

FINANCIAL SERVICES BOARD

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ANNEXURE C TO CIRCULAR PF 130

GOOD GOVERNANCE GUIDELINES TO PERFORMANCE APPRAISALS

A Purpose of System of Appraisal

A system of appraisal for the board is a key component of good corporate governance. The purpose of this system of appraisal is to identify the expertise of the board and also to identify areas where improvements are necessary. This will assist the board when determining the training required and the board will also be in a position to recommend to the entities which appoint board members areas where skills are required which may be taken into account for future appointments.

The intention of the system of appraisal is not punitive but rather a constructive tool, which will enable the board to track its progress, skills and development needs.

Subject to certain exceptions, this system of appraisal largely assesses the board's performance as a whole. It is not geared towards a direct assessment of the performance of individual board members. Should the system of appraisal reveal poor performance in certain areas – if, for example many of the board members feel that their fellow board members do not come to meetings prepared - the board will have to implement a plan for remedying this situation. If the situation is not remedied and a further appraisal reveals that the particular poor performance has continued, the board will have to conduct an appropriate investigation into the matter. Such investigation should be separate from this system of appraisal and would be instituted in order to determine whether or not his or her colleagues should remove a board member from the board.

The board could also consider permitting the Chairperson of the board to conduct performance interviews with each of the board members using the results of this board appraisal to assist in that process.

B Background and construction of System of Appraisal

It is axiomatic that to assess the board's performance in carrying out its responsibilities, the board first must have a firm understanding of what its responsibilities are. Therefore, the assessment process begins with a review of the board's areas of responsibilities. These responsibilities include the general fiduciary duties of the board as set out in the code of conduct (including ethics), specific fiduciary duties of the board which arise from legislation and principles of good governance as set out in the good governance of retirement funds.

The board must also undertake an assessment of its performance against the approved strategic and business plan that may apply from time to time.

In addition to the board's consideration of its own view of its role, it is also useful to consider the stakeholders' expectations of the board. In this regard, the chief executive officer of the participating employer(s) may be invited to present the board with a statement of his or her own expectations and complete section 11 of this appraisal system, perhaps with input from other members of the board of management that have regular contact with members. The chief executive officer(s) and/or officers of the fund could also be asked to complete sections 1 to 10, i.e. to review the board's performance.

Rank answers from

1 = Needs significant improvement / definitely no

2 = Needs improvement / no

3 = Consistently good / yes

4 = Outstanding / definitely yes

5 = Do not know / neither yes nor no

In certain instances a “yes” or “no” answer would appear to be appropriate. In such circumstances 1 or 2 would constitute different levels of “no” and 3 and 4 would constitute different levels of “yes”

1	BOARD DUTIES, ROLE, DELEGATION OF FUNCTIONS AND AGENDA SETTING (MONITORING PERFORMANCE AND STRATEGIC/BUSINESS PLANNING)					
1.1	Is the board aware of its general and specific fiduciary duties to the fund and the stakeholders as contained in general principles on good governance?	1	2	3	4	5
1.2	Does the board measure its decisions against those fiduciary duties?	1	2	3	4	5
1.3	Has the board identified, prioritised and scheduled those issues that it believes should be discussed and/or reviewed by the board on a regular basis? Action lists, prioritisation of duties in terms of action lists, yearly planner setting out priorities and an indication of reporting periods would constitute such identification, prioritisation and scheduling.	1	2	3	4	5
1.4	Has the board drafted a strategic/business plan?	1	2	3	4	5
1.5	Has the board ensured that the strategic/business plan deals with black economic empowerment and employment equity?	1	2	3	4	5
1.6	Has the board identified the information (both internal and external) it requires on a regular basis, including information by which to benchmark the strategic plan?	1	2	3	4	5
1.7	Has the board considered mechanisms designed to identify areas of potential problems in its operation?	1	2	3	4	5
1.8	Has the board implemented mechanisms designed to identify areas of potential problems in its operation?	1	2	3	4	5
1.9	Has the board developed performance objectives that respond to the fund's specific objectives and needs (including comparisons to other similar funds)?	1	2	3	4	5
1.10	Is the board effective in monitoring -	1	2	3	4	5
1.10.1	operational and financial performance;	1	2	3	4	5
1.10.2	the integrity of the processes involved; and	1	2	3	4	5
1.10.3	the fund's system of internal controls?	1	2	3	4	5
1.11	How does this board compare to other boards on which a board member serves in respect of the items outlined in paragraph 1?	1	2	3	4	5
1.12	Has the board properly delegated functions to service providers, i.e. do the rules of the fund allow for delegation and are agreements in place?	1	2	3	4	5
1.13	Does the board ensure that proper monitoring of service providers and remedial action takes place, if necessary?	1	2	3	4	5
1.14	Has the board properly delegated functions to sub-committees, i.e. do the rules of the fund allow for delegation and are mandates in place?	1	2	3	4	5
1.15	Does the board ensure that proper monitoring of service providers and remedial action takes place, if necessary?	1	2	3	4	5
1.16	How does this board compare to other boards on which a board member serves in respect of the items outlined in paragraph 1?	1	2	3	4	5
2	SIZE, COMPOSITION AND INDEPENDENCE OF BOARD					
2.1	<u>Are the provisions of the rules of the fund relating to board eligibility criteria, and board size effective?</u>	1	2	3	4	5
2.2	<u>Are the provisions of the Code of Ethics and Conduct regarding composition of skills of board members, breadth of experience and other characteristics among board members effective?</u>	1	2	3	4	5

2.3	<u>Is the proportion of independent board members to board members appointed in terms of the rules of the fund appropriate for this type of fund (defined contribution fund)?</u>	1	2	3	4	5
2.4	<u>Do the board members consistently ensure that the fund and its membership, rather than stakeholders or constituencies, is the priority as required in terms of the provisions of the Pension Funds Act, 1956 ("the PFA")?</u>	1	2	3	4	5
2.5	<u>Does the independent board member(s) have an opportunity to meet with the chairperson and/or members of the board of management/or the Principal Officer on a regular basis?</u>	1	2	3	4	5
2.6	<u>Does the independent board member(s) have an opportunity to meet with the Chairperson, if appropriate, on a regular basis?</u>	1	2	3	4	5
2.7	<u>Do board membership criteria (both in terms of the Rules of the fund and in terms of the Code of Ethics and Conduct) ensure that board members have sufficient time to perform their functions?</u>	1	2	3	4	5
2.8	<u>Do board membership criteria (both in terms of the Rules of the fund and in terms of the Code of Ethics and Conduct) ensure that board members are able to retain their independent stature?</u>	1	2	3	4	5
2.9	<u>Does the board seek outside advice when appropriate?</u>	1	2	3	4	5
2.10	<u>Could the composition and organisation of the board, including sub-committee structures, be improved?</u>	1	2	3	4	5
3	<i>BOARD MEMBER ORIENTATION, TRAINING AND DEVELOPMENT</i>					
3.1	<u>Has the board defined and communicated its expectations concerning board member skills, knowledge and development?</u>	1	2	3	4	5
3.2	<u>Has the board provided an adequate budget for the orientation, training and development of board members?</u>	1	2	3	4	5
3.3	<u>Are new board members provided with adequate information about the fund and the board?</u>	1	2	3	4	5
3.4	<u>Rate the level of information for new board members.</u>	1	2	3	4	5
3.5	<u>Are new board members sent on an orientation programme?</u>	1	2	3	4	5
3.6	<u>Rate the orientation programme for new board members.</u>	1	2	3	4	5
3.7	<u>Rate the effectiveness of the recruitment and retention of board members?</u>	1	2	3	4	5
3.8	<u>Do board members receive proper training in corporate governance matters?</u>	1	2	3	4	5
3.9	<u>Rate the corporate governance training.</u>	1	2	3	4	5
3.10	<u>Do board members receive continuing education on issues facing the fund?</u>	1	2	3	4	5
3.11	<u>Rate the ongoing education.</u>	1	2	3	4	5
4	<i>BOARD LEADERSHIP, TEAMWORK AND MANAGEMENT RELATIONS</i>					
4.1	<u>Rate the effectiveness of the board's leadership at board level.</u>	1	2	3	4	5
4.2	<u>Rate the effectiveness of the board's leadership at sub-committee level.</u>	1	2	3	4	5
4.3	<u>Is board leadership distinct from operational leadership?</u>	1	2	3	4	5
4.4	<u>Rate how effectively and efficiently the board manages the conduct of board business?</u>	1	2	3	4	5
4.5	<u>Rate the board's effectiveness as a team.</u>	1	2	3	4	5
4.6	<u>How well does the board work with the Chairperson, other officers and fellow members of the board and the Principal Officer?</u>	1	2	3	4	5
4.7	<u>Do the board and the Chairperson, other officers and fellow board members and the Principal Officer work to create an open culture that encourages frank discussion?</u>	1	2	3	4	5
4.8	<u>Rate the support given by the to new board members and/or board members who do not have a high level of skill.</u>	1	2	3	4	5
4.9	<u>Rate the extent to which a few individuals dominate the board.</u>	1	2	3	4	5
5	<i>BOARD AND COMMITTEE MEETINGS</i>					

5.1	<u>Rate to what extent board meetings are productive.</u>	1	2	3	4	5
5.2	<u>Rate to what extent board and sub-committee meetings are productive.</u>	1	2	3	4	5
5.3	<u>Does the board have a system in place that allows it to track the number of decisions taken at meetings?</u>	1	2	3	4	5
5.4	<u>Is the number of scheduled board meetings sufficient?</u>	1	2	3	4	5
5.5	<u>Does the agenda-setting process for board meetings allow for appropriate issues to be raised as necessary?</u>	1	2	3	4	5
5.6	<u>Is the agenda ordered with sufficient time to discuss the most complex and critical issues, i.e. are the most important and/or complex issues included at the beginning of the agenda so that boards have sufficient time to apply their minds to such issues?</u>	1	2	3	4	5
5.7	<u>Can board members influence the content of the agenda?</u>	1	2	3	4	5
5.8	<u>Do board members influence the content of the agenda?</u>	1	2	3	4	5
5.9	<u>Do board members receive sufficient information about agenda items in advance?</u>	1	2	3	4	5
5.10	<u>Rate to what extent the quality, quantity, and timing of information given to board members is adequate or not.</u>	1	2	3	4	5
5.11	<u>Is sufficient meeting time devoted to discussion of fund performance and review of strategic issues?</u>	1	2	3	4	5
5.12	<u>Rate the meaningfulness or otherwise of board committees with regard to meeting frequency, duration, content and interests.</u>	1	2	3	4	5
5.13	<u>Rate to what extent non-committee board members are well informed or otherwise about the deliberations of each committee.</u>	1	2	3	4	5
5.14	<u>Do committees provide written feedback to the board?</u>	1	2	3	4	5
5.15	<u>Rate to what extent the atmosphere at board meetings is conducive to all board members being able to air their views.</u>	1	2	3	4	5
5.16	<u>Rate to what extent ethical and conduct-related issues are dealt with at meetings.</u>	1	2	3	4	5
5.17	<u>Rate to what extent disclosure required in terms of the code of ethics and conduct are dealt with at meetings.</u>	1	2	3	4	5
5.18	<u>Rate to what extent board members or committee members come to meetings prepared.</u>	1	2	3	4	5
6	BOARD, BOARD MEMBER AND COMMITTEE MEMBER EVALUATION AND COMPENSATION					
6.1	<u>Rate the extent to which the board is regularly and effectively evaluated.</u>	1	2	3	4	5
6.2	<u>Rate the extent to which board members are regularly and effectively evaluated.</u>	1	2	3	4	5
6.3	<u>Does the board have a mechanism in place to deal with board members if it is revealed through a properly constituted evaluation process that they are lacking in one or more areas, for example, they do not come to meetings prepared?</u>	1	2	3	4	5
6.4	<u>Rate the extent to which committees are regularly and effectively evaluated.</u>	1	2	3	4	5
6.5	<u>Rate the extent to which the board ensures that board members are meeting board standards and expectations.</u>	1	2	3	4	5
6.6	<u>Has the board assessed its maximum potential, both individually and as a group?</u>	1	2	3	4	5
6.7	<u>Has the board surveyed others who perform better than it does, and assessed how it can learn from them?</u>	1	2	3	4	5
6.8	<u>Has the board considered benchmarks by which to gauge board performance?</u>	1	2	3	4	5
6.9	<u>Does the board have a credible process for reviewing its progress in meeting its goals and for maintaining the necessary resources and corporate support to function effectively?</u>	1	2	3	4	5
6.10	<u>Is the board committed to continuously improving performance, with well-established procedures for setting performance goals?</u>	1	2	3	4	5
6.11	<u>Is there a process for reducing evaluations to recommendations that are monitored for compliance?</u>	1	2	3	4	5
6.12	<u>Rate the extent to which the free and open exchange of views is encouraged.</u>	1	2	3	4	5
6.13	<u>Are board members appropriately compensated?</u>	1	2	3	4	5

6.14	<u>Does board member compensation provide incentives for maximum performance?</u>	1	2	3	4	5
6.15	<u>Is board member compensation structured so as to align the interests of the board members with the long-term interests of the fund?</u>	1	2	3	4	5
6.16	<u>Has the board agreed on the respective duties of individual board members?</u>	1	2	3	4	5
6.17	<u>Has the board set individual performance criteria for board members?</u>	1	2	3	4	5
7	MANAGEMENT EVALUATION AND COMPENSATION					
7.1	<u>Rate the extent to which the board regularly evaluates the performance of the Chairperson of the board</u>	1	2	3	4	5
7.2	<u>Rate the extent to which the board regularly evaluates the fund's performance.</u>	1	2	3	4	5
7.3	<u>To what extent can the board's methods of measuring management performance be improved?</u>	1	2	3	4	5
7.4	<u>Has the board created an appropriate designed management compensation plan?</u>	1	2	3	4	5
7.5	<u>Does the board effectively reward management's performance?</u>	1	2	3	4	5
8	<i>SUCCESSION PLANNING</i>					
8.1	<u>Does the board have a fund succession plan in place in respect of board members?</u>	1	2	3	4	5
8.2	<u>Does the board have a specific succession plan for the Chairperson?</u>	1	2	3	4	5
8.3	<u>Is the board familiar with other members of the Executive Committee and the Principal Officer?</u>	1	2	3	4	5
8.4	<u>Does the board regularly review members of the board of management's strengths as possible successors to the Chairperson?</u>	1	2	3	4	5

9	<i>ETHICS</i>					
9.1	<u>Rate the extent to which the board communicates the proper ethical and legal responsibilities to the board members?</u>	1	2	3	4	5
9.2	<u>To what extent does the board ensure ethical behaviour and proper compliance standards throughout the fund organisation, including management, and set the right "tone at the top" by its own behaviour?</u>	1	2	3	4	5
10	<i>CONSTITUENCIES AND STAKEHOLDER EXPECTATIONS</i>					
10.1	<u>Does the board ensure appropriate consideration for and treatment of various stakeholders?</u>	1	2	3	4	5
10.2	<u>Does the board communicate effectively with stakeholders?</u>	1	2	3	4	5
10.3	<u>Has the board identified the varying expectations and interests of current members and pensioners?</u>	1	2	3	4	5
10.4	<u>Does the board ensure that those expectations are met and/or managed, if appropriate?</u>	1	2	3	4	5
10.5	<u>Has the board identified the expectations and interests of the employers of the current members?</u>	1	2	3	4	5
10.6	<u>Does the board manage and/or ensure that the fund meets the expectations and interests of the employers of the current members?</u>	1	2	3	4	5
10.7	<u>Has the board identified the expectations and interests of the unions/associations?</u>	1	2	3	4	5
10.8	<u>Does the board manage and/or ensure that the fund meets the expectations and interests of the unions/associations?</u>	1	2	3	4	5
10.9	<u>Is the board aware of the expectations of the regulatory authorities regarding the fund?</u>	1	2	3	4	5
10.10	<u>Does the board meet the expectations of the regulatory authorities?</u>	1	2	3	4	5
10.11	<u>Does the board ensure that it develops and maintains an appropriate relationship with the regulatory authorities?</u>	1	2	3	4	5
10.12	<u>Is the board aware of the expectations of its service providers?</u>	1	2	3	4	5
10.13	<u>Does the board manage and/or ensure that the fund meets the expectations of the service providers?</u>	1	2	3	4	5

As regards board/management relations, the board should obtain management views on the board's performance. In this regard, the Chairperson should be asked to consider how he or she would assess the board, perhaps with input from other members of the Executive Committee and the Principal Officer who have regular contact with the board. Management should be asked to consider the following questions:

11	<i>BOARD/MANAGEMENT RELATIONS – VIEW OF MANAGEMENT</i>					
11.1	<u>Is the division of responsibility between management and the board appropriate and clear?</u>	1	2	3	4	5
11.2	<u>Does the board provide wise counsel?</u>	1	2	3	4	5
11.3	<u>Does the board provide clear direction?</u>	1	2	3	4	5
11.4	<u>Does the board challenge management as appropriate?</u>	1	2	3	4	5
11.5	<u>Does the board engender management's trust?</u>	1	2	3	4	5
11.6	<u>Does the board hold information confidential?</u>	1	2	3	4	5
11.7	<u>Is the board too "micro" in its supervision, i.e. does it interfere with the detail of the management of the fund in an inappropriate manner?</u>	1	2	3	4	5
11.8	<u>Does the board request appropriate, relevant information?</u>	1	2	3	4	5
11.9	<u>Are board members prepared for board meetings?</u>	1	2	3	4	5
11.10	<u>Are board members knowledgeable about the fund and the issues it faces?</u>	1	2	3	4	5
11.11	<u>Is the proper mix of expertise reflected on the board?</u>	1	2	3	4	5
11.12	<u>Are all members of the board of management (i.e. Chairperson, Principal Officer, and other officers of the fund) invited to attend board meetings in order that they are able to stay informed of fund matters?</u>	1	2	3	4	5

