

IoD

IoDSA

Governance Assessment

Instrument

Information 2012



INSTITUTE OF DIRECTORS
SOUTHERN AFRICA





Contents

Introduction.....	3
Founding Partners	6
The Subscription Process	7
Costing Model & Terms	8
About the IoDSA.....	9
Contact Details	11



**INSTITUTE OF DIRECTORS
SOUTHERN AFRICA**

Introduction

Currently the King Report on Corporate Governance for South Africa, 2009 (King III) together with relevant legislation, sets the standard and principles for corporate governance in South Africa.

There are two main challenges concerning this:

- King III has to be interpreted and understood as to how its principles apply against the context of the nature, size and complexity of the organization or entity, in order to implement its recommendations;
- There is a need for credible and generally accepted national benchmark to measure how various organizations are performing in relation to governance.

In order to meet the above two challenges, the IoDSA has developed the governance assessment instrument (GAI). The GAI is in the form of an automated web-based tool that serves as both a measure and an enabler of good corporate governance structures, policies and procedures. It is also establishing a benchmark for governance reporting.

The design of the instrument is such that it can be employed towards different intents, including:

- Implementation of King III
- Assessment of implementation and/or gap analysis
- Reporting on application of King III and other relevant governance standards.

The assessment criteria in the GAI are based on the principles and recommendations contained in King III, provisions of the Companies Act, 2008 and where applicable, the JSE Listing Rules and/or other relevant legislation that pertain to governance.

Each assessment criterion has an appropriate answer set that typically consists of “yes”, “no”, “needs improvement”, “not applicable”. An added functionality allows an option of “explained” where a principle or recommended practice is not applied but the reasoning and compensating actions are explained in the integrated report. This option will result in the company to not be penalized by the full weighting of the relevant assertion. We believe that this functionality paves the way for more meaningful reporting.

Each criterion has furthermore a weighting attached to it which takes account of the relative impact that it has on the overall governance within an organisation in relation to the other

criteria. The benefit of this is that skewed results are avoided. This approach also mitigates against the use of the GAI as a mere checklist.

All of the assessment criteria are based on the practice recommendations contained in King III that aim to provide guidance on the policies, practices and procedures that need to be in place to achieve the overarching objectives of the principles in King III. The assessment criteria cover the following categories:

- Board composition
- Remuneration
- Governance office bearers
- Board role and duties
- Accountability
- Board committees
- Group boards
- Performance assessment

On completion of the assessment questions, the GAI generates reporting that consists of the following:

- An overall result, i.e. AAA, AA, BB, B, C, Low application;
- A traffic light indicator and dashboard per assessment category; and
- Narrative reporting with various degrees of detail depending on the requirement of the user.

Reporting capability can be custom-made to suite the unique requirement of the reporting entity or the audience of the report.

A unique feature of the GAI is that it consists of different modules customised to cater for the needs of different types of industries and the various types of government entities. These modules of the GAI in essence entail the tailoring King III for application by each of these separately.

The modules available are:

Listed and Large Private Companies
Government Departments
Major, National and Provincial Entities
Medical Schemes
Municipalities

Municipal Entities
Not for Profit Organisations
Owner Managed SME's
Retirement Funds
Widely Owned SME's

Due to the independent verification capability thereof and the fact that it will, over time, establish standards and a statistical benchmark for different sectors and industries, the IoDSA foresees that the assessment instrument will evolve to become an enabler of transparent, credible and measurable reporting to stakeholders.

Complimentary modules

As described above, GAI assesses whether the quantitative governance elements i.e. the appropriate systems, processes and policies are in place or stated otherwise – whether the correct governance input has been addressed. In order to complement this result, the IoDSA has worked on supplementary offerings that will give some indication of the quality of governance (or output) to the board.

We are pleased to announce the introduction of a few new modules that will assist directors with reviewing whether they have all of the information and resources at their disposal to execute their governance duties. We believe that this will go a long way with identifying the basic general information on the company that management needs to provide to the board which will ensure more informed and effective decision-making. Modules currently available are:

- New directors self assessment checklist
- Company secretary checklist
- Assessment of external audit by the audit committee
- CRISA

The IoDSA is also planning to release similar value-adding modules to the GAI over the next year.

These complimentary modules are available at no additional cost to the GAI subscription fee.

Founding Partners

The IoDSA would like to thank the following Founding Partners for their financial support and pilot feedback in the development of the GAI.



The Subscription Process

The web link to the tool is accessible via the IoDSA website - www.iodsa-gai.co.za.

Organisations interested in using the GAI may follow the following processes:

Option 1 – Obtaining user license

1. Complete registration form and forward to gai@iodsa.co.za
2. Accept and sign User License Agreement
3. Within 1 working day, a username/password will be forwarded to the designated contact person
4. On initial log in, user will be required to change username/password for security purposes
5. Invoice will follow for payment by either,
 - a. Monthly billing in advance, or
 - b. 1 year annual subscription upfront with 10% early settlement discount

Option 2 – Registering for trial of product

1. Complete registration form and forward to gai@iodsa.co.za , indicate trial version
2. Within 1 working day, a username/password will be forwarded to the designated contact person
3. 30 day trial provide with 5% of GAI to assess suitability and functionality
4. Should the organisation then wish to covert to the full license, steps 2-5 of Option 1 will apply.

Costing Model & Terms

Contract Period

The contract period is one year. Thereafter the notice period is one month.

Licensing and Terms

The licensing terms are set out in detail in the licensing agreement.

Monthly subscriptions entitle the licensee access and use of the GAI. The license fee is payable monthly in advance (1st of the month) or an annually in advance by choice of the licensee. Payments are to be made by EFT, and or deposits are referenced with your account number or fund registration number.

Annual Discount

Where a Licensee has the preference for one annual invoice and payment, an early settlement discount is offered of 10% of the annual value.

GOVERNANCE ASSESSMENT INSTRUMENT		IoDSA - STANDARD USAGE PRICE (Excl VAT) -		
Module	Sub Classification	Monthly License	Discount	Annual License
Listed and Large Private Companies	Not Applicable	2,200	10%	23,760
Major, National and Provincial Entities	PFMA Schedule 2 Entities - Major Public Entities	2,200	10%	23,760
	PFMA Schedule 3 Entities - Other Public Entities	1,100	10%	11,880
Government Departments	Not Applicable	2,200	10%	23,760
Municipalities	Metropolitan and Large Category B	2,200	10%	23,760
	Other	1,100	10%	11,880
Municipal Entities	Not Applicable	1,100	10%	11,880
Widely Owned Companies	Not Applicable	1,100	10%	11,880
Owner Managed Companies	Not Applicable	550	10%	5,940
Retirement Fund	10,000 + Members	2,200	10%	23,760
	< 10,000 Members	1,100	10%	11,880
	< 1,000 Members			2,400
Medical Schemes	Not Applicable	2,200	10%	23,760
Non Profit Organisations	With Members	550	10%	5,940
	Without Members			2,400

For a list of current subscribers visit: <http://www.iodsa-gai.co.za/>

About the IoDSA

The Institute of Directors (IoDSA) is a non-profit organisation that is unique in that it represents directors, professionals, business leaders and those charged with governance duties in their individual capacities in southern Africa. As the primary decision-makers in the private and public sectors, these individuals hold a special position of leadership and trust and are responsible — both legally and morally — for the balanced direction and proper reward of all participants in our economic enterprises.

The Institute of Directors (IoDSA) is committed to the development of those charged with governance duties, directors, board learning and improving board effectiveness. Members of the IoDSA benefit from ongoing educational opportunities, leadership publications and updates featuring the latest developments in corporate governance, as well as unique networking opportunities. Internationally, the IoDSA works to establish and maintain contact amongst leaders at the highest level. These associations represent a global network of approximately 100 000 senior executives.

Membership

In South Africa, our membership is widely representative of commerce, industry, government and the business professions. We currently have 5000 members. Our black membership stands at almost 42% and our female membership stands at 23%.

Center for Corporate Governance

Thought leadership

The King Reports on Governance for South Africa are pioneered and owned by the IoDSA and continues to make a significant impact in the way business is conducted. We envisage that, as with its predecessors, the King III Report will be at the cutting edge of governance principles and will set the benchmark for corporate governance initiatives across the world.

The IoDSA is the founding member of the Audit Committee Forum, the Corporate Governance Network and the Sustainability Development Forum. The purpose of these forums is to compile and publish position papers and guidelines that directors, audit committee members and other corporate governance stakeholders can put to practical use. The membership of these forums is made up of individuals who are noteworthy for their skills and experience in corporate governance, in general, and, where it applies, the working of audit committees and the public sector specifically.

IoDSA Governance consulting experience

The IoDSA also offers a wide range of governance services to members and the wider business and public sectors. These services include:

- presentations to boards of directors on corporate governance and directors' duties and personal liability
- board and board committees appraisal and peer evaluations of directors
- advising on best practice in accordance with the appropriate corporate governance code and best practice industry norms and standards, including assessments and diagnostic gap analysis
- advising on establishing and implementing ethics and related values frameworks
- advising on and drafting of charters, mandates and policies
- development of training material, guidelines and tools on any corporate governance related issues.

Development and Education

Since the beginning of 2001 over 26 000 delegates from both the public and private sectors have attended the various programmes offered by the IoDSA in southern Africa on corporate governance, directorship and board effectiveness. We have conducted over 700 director development programmes in the last 10 years.

The programmes are important for those charged with governance duties, experienced directors, newly appointed executive and non-executive directors and senior management working closely with the Board in both the public and private sectors. In terms of the latter such executives should include the Company Secretary, the Legal Counsel, the Internal Auditor and those involved with the corporate reputation, environmental affairs and risk management of the company or organisation.

Our BEE credentials

Broad-Based BEE Status - In compliance with the Department of Trade and Industry's Codes of Good Practice gazetted in February 2007, the IoDSA is a Qualifying Small Enterprise rated as a Level 3 contributor. Certificate is available on request.

For further information on IoDSA services, please visit www.iodsa.co.za

Contact Details

Ansie Ramalho

Chief Executive

Tel: 011 430 9900

Cell: 083 309 2343

Email: ansier@iodsa.co.za

Angela Oosthuizen

Chief Operating Officer

Tel: 011 430 9900

Cell: 084 606 4444

Email: angelao@iodsa.co.za

Natasha Bouwman

Company secretary and legal specialist

Tel: 011 430 9900

Cell: 072 111 4382

Email: natashab@iodsa.co.za

Parmi Natesan

Senior Governance Specialist

Tel: 011 430 9900

Cell: 082 710 3422

Email: parmi@iodsa.co.za

Michael Lasch

Governance Assessment Instrument (GAI)

GM: GAI Operations

Cell: 083 377 0559

Email: gai@iodsa.co.za