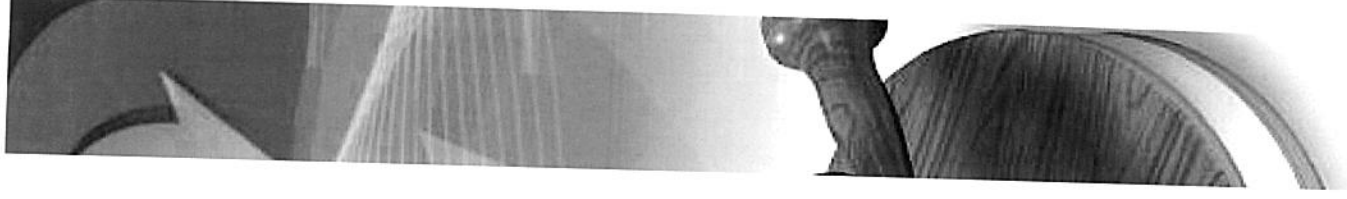
- refresh our understanding of what good governance means
 - * what constitutes a governance system? (what's out of the box?)
 - * diagnosing & managing the governance system as a living part of the business
 - * no, not a silver bullet
 - * a dynamic system, not a static one
 - * no, not a one-size-fits-all solution
 - * using IT in support of, but not replacing, human information, communication & Technology)
- firm acts & common bundles
- benefits

Investors are willing to pay a premium for well governed organizations . . .

- More than 80% of over 200 global institutional investors are willing to pay a premium for shares in a well governed organization
 - 18% : UK
 - 22% : emerging markets
- $\frac{3}{4}$ of these investors believe board behavior & practice was as important as the financial performance of the organization

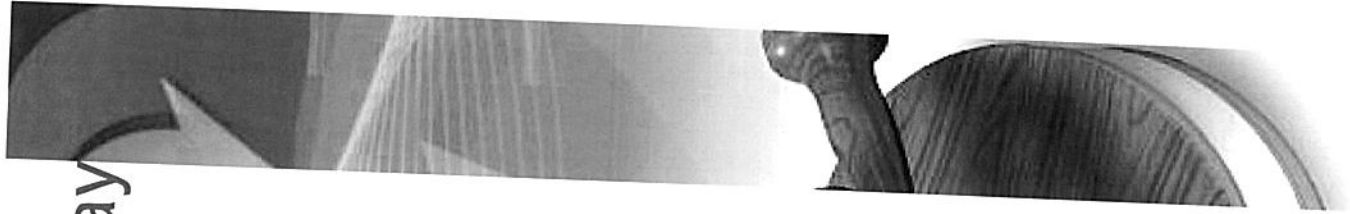
To compete globally, local companies must embrace international standards, as foreign investors are willing to pay a premium for good corporate governance in emerging markets

Source: "Investor Opinion Survey" - McKinsey



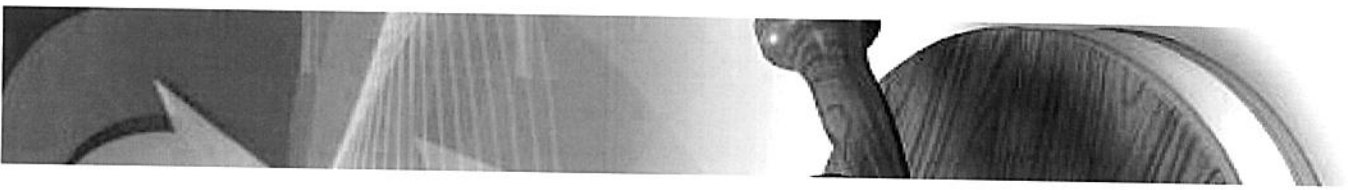
... with greater transparency, organization's may expect better capital flows

- As the foundation of good governance & increased transparency, capital markets & organizations will provide realistic values of their companies' shares & not undervalue them
- Increasingly, large fund managers are channeling money into companies that demonstrate honesty, transparency, good labor practices & environmental responsibility
- Globally, countries promoting & encouraging good governance can expect a greater share of global capital flows
- Some organizations have instituted governance committees on their boards, that are intended to ensure that the organization will be run in the interests of shareholders, not management
- Increasingly, directors & senior management will be held individually accountable for implementing & maintaining sound business governance



Concluding thoughts . . .

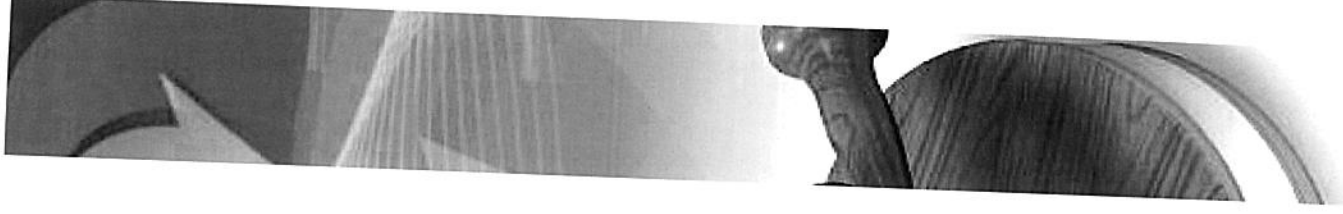
- Corporate governance trends will see organizations . . .
 - moving from exclusive to inclusive approach
 - moving from single bottom line to triple bottom line
 - emphasizing sustainable success
 - increasing the importance of risk & legislative risk management
 - increasing the importance of integrated sustainability management & reporting
 - striving toward conformance & performance
 - respecting the power of shareholder activism



Concluding thoughts . . .

“Be alive in your power, develop a check- list of good corporate citizenship, attend general meetings, vote, understand your rights and obligations. My invitation to each of you, perhaps as a first step in your own shareholder activism, is to collaborate, to develop and publicize the checklist. It is the least you owe to yourself and future generations.”

Finance Minister Trevor Manuel - Finance Week



Before you take the plunge, ensure that all the belts & braces are in the correct place . . .



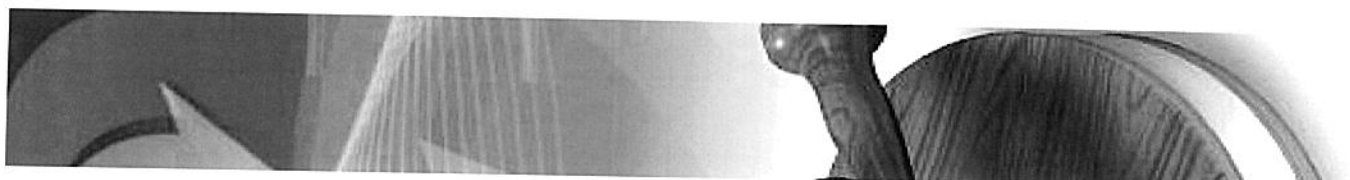
Thank you

Terry Booysen
CGF Research Institute (Pty) Ltd

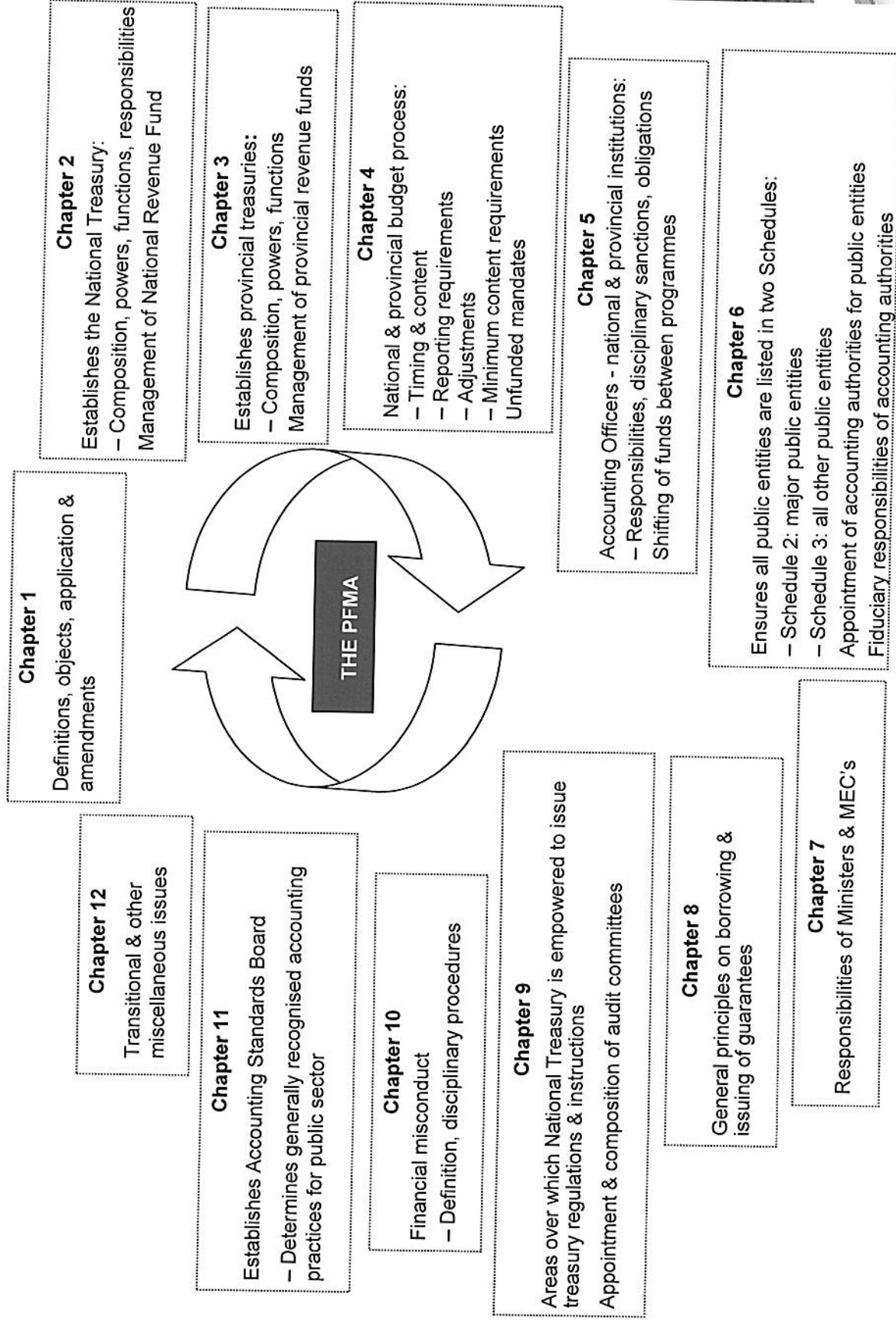
+ 27 82 373 2249

+ 27 11 476 8264 / 3013

tbooyesen@cgf.co.za



Chapter summary of the PFMA



The PFMA gives effect to various sections found within the Constitution relating to the management of public finance

How does the PFMA relate to the Constitution?

- The PFMA gives effect to Section 216(1) of the Constitution that requires national legislation to:
 - establish a national treasury
 - prescribe measures to ensure transparency & expenditure control in each sphere of government, by introducing:
 - ❖ generally recognised accounting practices
 - ❖ uniform expenditure classifications
 - ❖ uniform treasury norms & standards
- Other sections within the Constitution are also given effect by the PFMA, namely:
 - section 213: limits exclusions & withdrawals from the National Revenue Fund
 - section 215: budgets & the budgetary process “must promote transparency, accountability, and the effective financial management of the economy, debt & public sector” & for national legislation to “prescribe” budget formats for all spheres of government
 - section 217: procurements must be “in accordance with a system which is fair, equitable, transparent, competitive & cost-effective”
 - section 218: sets out the conditions for the issue of guarantees by a government in any sphere
 - section 226: limits an exclusion from a provincial revenue fund
 - sections 100 & 216: on intervention by the national government when an organ fails to perform an executive function related to financial management & circumstances under which funds may be withheld

Public entities are required to be listed in one of two Schedules - *Schedule 2 covers major public entities*

Schedule 2 public entities

- Chapter 6 of the Act ensures that all public entities* are listed in two Schedules. Major public entities are listed in Schedule 2 & the Act confers maximum autonomy to these entities.

Examples of major public entities listed in Schedule 2 include:

- Air Traffic & Navigation Services Company
- Airports Company
- Central Energy Fund
- DENEL
- Development Bank of Southern Africa
- ESKOM
- Industrial Development Corporation of SA Ltd
- SA Broadcasting Commission
- Telkom SA Ltd
- Transnet Ltd

- It is important for suppliers / clients to know which companies are controlled by public entities & those which are subject to the PFMA

- “ownership control” differs from the concept of a “subsidiary” in terms of the Companies Act.
- “Ownership control” is a wider concept which includes the right to appoint the majority of the board of directors, the right to appoint or remove the CEO, the right to cast the majority of votes at board meetings or at a general meeting

* Including any subsidiary or entity under the ownership control of the listed public entities

... Schedule 3 lists all “other public entities” that are not major public entities

Schedule 3 public entities

- Schedule 3 lists “other public entities” & is sub-divided into 4 Parts. These public entities have lesser degrees of autonomy than those found in Schedule 2. Examples of these entities include:

Part A: National Public Entities

- ❖ Accounting Standards Board
- ❖ Competition Board
- ❖ Financial Services Board
- ❖ SA Bureau of Standards
- ❖ SA Revenue Service
- ❖ Unemployment Insurance Fund

Part B: National Government Business Enterprises

- ❖ Bloem Water
- ❖ Rand Water Board
- ❖ SA Rail Commuter Corporation Limited

Part C: Provincial Public Entities

- ❖ Gauteng Tourism Authority

Part D: Provincial Government Business Enterprises

- ❖ Algoa Bus Company

Legislative and other mandates The Department derives its mandate from the following pieces of legislation:

Constitution of the Republic of South Africa (Act no 108 of 1996)
Electoral Act No 73 of 1998
Electoral Commission Act No 51 of 1996
Promotion of Access to Information Act No 2 of 2000
Promotion of Administrative Justice Act No 3 of 2000
Promotion of Equality and Prevention of Unfair Discrimination Act No 4 of 2000
Promotion of Equality and Prevention of Unfair Discrimination Amendment Act No 52 of 2002
Promotion of National Unity and Reconciliation Act No 34 of 1995
Protected Disclosure Act No 26 of 2000
Protection of Information Act No 84 of 1982
The following pieces of legislation provide a framework for housing development in the Province:
Housing Act No 107 of 1997 as amended
Northern Province Housing Act No 8 of 1998
Housing Consumers Protection Measures Act No 95 of 1998
Rental Housing Act 50 of 1999
Community Property Association Act 28 of 1996
Construction Industry Development Board Act of 2000
Home Loan and Mortgage Disclosure Act 63 of 2000

The following pieces of legislation define the role of the Provincial Government in supporting, monitoring and building capacity of municipalities thus harnessing the Constitutional mandate of both the National and Provincial governments:

Transfer of staff to Municipalities Act No 17 of 1998
Local Government: Municipal Structures Act No 117 of 1998,
Local Government: Municipal Systems Act No 32 of 2000
Disaster Management Act No 57 of 2002
Remuneration of Public Office Bearers Act No 20 of 1998
Northern Province Pounds Act No 3 of 2002
Local Government: Municipal Property Rates Act No 6 of 2004
Local Government: Municipal Finance Management Act No 56 of 2003
Water Services Act No 108 of 1997
Local Government Transition Act No 209 of 2003
Cross-Boundary Municipalities Act No 29 of 2000
Local Government: Municipal Demarcation Act No 27 of 1998
Local Government: Municipal Electoral Act No 27 of 2000
Northern Province Local Government Laws Rationalisation Act No 5 of 2000
Cross-Boundary Municipal Laws Repeal and Related Matters Act No 23 of 2005
Local Government Training Act No 41 of 1985
Less Formal Township Establishment Act No 113 of 1991
Organised Local Government Act No 52 of 1997
Intergovernmental Fiscal Relations Act No 97 of 1997
Intergovernmental Relations Framework Act No 13 of 2005
Prevention of Illegal Eviction from and Unlawful Occupation of Land Act No 19 of 1998
Restitution of Land Rights Act No 22 of 1994
Traditional Leaders and Governance Framework Act, No 41 of 2003
Limpopo Traditional Leadership and Institution Bill of 2004

The following pieces of legislation provide a framework for Development and Planning and Land Use Management:

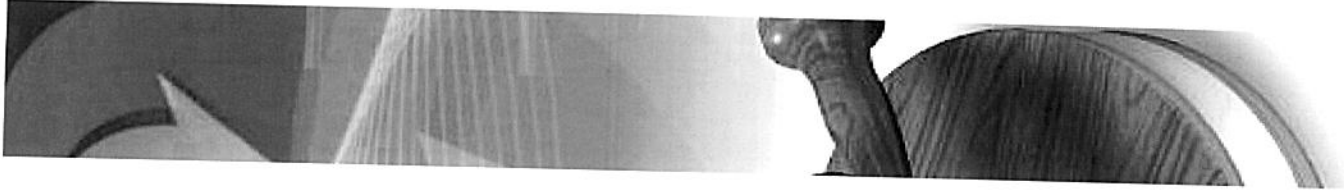
Development Facilitation Act No 67 of 1995
Physical Planning Act, No 125 of 1991
Subdivision of Agricultural Land Act No 70 of 1970
Less formal Township Establishment Act No 113 of 1991
Upgrading of Land Tenure Rights Act No 112 of 1991
Town Planning and Township Board Ordinance 15 of 1986
Land Use Management Bill of 2001
Land Survey Act No 8 of 1997
Prevention of Illegal Eviction and Unlawful Occupation of Land Act No 19 of 1998
Spatial Data Infrastructure Act No 54 of 2003
Agricultural Holdings (Transvaal) Registration Act No 22 of 1919
Administration and Control of Townships Regulations R293 of 1962
Venda Land Affairs Proclamation No 45 of 1990
Sectional Titles Act No 95 of 1986
Upgrading of Land Tenure Rights Deeds Registration Act No 4747 of 1937 as amended
Proclamation R293 of 1962
Proclamation R188 of 1969
Proclamation R45 of 1990
Communal Land Rights Act No 11 of 2004
Land Titles Adjustment Act No 111 of 1993
Distribution of Transfer of Certain Land Act No 119 of 1993
Provision of Land Assistance Act No 126 of 1993
Town and Regional Planners Act No 19 of 1984
Land Administration Act No 2 of 1995
National Environmental Management Act No 107 of 1998
Interim Protection of Informal Land Rights Act No 31 of 1996
Planning Profession Act No 36 of 2002
Surveying Profession Bill 2005

The following pieces of legislation provide for the Transformation of the Public Service:

Public Services Act 1994 as amended
Skills Development Act No 97 of 1998
Basic Conditions of Employment Act No 75 of 1997
Promotion of Access to Information Act No 2 of 2000
State Information and Technology Agency Act No 88 of 1998
Preferential Procurement Policy Framework Act No 5 of 2000
Labour Relations Act No 66 of 1995
Public Protector Act No 23 of 1994
Employment Equity Act No 55 of 1998
Basic Conditions of Employment Act No 75 of 1997

Legislation that regulates financial management includes:

Public Finance Management Act, No 1 of 1999 as amended
Municipal Finance Management Act, No 56 of 2004
Division of Revenue Act(DORA) , No 17 of 2005



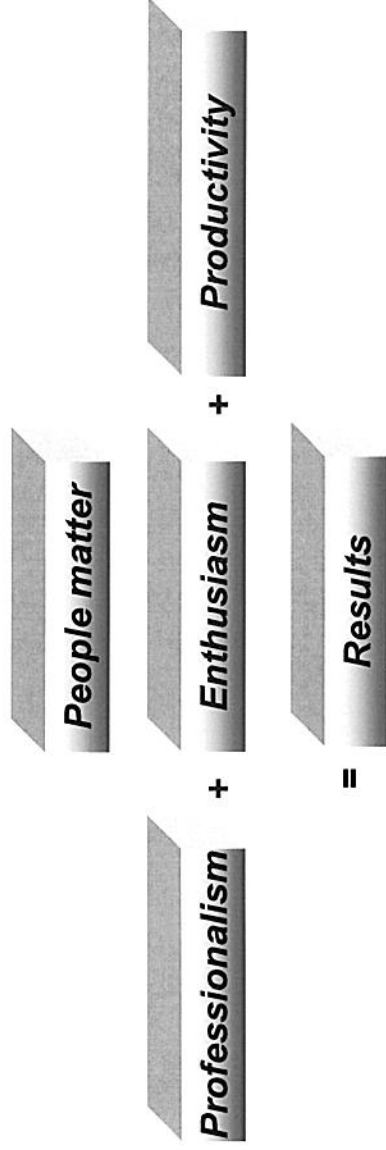
About CGF Research Institute (Pty) Ltd

“Through the power of people, CGF will assist companies to achieve results which are faster, more sustainable & measurable with immediate impact on their business.”

CGF RESEARCH INSTITUTE

Mission

"Through the power of people, CGF will assist companies to achieve results which are faster, more sustainable & measurable with immediate impact on their business."



CGF Research Institute is dedicated to help its clients implement lasting strategic results

CGF

CGF has worked with many SA companies to understand the broader aspects of governance

Financial Services

ABSA Bank
Alexander Forbes
Aon SA
Bankserv
BDB Data Bureau
Channel Life
FNB Insurance
m Cubed Holdings
Mutual & Federal
Nedbank
Old Mutual
PPS
Prestasi Brokers
Regent Life Insurance
SA Eagle
SA Home Loans
Sanlam Group of companies
Standard Bank

Technology

Business Connexion
Continuity SA
Dell Computers
Global Technology
IBM SA
Namitech
Siemens

Institutions

Businesswomen
Association (BWA)
Institute of Directors
JSE Securities Exchange
Proudly South African

Telecommunications

Cell C
Ericsson
MTN Group
Nashua Mobile
Swiftnet
Telkom
Vodacom

Mining, Manufacturing & Industrial

African Rainbow Minerals
Altron Management Services
Babcock Africa
BHP Billiton
Coleus Packaging
De Beers Group Services
Exxaro Resources (Kumba Resources)
Goldfields
Harmony Gold Mines
IDC
Impala Platinum
Mintek
Mittal Steel SA (Isacor)
Placer Dome
Saab Grintek
Sappi
Total SA
WG Wearne
Zimco Group



CGF RESEARCH INSTITUTE

CGF has worked with many SA companies to understand the broader aspects of governance
(Cont.)

Transport

ACSA
South African Airways

Food & Beverage

Amalgamated Beverage Industries
SA Breweries

Auto Manufacturer

DaimlerChrysler SA
Nissan
Toyota SA

Health

Alliance Midmed Medical Scheme
HealthInSite
HealthMan
Nampak SA Medical Scheme
Netcare
Pathfinder Medical Scheme

Retail

Massmart Services

Public

City of Johannesburg
Development Bank of South Africa
Eskom
Johannesburg Water
NPA (National Prosecuting Authority)
PIC (Public Investment Commission)
SABC
SARS
SITA
The Social Housing Foundation

Other Sectors

DQS SA
IRCA SA
Johnnic Communications
MIH Group
Naspers Group
Media 24
Fleet Africa

CGF



Overview of Reports

The nature of CGF's presentations is to provide its readers, whether an expert or not, **a brief overview & understanding** of various issues relating to governance as it would be seen in the business sector.

The presentations are not meant to create subject matter experts of its readers. They are however meant to provide a **broad perspective** of issues in which a discussion may be facilitated to glean additional views & understanding. Contents of CGF's presentations is drawn from numerous local & international sources, many of which are provided to allow the reader an opportunity to reference more detailed information.

CGF's presentations serve as a **framework** for additional information for those readers with a more detailed knowledge & understanding of governance related matters. Additional information can be **integrated** to CGF's presentations & **customized** according to those areas considered strategic to the organization.

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Corporate Governance Reports

Why Corporate Governance?

In these times of increased corporate scrutiny and governance reforms, the sustainable public and private enterprise needs to ensure their existing & aspiring directors, executive & senior management has sufficient knowledge of the universal principles of corporate governance and broad regulatory compliance that - together with a comprehensive understanding of their duties and responsibilities - will enable them to make decisions that ethically represent the interests of a wide range of shareholders.

Corporate governance has become an issue of global importance and the public's response to recent corporate collapses, locally and abroad, has highlighted the need to satisfy a broad spectrum of governance measure and to understand the effects and impacts that corporate governance will have across all enterprises and markets.

Organizations of all sizes in South Africa need to develop and apply sound corporate governance principles and institute high ethical values for the benefit of investors, their stakeholders and the communities in which they operate. Accordingly, they require additional assistance to tackle the huge challenge of understanding its broadness and where to begin, besides instilling a greater awareness of and compliance to good corporate governance amongst all stakeholders, be that employees, customers, suppliers, investors or associates.

Cont.

Against this backdrop, CGF Research Institute is able to assist clients by providing a Corporate Governance Research Service that will aid an organization's own governance function to fulfill its broader objectives when expanding these principles and values to its stakeholders.

Value Proposition

CGF Research Institute (Pty) Limited is a Proudly South African organization that specialises in conducting desktop research on Corporate Governance. CGF has developed a Corporate Governance Framework Body of Knowledge which is endorsed by the Association of SADC Chambers of Commerce & Industry, Global Business School of Entrepreneurs and the Institute of Directors (IoD). The research covers many aspects spanning a broad range of governance issues and is offered to clients on a subscription basis upon the purchase of a base license. The research is designed to create a high-level awareness and understanding of issues impacting a CEO through to all employees of the organization and is presented in a simple, practical manner, offering guidelines and thought provoking insights. It covers numerous facets of King I & II, BASEL I & II, PFMA, Sarbanes-Oxley, Cadbury's, Higgs', including a variety of local and international commissions, laws, reports and articles and further deal with issues ranging from the role and responsibilities of directors, company secretaries and auditors, social and economic impacts through to multiple governance recommendations.

CGF

Corporate Governance Reports

Value Proposition (Cont.)

Customers cite the ability to have access to aggregated sources of condensed information across such breadth of subjects as the number one benefit of the research, followed closely by the significant cost savings associated with not conducting the research in-house, which runs into several man-years and hundreds of thousands of rands spent in publications and other materials. Several organizations have indicated that the research has enabled them to advanced their Corporate Governance initiatives by as much as 18 months.

Pricing

The Corporate Governance Framework Body of Knowledge consisting of a generic governance report & updates is sold to each subsidiary, business unit, division or region of an organization on a subscription basis. Conditions apply.

Contacts

For further information about this offer or for a demonstration, kindly contact:

Terry Booysen on 082 373 2249 or at tbooyesen@cgf.co.za; or Karen Styane 011 476 8264 or at kstyane@cgf.co.za

Direct ordering: accounts@cgf.co.za

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Corporate Governance Reports

Other Feature Reports for Ordering

- | | | |
|---|---|--|
| <ul style="list-style-type: none">• International Financial Reporting (IFRS)• Integrated Sustainability Reporting• Insider Trading• Principles of Ethics• Conflicts of Interest• Succession Planning• Gauging Corporate Governance• Risk Management: An integrated connection to Business Continuity | <ul style="list-style-type: none">• Retirement Fund Governance• SA Corporate Law Reform• Whistle Blowing• Women in SA Corporate Leadership• Money Laundering• Governance of Income Tax• Medical Scheme Governance• Corporate Social Responsibility | <ul style="list-style-type: none">• Codes of Good Practice on BB-BEE• Professional Active Escrow• Audit & Accounting Independence• Records Management• UN Global Compact• BEE Codes - Final |
|---|---|--|

Endorsed by:



CGF RESEARCH INSTITUTE

CGF's Director's Fast - Track Manual - Volume I

Introducing to our valued existing & potential clients, a product developed in response to the overwhelming demands of the market & endorsed by the Institute of Directors (IoD) South Africa

In these times of increased corporate scrutiny & governance reforms, public & private organizations need to trust that their existing & aspiring directors, executive & senior management has a comprehensive understanding of their fiduciary duties & responsibilities.

CGF's Director's Fast-Track Manual - provides a simplified account of those matters covered in the Companies Act & integrates related King II recommendations. The product is an invaluable aid to induct & orientate directors in their duties & responsibilities. The Manual is delivered in electronic format which allows directors to work through the material at their own pace.

CGF

Volume 1 of the 200+ page manual, presented in PowerPoint slide format, covers:

1. Introduction
2. Officers of a Company
3. Officer's Powers
4. Register & Shares
5. Company Prospectus
6. Administration of Companies
7. Annual & General Meetings
8. Matters of Trust
9. Evaluation, Removal, Resignation & Procedures
10. Powers & Restrictions
11. Initial Duties & Accountability
12. Listing Requirements



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INSTITUTE OF DIRECTORS

CGF RESEARCH INSTITUTE

CGF's Director's Fast - Track Manual - Volume 2

Introducing to our valued existing & potential clients, a product developed in response to the overwhelming demands of the market & endorsed by the Institute of Directors (IoD) South Africa

In these times of increased corporate scrutiny & governance reforms, public & private organizations need to trust that their existing & aspiring directors, executive & senior management has a comprehensive understanding of their fiduciary duties & responsibilities.

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CGF

Volume 2 of the 200+ page manual, presented in PowerPoint slide format, covers:

1. Director's Rights
2. Remuneration & associated matters
3. External & Internal Auditors (Audit committees)
4. Director's Report
5. Insider-Trading
6. Company Stakeholders
7. Conflicts of Interest
8. Implementing a Conflicts of Interest Policy



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CGF's Policy Templates - Volume 1

In an ever changing business environment, an organisation should ensure that its policy's core principles and defined procedures remain effective and relevant - further, the policies should comply with statutory and best practices requirements.

CGF's 'Policy Templates Handbook' assists organisations in fulfilling these requirements. Each policy template provides practical and to-the-point guidelines in terms of the policy structure and content, and serves as an ideal framework against which to benchmark existing policies.

The 'Policy Templates Handbook' has been partly developed from the extensive material contained in CGF's Body of Knowledge, which content showcases the editorial contribution and peer reviews of institutions and academics widely recognised for their thought leadership in their area of expertise, as well as the endorsement of the Institute of Directors (IoD) in South Africa.

CGF

CGF's 'Policy Templates Handbook' covers the following policies:

- Affirmative Action (AA)
- Acceptable use of Electronic Mail (Email) (& Abuse)
- Acceptable use of Internet (& Abuse)
- Clean Desks
- Code on Corporate Practices & Conduct ("the Code")
- Compensation
- Conflicts of Interest
- Discrimination
- Email Etiquette
- Employment Equity
- Disclosure of Interests in Contracts (or transactions)
- Employee Development & Educational Assistance
- Ethics
- Fraud (or attempted fraud)
- HIV/AIDS (& other transmissible life-threatening diseases)
- Insider Trading
- Media Communication
- Passwords
- Records Management (including retention & archiving)
- Recruitment & Selection
- Relocation
- Retrenchment
- Safety, Health & Environment (SHE)
- Sexual Harassment
- Theft (or attempted theft)
- Whistle-blowing
- White-collar crime (or attempted white collar crime)

IoD

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How the material can be used within companies

Beside the services CGF Research Institute offers to **promote governance awareness** within companies, that include inter alia workshops & presentations, there are additional ways the contents of the **Corporate Governance Generic Report & its regular updates** may be used within the organization.

Some ideas you may be interested to learn about include the following:

- (a) **publishing the contents** of the material either in whole and / or in part on the company's intranet;
- (b) populating the contents within the **company's library**;
- (c) extracting contents from the material & creating **internal adverts** for employees;
- (d) attaching specific areas of the material as additional responsibilities to employees' **Job Descriptions**;
- (e) using extracts of the material to promote the necessary **awareness** of the company's compliance toward governance on the reverse side of business cards & footers on letter heads and e-mail;
- (f) determining a governance **health-check** at group & **individual profile levels**;
- (g) using interactive **hyper linking navigational tools** to provide additional governance **information & operational guidance**; and
- (h) staging **industrial / theatrical** productions.

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CGF Research Institute cannot accept responsibility for loss occasioned to any person or company acting or refraining from action as a result of any material in this publication.

Governance beyond boards

CGF PRIMARY ASSOCIATIONS

CGF PRIMARY ASSOCIATIONS

Association of SADC Chambers of Commerce & Industry

CGF has a strategic alliance with the Association of SADC Chambers of Commerce and Industry (ASCCI) and CGF subordinates a product it has developed, called Governance Connect, within ASCCI's Global SME Toolkit. The toolkit is marketed and managed by ASCCI's Global Business School of Entrepreneurship (GBSE).

ASCCI is the Association of SADC Chambers of Commerce and Industry and it represents 18 National Chambers of Commerce and Industry, Business and Trade Associations, Corporate and Multinationals doing business in the 14 Countries of the SADC Region. ASCCI's National Chambers collectively represent more than four (4) million enterprises, the majority of whom are Small and Medium Enterprises (SMEs).

ASCCI was established in 1992 and was re-launched in 1999. Its headquarters is located in Sandton, Johannesburg, South Africa. ASCCI's mandate is to be the voice of the private sector and business in the SADC Region. Its driving principle is to ensure that there is an enduring voice of business that supports private sector growth and development, public policy debate and political-economic landscape through a market based approach that is intertwined in an environment of open trade and a stable financial system. ASCCI is currently the only private sector body which is recognised by the SADC Secretariat in Gaborone, Botswana. The SADC Secretariat reports to the Council of Ministers and the Summit of the Heads of State of the Region.

ASCCI currently represents 95% of all the National Chambers of Commerce and Industry, the Sectoral Associations and Industrial Bodies in the region. A number of organisations with similar objective are currently in discussion with ASCCI, with a view of joining ASCCI as their private sector representative body. This partnership ensures benefits to ASCCI members, the private sector in the region as well as all governments and related public sector stakeholders who are committed to the development of our region.

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CGF PRIMARY ASSOCIATIONS

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Global Business School of Entrepreneurship (GBSE)

Global Business School of Entrepreneurship specialises in the design and delivery of programmes that are customised to develop the appropriate applied competence of youth, graduates, SMEs (Small Medium Enterprises) and leaders. GBSE's philosophy is one of partnering with client organisations in order to develop entrepreneurial, management and leadership capacity. GBSE's programmes are driven by leading edge business concepts that draw on both local and international best practice. The Unit also focuses on the development of the 'softer skills' of individuals and leadership, drawing on a team of psychologists and executive coaches to provide professional input to development of this kind.

The GBSE customises customer / context-specific programmes and thus the programmes:

- are tailored to achieve specific student / SME / company objectives and to focus on key issues;
- facilitate the application of concepts and tools to the specific context;
- are designed with a project component to form part of the Action Learning approach which facilitates the transfer of learning from theory to practice;
- brings together groups of students / individuals from various areas to share a common understanding of best business practice to be applied throughout the business environment and to facilitate constructive networking.

The GBSE provides accredited and non-accredited training programs and is aimed at addressing numerous business related matters as required by SME's to run their business, also incorporating Governance, Risk and Compliance.

CGF is particularly excited about the partnership with ASCCI and GBSE as the "marriage" allows for greater numbers of people and small businesses to proactively equip themselves for a healthier, more profitable and sustainable business. Through such partnerships and intervention, we assist business and stakeholders to build more lasting business, which in turn assists toward more employment with obvious benefits for our country.

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CGF PRIMARY ASSOCIATIONS

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Proudly South African (PSA)

CGF is a strategic partner of the Proudly South African campaign, supported by over 1,800 members. The campaign is aimed to promote South African companies, quality products & services, thereby tackling one of the largest problems facing our country today, namely unemployment.

Accordingly, CGF undertakes to provide its users the highest quality of products & services which meet the stringent criteria set by Proudly South Africa.



Ethics Institute of SA (EthicSA)

CGF has a strategic alliance with EthicSA.

EthicSA is an independent, non-partisan, not-for-profit organization, whose mission is to promote and advance ethical practices in South Africa, and as such, is supportive of CGF's own vision and offers complementary services.



CGF PRIMARY ASSOCIATIONS

Business Women's Association (BWA)

CGF is pleased to be an associate of the BWA, a not-for-profit, non-racial, voluntary organization committed to offering real value in the form of leading and training, connecting and supporting members and South African business. The BWA is the largest and most prominent association of business and professional women in South Africa, and the voice of women in business. Through strategic partnerships with sponsors, non-profit organizations, leading companies, business schools and international associations, the BWA provides ongoing opportunities to advance the interests of women in business.



Institute of Directors in Southern Africa (IoDSA)

The IoDSA have endorsed CGF's Body of Knowledge Program, including the subset products which comprise Governance Connect, Director's Fast Track Manuals, Policy Template Handbooks & Governance Interactive (VANTAGE). The products support & contribute to many of the IoDSA's key objectives. All CGF's governance reports and published articles up until March 2008 have also been endorsed by the IoDSA.

The IoDSA is affiliated to the worldwide Institute of Directors established in London in 1903. Today it has a global individual membership of over 80 000 members. The South African IoD was established in 1960 and has grown significantly over the past 40 years. A key objective of the IoD is to raise professional standards of directors both in the public & private sectors and help them attain high levels of expertise & effectiveness by improving their knowledge & skills. The IoD world-wide set standards for the qualification & behaviour of directors and for the conduct of the boards on which they serve.

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CGF PRIMARY ASSOCIATIONS

The People Business Group (TPBG)

CGF has a strategic partnership with TPBG.

TPBG is a professional Broad Based Black Economic Empowered company specialising in the development and advancement of people in business and have been in operation since 1988. Focusing solely on the niche market of enabling and developing people, TPBG has consistently maintained standards of excellence and professionalism, in each of their complementary lines of work.

TPBG has developed a selection of programmes designed to build up professional and practical skills within the South African business arena. Their approach is exact, believing that effective people management and leadership are highly sought after professional skills and it is in the interest of all participants to have facts, theory, practical methodologies and professional support in the implementation of these disciplines within the organisation.

Leadership Awareness Audit

The Leadership Awareness Audit is conducted utilising the Ladder of Leadership Competencies© tool and necessitates one-on-one dialogue between each individual manager and a skilled behavioural assessor followed by a one-on-one feedback session where the results are individually presented and debated. This model incorporates managerial and leadership skills within defined levels of responsibility within any organisation.

The model is further enhanced by the inclusion of some of CGF's governance material, assessing specific areas around this theme and which is relevant within the various employee profile levels analysed within the model.

Through empowering the Executives and Senior Management within an organisation to embrace corporate governance as best practice leadership development, a natural filtering through the next layers of the organisation will occur.

TPBG were awarded the CSA/ITA Service Quality Award, including the "Impumelelo" Top 300 Empowerment Companies Certificate in 2001, 2003/2004 and 2005/2006 and again for 2007/2008. The company is a proud member of Proudly South African, as well as being Services SETA accredited.



CGF RESEARCH INSTITUTE (PTY) LTD

Terry Booysen	tbooysen@cgf.co.za or call +27 11 476 82 61 / 8264 +27 82 373 2249 or fax 0866 231 269
Karen Styane	kstyane@cgf.co.za or call +27 11 476 8264 / +27 83 700 3693
Gretchen Meyer	gmeyer@cgf.co.za or call +27 11 476 8264 / +27 84 376 0346
Petra Booysen	accounts@cgf.co.za or call +27 11 476 8260 / +27 82 694 0235 or fax 0866 231 269

