

STRUCTURE and REQUIREMENTS FOR AN EFFECTIVE BOARD OF DIRECTORS

1. It should be clearly noted that in terms of the Companies Act, all Directors, Executive and Non-Executive Directors have a statutory duty to promote the success of the Company for the benefit of its members as a whole.
2. CHARACTERISTICS OF AN EFFECTIVE BOARD WISHING TO DO AN IPO
 - 2.1. Well-functioning Boards are teams led by the Chairman
 - 2.2. The Board of a public Company must be carefully selected and managed, taking into account group dynamics and the needs of the business.
 - 2.3. Succession planning is very important and a clear policy needs to be documented.
 - 2.4. A well refined Corporate strategy is most likely to be developed by a Board and delivered by an executive team, and encouraged by the Chairman, to work together for the benefit of all stakeholders.
3. CHAIRMAN ROLE
 - 3.1. The role of the Chairman has become much higher in profile and the expectations have increased as quite rightly, shareholders now expect an engaged, energetic, charismatic and involved Chairman who does more than simply manage the Corporate Governance process.
 - 3.2. The success of a Chairmanship undoubtedly hinges on the relationship the Chairman has with the CEO, a relationship which should be centred on honesty, trust and transparency. The success of the relationship is based on mutual understanding, by both parties of the distinction between their two roles.
 - 3.3. Effective Chairmen must have a good knowledge of the business to provide a constructive level of challenge to the CEO.

- 3.4. Chairmen need to comprehend that they are not there to run the business. Their role is to support and guide. To ensure that the Business is well run but not to run the business.
- 3.5. What ultimately defines a good Chairman is the ability to run an effective Board and to manage relationships with both shareholders and stakeholders.

4. CEO ROLE

- 4.1. The role of the CEO is to run the day to day business of the Company
- 4.2. To communicate with the Chairman and Board
- 4.3. To gain the confidence of the Board
- 4.4. To be responsible for ensuring that the Business Plan and Vision for the Company is achieved and that the business is well managed

5. ARTICULATING STRATEGY OF THE COMPANY

- 5.1. Each Director should be capable of articulating internally
 - 5.1.1. The Company strategy and the manner in which it will be delivered
 - 5.1.2. How the Corporate Governance structure facilitates decision making
 - 5.1.3. Why the structure is appropriate for the Company

6. BOARD EVALUATIONS

- 6.1. The Chairman should work to maximise the effectiveness of each Board member for the benefit of the Company as a whole
- 6.2. Open and honest Board evaluation is an opportunity for the Board to improve its performance

7. AN EFFECTIVE BOARD INFORMS AND ENGAGES WITH SHAREHOLDERS

- 7.1. The Chairman must ensure that the Company has in place, effective lines of communications with all shareholders, institutional and individual.
- 7.2. Communication must be dynamic, encouraging both discussion and feed back

8. EFFECTIVE BOARDS HAS A BALANCE OF SKILLS

- 8.1. The composition of the Board should demonstrate to its shareholders that it has the right mix of skills and experiences to deliver the strategy of the Company, for the benefit of the shareholders as a whole

9. DIRECTORS INDEPENDENCE

- 9.1. It may not be possible for SMEs to meet all the independence criteria
- 9.2. A Company should have at least two independent Non-Executive Directors and in a small Company, the Chairman may count as one of the independent Directors, provided he/she was independent at the time of his/her appointment

10. INDEPENDENT AND MAJOR SHAREHOLDERS

- 10.1. Directors who are or connected with a major shareholder is an issue of significant concern. Therefore, Boards including Directors associated with major shareholders should clearly explain to shareholders the reasons for them sitting on the Board

11. COMPOSITION OF THE BOARD

- 11.1. A balanced Board of a listed Company would consist of:
- i) A Non-Executive Chairman
 - ii) Non-executive Directors – usually two (one of whom may be the Chairman)
 - iii) Executive Directors
- 11.2. Independent NEDs are important as they provide the appropriate oversight to deliver the strategy of the Company for the benefit of shareholders as a whole. Independence can be defined as independence of character and judgement, and being able to demonstrate this to shareholders in an objective manner.
- 11.3. The qualities required in my opinion
- i) Good interpersonal skills

- ii) Sound Judgement
- iii) Ability to influence
- iv) Integrity
- v) The independence and conviction to say things that need saying when necessary

11.4. The NEDs usually chair and sit on the following committees

- i) Audit Committee
- ii) Risk Committee
- iii) Remuneration committee
- iv) Nominations Committee

12. CULTURE

12.1. The FRC recently came out with a report which looked at the increasing importance which Corporate culture plays in delivering long term business and economic success.

The FRC believes that Company Boards

- i) Should be connecting their purpose and strategy to culture
- ii) Aligning values and incentives which support and encourage positive behaviours consistent with the Company's purpose, values, strategy and business model
- iii) Assessing, measuring and reporting on Company culture in annual financial statements.