

Corporate governance – what is it?

“Corporate governance is essentially about leadership –

- Leadership for efficiency...
- Leadership for probity (integrity)...
- Leadership with responsibility...
- Leadership that is both transparent and accountable...”
(King II)

Corporate governance – what is it?

- Trustees and their responsibilities
- Trustees and meetings
- Trustees and mandates
- Trustees and conflicts of interests

Trustee responsibilities

- Knowledge of the law and the rules
 - (“We rely on the administrator and the actuary for this”)
- Supervision of delegated authority
 - (“How can I second guess the experts?”)
- Choice of expert advisers
 - (“A beauty parade? What’s that?”)

Trustee responsibilities

- Communication
 - (“The administrators will make sure they are told what they may hear”)
- Remuneration
 - (“I am glad you asked – in cash or in kind would be acceptable”)
- Self evaluation
 - (“Those who elected me thought I would be good, so I must be!”)

Trustees and meetings

- Composition (“Do we really need to have member elected trustees?”)
- Knowledgeable members (“Some members know much more than I do, and I am happy to go with them”)

- Number of meetings (“Why do we have to meet so often when it would be fine to leave it up to the administrators and actuary?”)

Trustees and meetings

- Minutes (“Can’t we just record that we made certain decisions?”)
- Information before meetings (“Why do we need to cut down all these rain forests when we can just accept the information given to us at the meeting?”)

Trustees and mandates

- Of course the administrator / fund manager must prepare them
- Benchmarks – why should the fund manager not set those?
- Regulation 28 compliance – that’s not my job
- Performance review – I am sure they are doing the best they can
- Risk profile – what is that?

Conflicts of interest

- Why shouldn’t I accept a free ticket to go overseas and watch the World Cup if the shareholders of the fund manager pay for it?
- If my advisers have a conflict of interest that is their problem not mine

Conflicts of interest

- Why shouldn’t I be a shareholder in the administrator / fund manager – they would charge the same any way?
- Why shouldn’t the actuary advise both the fund and the employer?
- Why shouldn’t the investment manager be able to exercise voting rights of the fund in his own interest?

The seven golden rules of corporate governance

- Corporate discipline
- Transparency
- Accountability
- Responsibility
- Fairness
- Social Responsibility
- Independence

How does this translate into practical terms for trustees of retirement funds?

- FSB Code of Conduct
- Deloitte & Touche Survey “Retirement Fund Governance in South Africa”

Thank you

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