

Board of Directors' Self-Assessment:

On your next Board meeting's agenda?

Board of Directors' Self-Assessment

Corporate governance is the system by which organisations are directed and controlled. The corporate governance structure specifies fundamental principles, in particular:

- ▶ **the allocation of roles and responsibilities, as well as rights and obligations** among different constituents of the organization, such as the Board of Directors, its committees, Executive officers, shareholders and other stakeholders; and
- ▶ **the balance of power** and the rules of **decision**, in particular with respect to strategic objective setting, allocation of resources to achieve these goals, and execution monitoring.

- ▶ Good corporate governance is a key factor both for an organisation's performance and its effective risk management. It is also a key element in gradually building up **trust** with shareholders, investors and other stakeholders.
- ▶ The Board of Directors' self-assessment is a highlight of corporate life.

The **Swiss Code of Best Practice** ("SCBP") recommends (article 14) that the Board of Directors of listed and significant corporations assess its performance and therefore that of its Directors.

The Financial markets regulator **FINMA** (Circular 2008/24 - paragraph 17 - relating to supervision and internal control, especially for banks), sets out that the Board of Directors needs to assess its own achievement of goals and working style at least annually. This rule laid down by the FINMA is based on the article 7 al. 1 let. B of the Financial Market Supervision Act.

The **Swiss Foundation Code 2009** (recommendation 4), and the **Swiss NPO-Code** (paragraph 15.5) both recommend the foundations and associations governance bodies to perform self-assessments.

Who is affected?

- ▶ Public companies (SCBP)
- ▶ Non-listed significant corporations (SCBP)
- ▶ Banks, financial groups and conglomerates, securities dealers (FINMA Circular 2008/24)
- ▶ Swiss donor foundations (Swiss Foundation Code)
- ▶ Swiss non-profit organizations (Swiss NPO-Code)
- ▶ Every other entity that values good corporate governance

How frequently?

- ▶ It is recommended, in some cases required, to perform a self-assessment on a yearly basis.

Self-assessment: real added value

More than simply complying with the provisions outlined on the left, a self-assessment is above all a special moment in the life of the governing bodies to reflect on their working style and effectiveness, and to derive implications.

The self-assessment aims at measuring the quality of your corporate governance and to evaluate, inter alia:

- ▶ the organization of the Board and its committees
- ▶ the actual operations and work of the Board
- ▶ The composition of the Board with respect to the business model and the strategy, and
- ▶ if need be, the existing communication on corporate governance matters

In fine, a self-assessment allows the Board to challenge itself so that it is able to adapt to:

- ▶ the current and future **development challenges** of your organization, and
- ▶ the continuous **evolving expectations** of your stakeholders.

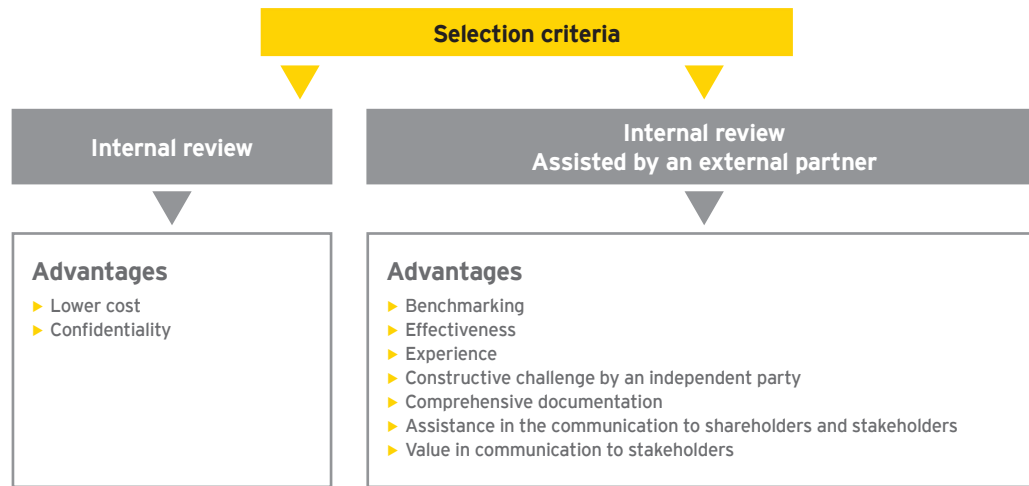
The strengths of your corporate governance system, and the improvement initiatives, can be highlighted in a targeted communication for the purpose of your shareholders or other stakeholders to strengthen their confidence.



"A balanced Board, effective in discharging its duties, and reflecting the challenges of future developments is the guaranty of an effective supervision of its risk framework and control."

Olivier Dunant, Partner, Legal Services

Which self-assessment approach to choose?



- ▶ International best practices recommend to rely on an external partner at least once every three years



"We have facilitated - or otherwise assisted in - numerous Boards of Directors' self-assessment and will be pleased to collaborate with you in adapting a similar process to the context and the needs of your organization."

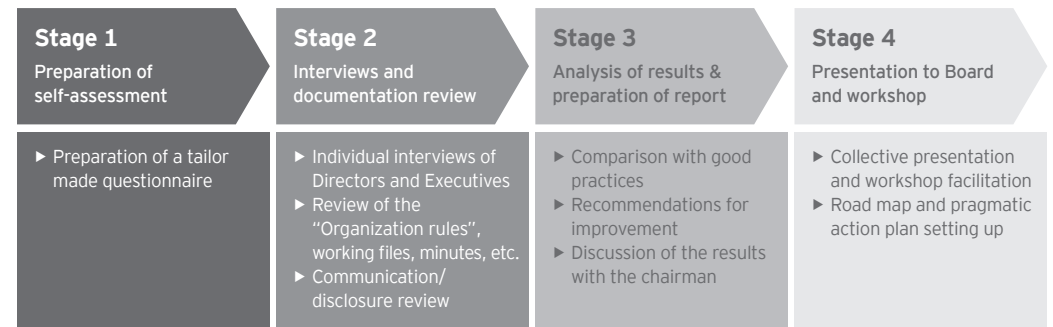
Jean-Michel Paris, Senior Manager, Risk Advisory

Self-assessment: Key success factors

- ▶ Customising the assessment tool to the specific context of your Board
- ▶ Performing individual interview with Directors (and Executive management) in a way that builds trust
- ▶ Holding collective discussions about factual and objective observations
- ▶ Translating potential areas for improvement into pragmatic action plans
- ▶ Smart project management focusing on key matters and leveraging with complementary expertise (corporate law, risk management framework, etc.)
- ▶ Building upon specific knowledge of different corporate governance systems

Ernst & Young remains at your disposal, especially to assist in setting up a self-assessment process within your company, association or foundation.

Ernst & Young offers you a tried and tested solution:



"Our pragmatic and multidisciplinary approach allows you to transform the requirement of the Swiss Code of Best Practice into an opportunity."

Mark Hawkins, Partner, Advisory

A good governance is an evolving governance

According to our experience, the self-assessment process often is the means by which the Board of Directors achieves consensus on targeted improvements, e.g.:

- ▶ Adapting the organization of the Board:
 - ▶ setting up specialized committees (audit and risks, nomination and remuneration, strategy, etc.)
 - ▶ Identification of complementary profiles to join the Board
- ▶ Adapting the governance tools:
 - ▶ organisation rules of the Board and its committees
 - ▶ annual road map
 - ▶ risk management policy, corporate risk assessment
 - ▶ delegation of powers, limitation of authorities
 - ▶ specifications for the Board Secretary
- ▶ Assist the Directors (know-how and personal development)
 - ▶ Directors' charter
 - ▶ Directors' handbook
 - ▶ specific trainings
- ▶ Review of the Boards of Directors of the subsidiaries and joint ventures of the group
- ▶ Adapt the external communication on corporate governance

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