

MANAGING BOARD PRIORITIES

INDEPENDENT, EXTERNAL BOARD EVALUATION

PRESENTED BY

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SPOTLIGHT ON BOARD EVALUATION

The Board of Directors (“Board”) is the core corporate governance and organizational system for maintaining trust and confidence among stakeholders in a business.

Ensuring sustainable value creation, strategic effectiveness and operational efficiency is achieved by establishing performance evaluation criteria and the adoption of assessment standards for the business.

An independent, external assessment of the Board that follows the spirit of various global Corporate Governance Codes is required to ensure a Board and the executive management team are keeping current with leading governance standards, functioning in an effective manner, improving business performance, communicating effectively and managing expectations to shapes the success of the business.

“The performance of Boards is critical to the performance of the entities that they direct and a regular appraisal process will only be value-additive if done to a high standard.

Attestation that an evaluation process has been conducted to the standards of the Independent External Board Evaluation Code of Practice should become a valuable ingredient in assuring shareholders and other stakeholders that the process has been insightful and substantive.”

Sir David Walker, Chairman of Barclays

IS A BOARD ASSESSMENT REALLY NECESSARY ?

- Validation of current standards and practices
 - Markets are in constant state of technological and information change
 - Change presents risk and potential weaknesses which can be mitigated by proper assessment and remediation
- Assurance of Director responsibilities and accountabilities
 - Improves Director professional skills, capabilities and credentials
 - Ensures overall peer equivalence
- Increases corporate governance and mitigates liabilities
 - Ensures skill standardization
 - Permits on-going skills evaluation and training analysis
 - Permits for enhanced succession planning

BUSINESSES TAKE RISKS AND REQUIRE FEEDBACK

- Evaluation and feedback on performance within the corporate governance processes is the most crucial element to assess the Board, its' Directors and company management in creating value and minimizing risk taking
- A Board evaluation requires its' Directors to undertake a constructive but critical review of their own performance by an experienced, external and completely independent third-party reviewer
- The assessment framework seeks to strengthen Board performance by undertaking a review of its' strengths, weaknesses to develop an action plan that enhances Board functioning, ensures maintenance of professional standards and identifies developmental requirements
- The guidelines presented here are a proven framework that should be considered as the minimum standard to follow

BEHAVIORAL CHANGES

■ U.K. Governance Code of 2010

- The board is responsible for determining the nature and extent of the significant risks the business is willing to take to achieve its objectives

■ U.S. SEC Disclosure requirements

- Set of rules designed to enhance transparency in Board oversight

■ Financial Reporting Council in the U.K.

- Guidance following the Walker Report including a provision requiring an externally facilitated Board evaluation every three years

■ BIS Corporate Governance Code

- Set standards for assisting Directors to effectively perform their role and maintain high professional standards

TO ASSESS OR NOT ASSESS IS NO LONGER THE QUESTION !

- Evaluation is one of the most powerful tools for creating and maintaining great Boards and executive management teams
- According to the UK Financial Reporting Council (FRC) Boards, Committees and Directors that are properly engaged in a regular assessment process ask more questions, strive for continuous improvement and create more value for their stakeholders
- The Chair and Directors must actively participate in shaping the assessment process to ensure its legitimacy and value
- Results of the assessment are consolidated into an Action plan document for discussion and review by the Boards, Committees, Directors and stakeholders

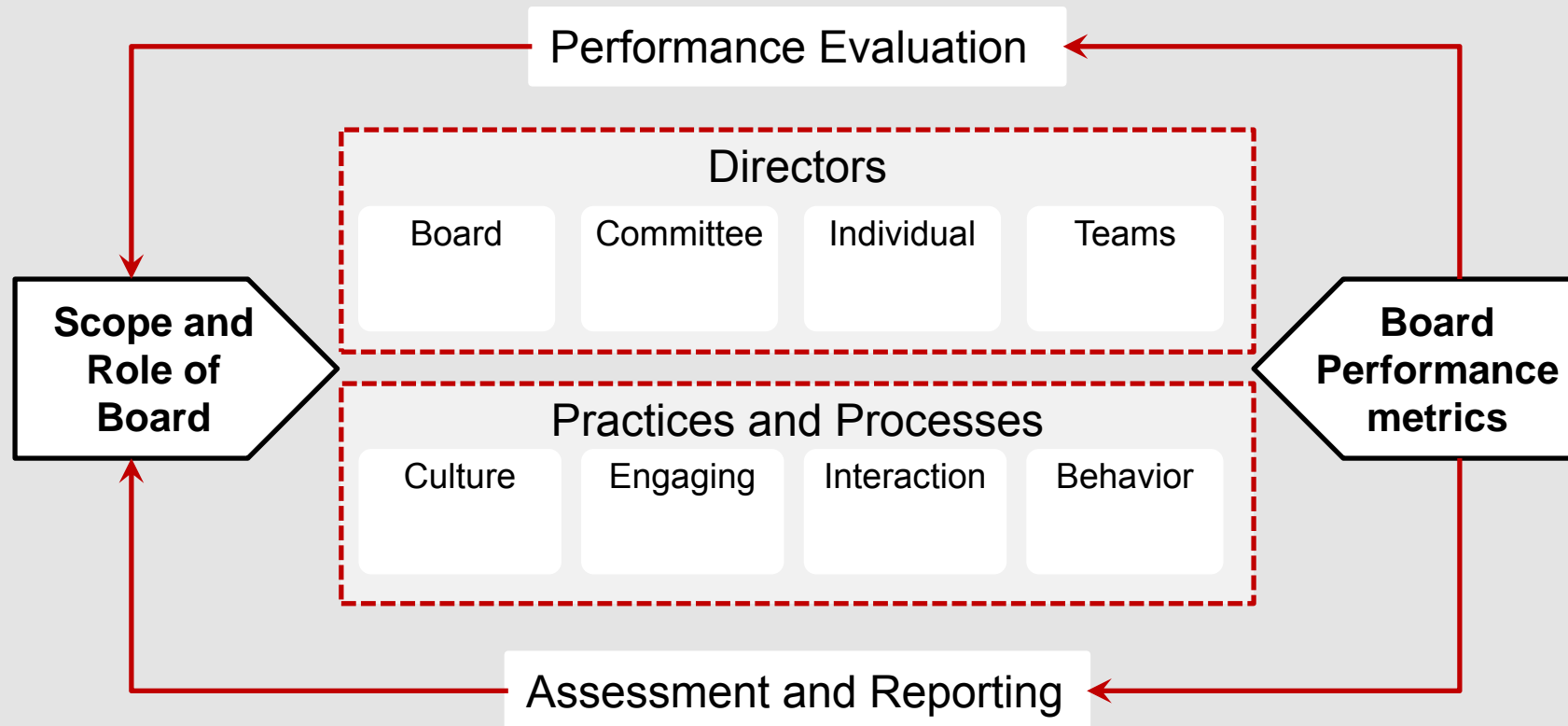
THE ART OF GOVERNANCE

“While capability and experience are a fundamental platform for an effective Board, it is the subtleties of the individual Director contributions, how they interact with one another and the collective dynamics orchestrated by the Chair, which characterize a high-performing and effective Board.”

SpencerStuart

BUILDING BLOCKS OF BOARD PERFORMANCE AND EVALUATION

ILLUSTRATIVE



IS THE BOARD DELIVERING ?

- Does the Chair own the evaluation and review framework ?
- Have the Directors participated in creating the assessment process ?
- Does structure exist for evaluating Board performance
 - Terms of Reference or Charter comparison ?
 - Consistent corporate strategy and risk appetite ?
 - Formal Policies and Procedures functioning as intended ?
 - Steps continuously taken to create a culture of risk-awareness and risk-based decision-making ?
- Are the results of the assessment consolidated into an Action Plan document for discussion, review and implementation ?

IS THE BOARD DELIVERING ? (CONTINUED)

- Does the assessment and evaluation process include
 - Self and peer evaluations ?
 - Independent, external observations and interviews ?
 - Board building blocks ?
- Are the Evaluators independent
 - Suitably qualified and experienced to conduct a credible assessment ?
 - Overall assessment process sufficiently objective ?
- Have the Directors discussed and agreed on how sensitive issues are addressed effectively ?

SELF ASSESSMENT AND EVALUATION QUESTIONNAIRE

ILLUSTRATIVE

	Insufficient Knowledge	Strongly Disagree	Neither Agree or Disagree			Strongly Agree
Composition and quality						
1. Board members are identified by outside search firms or shareholders.	0	1	2	3	4	5
2. Board members have the appropriate qualifications to meet the objectives of the charter, including appropriate background/qualifications.	0	1	2	3	4	5
Understanding the business and associate risks						
3. Board members discuss the company's risk appetite and specific risk tolerance levels in conjunction with strategic objectives, as presented by management, at least annually.	0	1	2	3	4	5
4. Board members discuss the company's risk appetite and specific risk tolerance levels in conjunction with strategic objectives, as presented by management, at least annually.	0	1	2	3	4	5
5. Board members consider, understand and approve the process implemented by management to effectively identify, assess, monitor and respond to the firm's key risks.	0	1	2	3	4	5
Monitoring and oversight						
6. An annual performance evaluation is conducted, and any matters that require follow-up have an action plan with completion due dates.	0	1	2	3	4	5
Communications						
7. Board members communicate regularly with regulators on risk management-related matters.	0	1	2	3	4	5
8. Board members communicate with all key stakeholders on all matters relevant to principles of sound corporate governance.	0	1	2	3	4	5

DETAILED EVALUATION AND IMPLEMENTATION PLAN

ILLUSTRATIVE

SECTION I: INTRODUCTION		
1. Business Unit	AMF PLC (M&A)	
2. Deal Leader		
3. Date of document submission		
SECTION II: OVERVIEW		
1. The task	11. Risk Management feedback	• Meeting with CEO Strategy Table
2. Investment objective	12. CFO feedback	• High level portfolio impact risk analysis
3. Investment mandate	13. AUSA feedback of 2010-2011	• Report on Fall
4. Investment strategy	14. Shareholder complaints (initial)	
5. Legal terms and risk	15. Comments	
6. Summary of current investment	SECTION III: FUND	
7. 10% current net of hedged capital	Fund terms overview	
8. Manage portfolio (applicability)	1. Management fees	
9. Share purchase (applicability)	2. Performance fees	
10. Exit strategy	3. Subscription fees	
11. ESG feedback on equity placement feedback of	4. Issuance fees	
	5. Net Asset Value calculation	
	6. Initial ratio (if applicable)	
	7. Minimum initial investment	
	8. Distribution	
	9. Lock up period	
	10. Status (if applicable)	
	SECTION IV: MARKET	
	1. Benchmark return	
	2. Competitive landscape	
	3. PESTL legal and regulatory framework	
	SECTION V: DISTRIBUTION STRATEGY	
	1. Target customers - geographic	
	2. Distribution channels	

Cultural feedback

March 2008

Our findings

Employees - engagement and motivation

"In any discussion culture should be..."

The company is unable to thrive in a culture where...

Disagree strongly Disagree Agree Agree strongly

Our findings

Strategy – commonality of purpose

People feel they have no say in the company's strategy...

Disagree strongly Disagree Agree Agree strongly

Our findings

Risk and financial control

Legacy - retail

Organic only

Product focus

Just retail, just

Strategic inter part of the long term plan

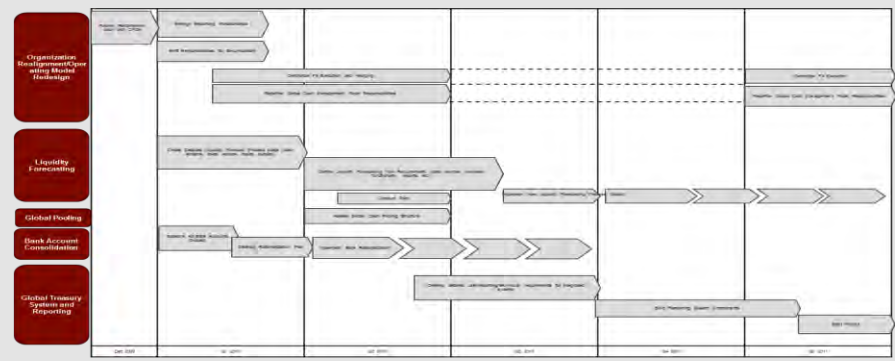
We are more driven by cost control

We are more driven by customer need

Taking risks is considered necessary

Taking risks is considered dangerous

Disagree strongly Disagree Agree Agree strongly



BOARD BUILDING BLOCKS ASSESSMENT AND REVIEW

ILLUSTRATIVE

- Independently conducted Director effectiveness questionnaires
- 360 Questionnaires completed by Board members
- Independent observation
 - Main Board and committees
 - Teamwork and dynamics
- Board documentation review
 - Minutes, Agendas, self-assessments
- Governance model and composition review
- Oversight monitoring and reports review
- Insight and implementation plan follow through

PROFESSIONALISM OF THE EVALUATOR

INDEPENDENT

- No entity or individual biases
- Fully autonomous opinion
- Ethically objective outsiders
- Unfettered feedback

INTEGRITY

- Promote transparency and accountability of the assessment
- Guided objectively in the client's best interest

COMPETENCE

- Only accepts work qualified to perform
- Does not make any misleading claims concerning competency, skills or experience

RESPECT

- Acts with courtesy and consideration toward the individuals contacted in the course of undertaking the assignment

OBJECTIVITY

- Goal oriented to industry best practices rather than corporate cultural interests

QUALIFICATIONS OF THE EVALUATOR

EXPERIENCE

- Derived from being a Director, Company Secretary and executive
- Management and commercial experience

KNOWLEDGE

- Expertise in governance and behavioral issues
- Relevant experience in finance, risk management and strategy

LEADERSHIP

- Political sensitivity and judgment
- Excellent communication, personal and interpersonal skills

PROFESSIONALISM

- Takes all necessary steps to ensure that any interviews – whether face-to-face, over the phone, or by any other means – are conducted in confidential circumstances, and that the outputs of the interviews are adequately protected
- Acknowledges the sensitive nature of certain information that should not be attributed to or, on occasion, appear in the report
- Ensures quality control during the assessment, as well as an internal post-evaluation review

“People and organizations cannot learn without feedback.
The lack of feedback is self-destructive.

No matter how good a Board is, it's bound to get better if it's
reviewed intelligently.”

Jeffrey A. Sonnenfeld, Yale University

ATTRIBUTES FOR A SUCCESSFUL ASSESSMENT PROCESS

CLEAR PURPOSE

- To improve Board effectiveness, accountability and performance
- To meet statutory or regulator obligations
- To strategically re-structure or re-balance the business
- To improve stakeholder relations

CRITERIA

- Subject of evaluation (Board, Committees, Directors)
- Objective context of evaluation – tailored to needs of Board
- Who is conducting the evaluation
- How should it be conducted
- Time frame and frequency

PROCESS

- Custom structured questionnaires
- Interviews that address individual and collective interaction
- Observations of Board and Committee in action
- Governance model review
- Board documentation review
- Consider respective jurisdictional code/ statute/ regulations for compliance improvements

ATTRIBUTES FOR A SUCCESSFUL ASSESSMENT PROCESS (CONTINUED)

ADMINISTRATION

- External evaluator drives the process
- External evaluator analyzes results
- External evaluator provides direct feedback to Chair
- Report and Action Plan produced

COMMUNICATION

- Disseminate knowledge, experiences and key lessons
- Promote transparency and accountability of assessment
- Contribute to learning and the development of stronger evidence base for improvement

IMPLEMENTATION

- Agree on Board Action Plan
- Establish Director development plan
- Establish monitoring of implementation of Action Plan
- Link process to succession planning and training
- Assess how evaluation quality can be improved for next iteration
- Plan for next evaluation

ACTION STEPS REQUIRED BY THE BOARD

- Agree on strategic priorities and initiatives
- Decide whether to pursue a Board assessment and when
- Undertake assessment professionally by an independent evaluator
- Determine how the outcome of the assessment will be acted upon
 - Focus on improvements – balance of skills, communication, oversight, risks
 - Examine the Board and Chief Executive Officer interaction and relationship
 - Improving strategic diligence and risk based deliberations
- Have the Chair produce a personal statement on Board performance and effectiveness to be shared with stakeholders

CORPORATE GOVERNANCE STANDARDS

- **A review of corporate governance in UK banks and other financial industry entities** (“The Walker Report”), Walker, Sir David, November 26, 2009
- **BIS Corporate Governance Code**
- **Independent External Board Evaluation**, Code of Practice, January 2014, Advanced Boardroom Excellence
- **HM Treasury**, Assurance Frameworks
- **Qualified Risk Director Guidelines**, June 5, 2013, by the Qualified Risk Directors Governance Council of the Directors and Chief Risk Officers Group (“the DCRO”)
- **Financial Reporting Council (FRC)**, The UK Corporate Governance Code June 2010
- **ICGN Corporate Risk Oversight Guidelines**
- **The Conference Board of Canada**; An Evolving Model for Board Risk Governance, Fox, Carol, Bugalla, John, and Narvaez, Kristina, 2011, RIMS Executive Report.
- **OECD (2009) Corporate Governance and the Financial Crisis: Key Findings and Main Messages**
- **Professional Risk Managers International Association (PRMIA) Principal of Good Governance** (original and revised)
- **The Report of the National Association of Corporate Directors (NACD) Blue Ribbon Commission on Risk Governance: Balancing Risk and Reward**
- **Toward Effective Governance of Financial Institutions**, Group of Thirty, April 2012

THANK YOU

Q&A

ABOUT MA LEE ADVISORY LIMITED

Ma Lee Advisory Limited has a focused client strategy of delivering sound strategic direction to its' clients and implementing those results. The firm delivers clients solutions in three principal areas: Strategy, Risk Management and Corporate Advisory. The partners and staff are seasoned subject matter experts, each with over 20 years of exceptional, practical experience in a range of industries, Big-4 accounting firms and larger consultancies.

Since 2007, we have been advising some of the largest corporations and financial institutions across Asia.

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