



# Integrated Report 2018

INSTITUTE OF DIRECTORS  
IN SOUTHERN AFRICA 

BETTER DIRECTORS / BETTER BOARDS / BETTER BUSINESS

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## ABOUT OUR REPORT

The Institute of Directors in Southern Africa NPC (IoDSA) reporting suite comprises the Integrated Report (the report), Governance Report and Annual Financial Statements. It covers the year 1 January to 31 December 2018. This report was prepared using the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework as a guideline.

The report provides a holistic view of the IoDSA's performance, risks and opportunities, and general operations for members and key stakeholders. It covers our strategic priorities and objectives leading up to 2020. This report will be used for marketing, public relations and new member/employee induction purposes.

Material matters are those which are relevant and important, and could substantively influence or impact our stakeholders' assessment of our ability to create value over the short, medium and long term. This report was prepared considering IoDSA's material matters.

We applied management peer review to ensure the appropriateness of material matters and the accuracy and completeness of this report. BDO SA Inc. conducted an independent audit of our Annual Financial Statements. The Audit and Risk Committee and the Board reviewed this report, and as final responsibility rests with the Board, the Board has approved the report.

The Board applied its collective mind to ensure all material matters are presented and the report fairly represents the performance and practices of the IoDSA.



**Dr Prieur Du Plessis**  
Chair

30 April 2019



**Angela Cherrington**  
Chief Executive Officer

## REPORTING SUITE

The Integrated Report is our primary communication regarding our value creation. It includes summarised financial statements extracted from the full audited Annual Financial Statements.

The following information is published on the IoDSA's website:

Integrated Report 2018

- 2019 Annual General Meeting (AGM) notice
- Annual Financial Statements 2018
- Remuneration Policy
- Governance Report

To view the 2019 AGM documents, [click here](#)

 Refer to principle 5 in the Governance Report PDF, [click here](#)

## GET IN TOUCH

We rely on feedback from members in our formal annual reputation survey and encourage feedback via our dedicated feedback mechanism relating to our reporting. This helps us understand the value we create, and identify and prioritise areas for improvement. We value your feedback on our strategy, performance and reporting.

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# WHO WE ARE

The IoDSA is a professional body and a non-profit company (NPC), Our primary purpose is to promote corporate governance, and to maintain and enhance the credibility of directorship as a profession. The IoDSA is recognised by the South African Qualifications Authority (SAQA) (ID: 422), which recognition is in place until 2022.

 To view our history timeline, [click here](#)

## VALUES

### Integrity

acting with honesty and openness; being trustworthy; consistent good behaviour over time; and ensuring words and actions correspond.

### Efficiency

doing the right things in a productive way; considering whether there is merit in doing or not doing certain things; and producing the desired result in the shortest time possible.

### Innovation

finding new and better solutions; being creative; and continually striving for improvement.

### Professionalism

projecting an image and demeanour suitable to a business environment; being competent and skilled; maintaining confidentiality; and showing respect for others.

### Ubuntu

forming meaningful professional relationships inside and outside the IoDSA; acting as servant leaders within our sphere of influence; understanding what it means to receive and give – reciprocity and balance; and respecting others.

## VISION

**Better directors. Better boards. Better business.**

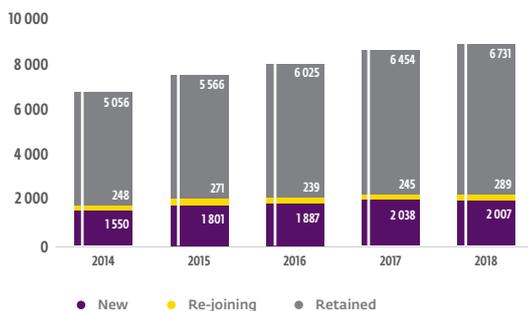
That those charged with governance duties in all sectors be empowered to discharge these effectively.

## MISSION

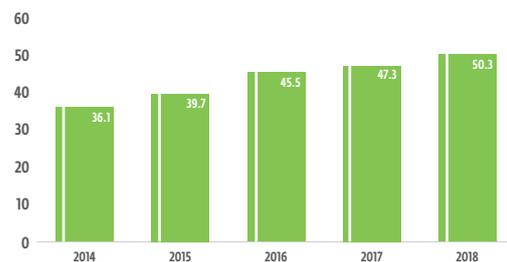
To support and develop those charged with governance duties through thought leadership and provide a platform for peer interaction.

## OUR PERFORMANCE AND LANDSCAPE AT A GLANCE

### Members



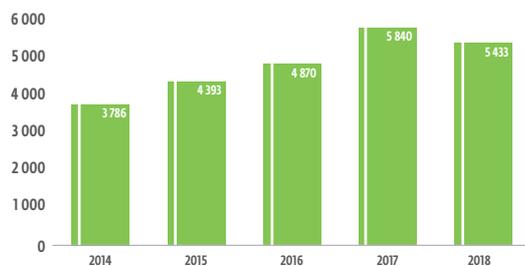
### Income (R million)



Member retention is below expectation and remains a concern. Decreased membership is due to difficult economic conditions and non-renewal by Critical Skills Visa applicants.

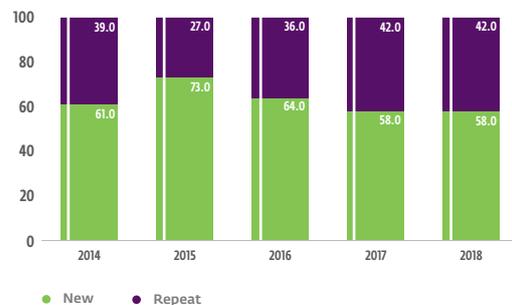
Total income increased by 6%, excluding the fair value adjustment of investments.

### Total director development attendees (number)



Although the number of programmes hosted increased, the number of attendees declined by 7%, as smaller groups attended programmes. This is in part due to increased audiences at our King IV programmes during 2017 and an adjustment back to the normal trend in 2018 along with economic conditions and the resultant impact on training spend.

### Board appraisal services (BAS) – new vs repeat clients (%)



The number of BAS projects increased to 33 (2017: 26). The ratio of new to repeat clients is unchanged.

## REPUTATION AND SATISFACTION SURVEY

Understanding the needs and interests of our stakeholders forms a significant part of our value-creation process. We review this regularly as it informs our strategy, business planning and decision-making.

We use the Repudometer® measurement tool to conduct annual reputation and satisfaction surveys. We use the below indicators to measure progress.

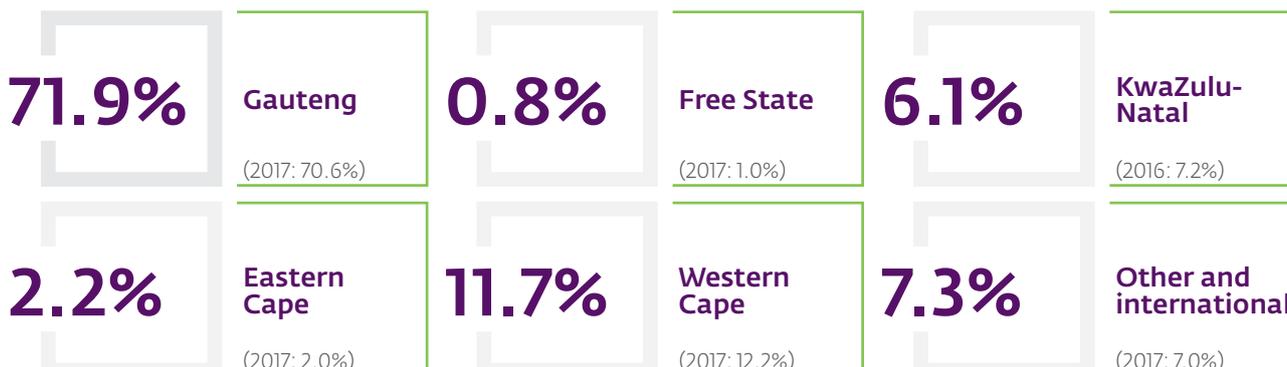
INDICATOR		CORPORATE MEASURE AND RESULTS	DISCLOSURE IN THE REPORT
Strategic intent	Measures alignment to our core function of building better directors, better boards and better business	<b>Management 87%</b> (2017: 87%)  How the IoDSA is operated and managed	Strategic direction toward 2020: page 4
Corporate governance	Measures leadership, management and policies		Our progress at a glance: page 6 IoDSA as a governance role model: page 32
Human capital	The quality of employees and their ability to render high-quality service	<b>Capital 85%</b> (2017: 87%)  The IoDSA's ability and capability to deliver on services and stakeholder expectations	Human capital: page 30
Operational capability	Whether the organisation is equipped to deliver on promises made		Business model: page 12 Performance review: page 22
External dialogue	Communication to the public about the organisation, its membership benefits and events	<b>Dialogue 80%</b> (2017: 84%)  Communication with stakeholders to build mutually beneficial relationships	Meeting stakeholders' expectations: page 15
Internal dialogue	Communication with employees about the organisation and the industry		Human capital: page 30
Value offering	Indicates to what extent stakeholders believe membership offers value for money	<b>Performance 86%</b> (2017: 86%)  Stakeholder perception of how the IoDSA is performing and the value offered	Performance review: page 22
Business development and results	Looks at the financial management of the organisation, such as transparency regarding financial matters		
Strategic alliances	Indicates to what extent stakeholders perceive the IoDSA to have sustainable partnerships to achieve its goals	<b>Positioning 81.5%</b> (2017: 81%)  The IoDSA's partnerships and interactions with its communities regarding CSI	Stakeholder landscape: page 14
Corporate social investment (CSI)	Indicates to what extent stakeholders perceive the IoDSA's involvement in CSI projects to be aligned with its core focus		Performance review: page 22 Corporate social investment: page 31

The results of this survey are presented throughout the report and indicated with this icon: 

## WHO ARE OUR MEMBERS?

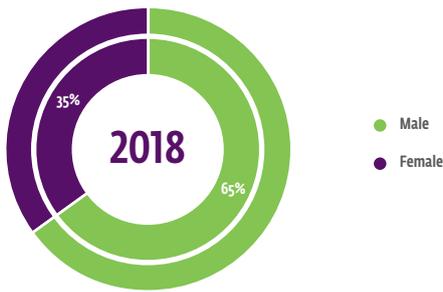
We have 9 027 members (2017: 8 737) and our membership spread remained constant. Gauteng is our largest regional constituency, at 71.9% of total membership.

### MEMBERS PER REGION (%)

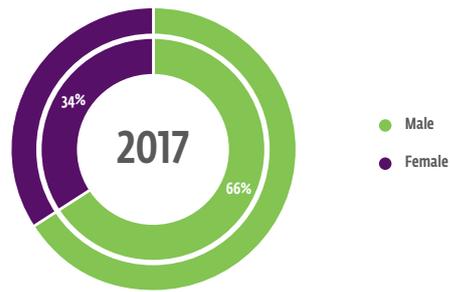


The following graphs provide an overview of the membership profile.

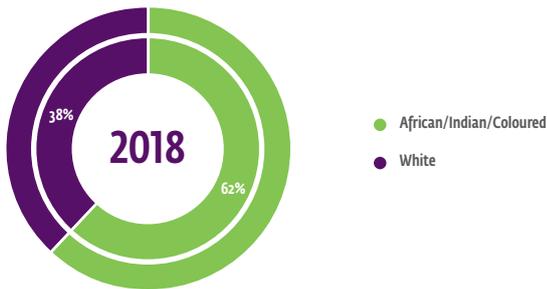
**Gender (%)**



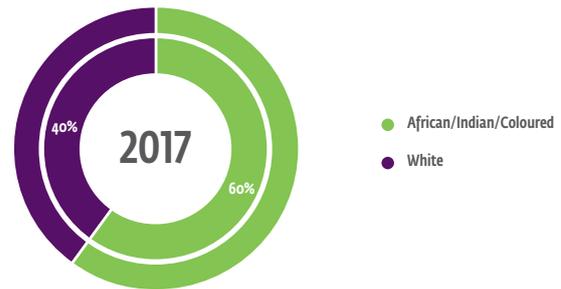
**Gender (%)**



**Race (%)**



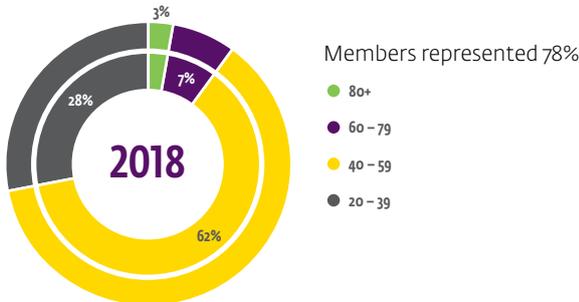
**Race (%)**



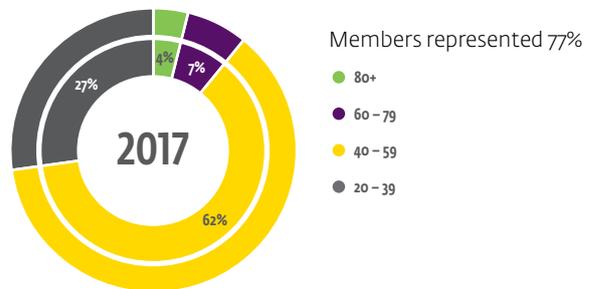
We are optimistic about our improved progress in diversifying the IoDSA's gender and racial demographic.

Although slow, the progress in gender representation over the five-year period is positive at over 30% (2018: 35%, 2014: 31%). The greatest improvement over this period is the 10% shift in our race demographics (2018: 62%, 2014: 52%).

**Age (%)**



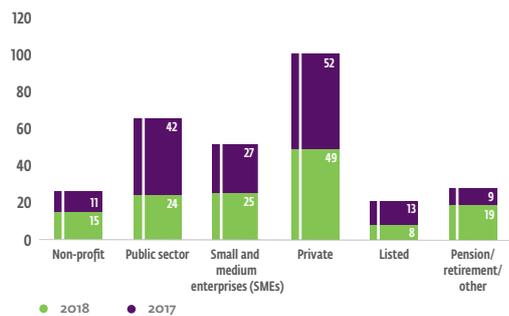
**Age (%)**



The age demographics remained constant for the year. Over the five-year medium term, the IoDSA has attracted a younger demographic of members aged 20 to 39 years (2018: 28%, 2014: 16%) with the introduction and promotion of our future leader membership category.

**Sectors our members represent (%)**

Members represented 58% (2017: 63%)



**Board committee representation (%)**

Members represented 31% (2017: 30%)



Members are not proactive in updating and maintaining their full membership profiles. We addressed this by encouraging members to provide more detailed information through our member app, our future plan to enhance member prompts and notifications, and ease of profile access.

## STRATEGIC DIRECTION TOWARD 2020

The Board regularly reviews and sets the IoDSA's strategic objectives. At the 2018 Board strategy session, we reviewed the strategic objectives and conducted a critical analysis of our progress and priorities. This process ensures we constantly evolve to remain relevant. Our strategic objectives are aligned to the overall mandate and purpose of the IoDSA, and we set key targets and milestones for each year. Our incoming CEO's focus will be on reviewing the IoDSA's longer-term objectives as she plots our future path and next five year strategic plan.

STRATEGIC FOCUS	<p><b>1.</b></p>	<p><b>2.</b></p>	<p><b>3.</b></p>	<p><b>4.</b></p>									
	<p><b>Sustainable organisational development</b></p> <p>To sustainably grow the organisation.</p>	<p><b>Promote good governance practices</b></p> <p>To set principles, develop guidelines, and support the implementation of good governance practices.</p>	<p><b>Develop the director profession</b></p> <p>To be the professional body for directors to develop the profession.</p>	<p><b>Committed and loyal membership</b></p> <p>To broaden our influence and reach by developing a committed and loyal membership base.</p>									
	2020 VISION	Achieve continual growth in revenue to reach an annual turnover of <b>R55 million</b> . Remain financially secure by maintaining appropriate reserves of <b>at least six months'</b> operating costs.	<b>International recognition</b> for King IV as a leading governance code.	<b>350</b> CD(SA)s (cumulative to 2020).	<b>10 000</b> members and an <b>85%</b> retention rate.								
	STRATEGIC FOCUS	<p><b>5.</b></p>	<p><b>6.</b></p>	<p><b>7.</b></p>	<p><b>8.</b></p>								
<p><b>Increase the number of competent directors</b></p> <p>To provide learning and development opportunities that increase the number of competent directors.</p>		<p><b>Build a credible and visible brand</b></p> <p>To build a credible and visible brand.</p>	<p><b>Collaboration between like-minded professional institutes</b></p> <p>To serve as a hub for collaboration between like-minded professional institutes.</p>	<p><b>Be a role model for corporate governance and leadership</b></p> <p>To serve as a role model for corporate governance and leadership.</p>									
2020 VISION		Recognise the progression of directors to CD(SA). <b>8 000</b> Director Development delegates.	<b>90%</b> score on our reputation survey.	Formal <b>continuing professional development (CPD)</b> recognition for IoDSA Director Development programmes and events.	Highest application of <b>King IV</b> . All IoDSA non-executive directors (NEDs) are CD(SA)s.								
<table border="1"> <thead> <tr> <th colspan="3">RESULTS (%)</th> </tr> <tr> <th></th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Strategic intent</td> <td><b>88</b></td> <td>88</td> </tr> </tbody> </table>					RESULTS (%)				2018	2017	Strategic intent	<b>88</b>	88
RESULTS (%)													
	2018	2017											
Strategic intent	<b>88</b>	88											

## THE GOVERNANCE ECOSYSTEM

The most recent Edelman Trust Barometer Global Report<sup>1</sup> indicated that trust has moved from growing inequality to a state of crisis. The study covered more than 33 000 respondents across 28 countries across informed and uninformed populations. It highlighted public concerns regarding corruption, fair trade practices, job losses, economic state, eroding social values, mass migrations and the pace of innovation. According to the study, the populace believes government and businesses lack control over these matters.

Lack of governance and ethics result in a loss of trust and declined economic competitiveness – as seen from the World Economic Forum's Global Competitiveness survey, in which South Africa ranked 61st among 137 surveyed countries.

Alongside these externally symptomatic signs of the global break down in governance, South Africa's regulatory environment is not in a position to assist with the situation. There are no professional or occupational qualification criteria for being appointed as a director of a company. The Companies Act provides for ineligibility and disqualification of directors, but this does not eliminate the risk of appointing unsuitable candidates.

### **Better directors. Better boards. Better business.**

The IoDSA's contribution to enhancing governance practice forms part of a boarder governance ecosystem in which many factors, professionals, regulators, policy makers and professional institutions play equally critical roles. We are one part of a broader value chain and isolating our individual contribution and impact becomes difficult, but critical.

Stakeholders with whom we actively engage through our service offering expressed that the IoDSA positively impacts their governance practices.

#### The impact of our services

Of the respondents to our services impact surveys:

##### Membership

- 92% (2017: 77%) confirmed that their group or board membership enhanced their access to governance thought leadership
- 84% (2017: 65%) stated a positive impact on strategic discussions
- 94% (2017: 75%) confirmed a positive influence on governance practices

##### Director Development

- 100% (2017: 94%) stated that the in-house programme had a positive impact on their boards' governance practices
- 88% (2017: 91%) confirmed a positive impact on their board/committee strategic discussions
- 100% (2017: 96%) stated a positive impact on their board committees' understanding of their roles.

##### Board Appraisal Services

*\*\* This survey had a lower than expected response rate which may distort the results*

- 100% (2017: 92%) reported that their boards' governance practices had improved
- 100% (2017: 84%) confirmed a positive change in strategic discussions
- 100% (2017: 92%) stated a positive change in interpersonal relationships

Our organisational objectives provide a clear purpose of the importance of growing a membership of skilled members. The IoDSA aims to upskill directors so they are able to discharge their duties better, contribute as progressive and active board members, and grow sustainable organisations.

We saw a difference in the perception and understanding of governance in IoDSA members versus non-members, evidenced by feedback from our 2018 Director Sentiment Survey. Governance saw positive sentiment prevailing – 67% of directors believe the application of good governance adds value to business; and 64% believe the board has the ability to drive ethical conduct within the organisation. IoDSA members have greater positive sentiment on governance issues than non-members, and viewed the lack of understanding of corporate governance as a greater concern than non-members.

We believe this demonstrates that members grasp the importance of sound governance and its role in creating more sustainable and, ultimately, better-run organisations. Results indicate a greater appetite to understand governance principles as opposed to a knowledge barrier to overcome. We are positive about the strategic value the IoDSA brings, with the King Code on Corporate Governance and our thought leadership as the backdrop to guide our members and others interested in restoring trust.

<sup>1</sup> [https://www.slideshare.net/EdelmanInsights/2017-edelman-trust-barometer-global-results-71035413?from\\_action=save](https://www.slideshare.net/EdelmanInsights/2017-edelman-trust-barometer-global-results-71035413?from_action=save)

## OUR PROGRESS AT A GLANCE

We are in the last stage of our five-year plan. Our progress was hampered by economic and political turbulence. Our progress is outlined below with further narrative on our challenges and related future focus areas.

2020 INDICATOR	STRATEGIC OBJECTIVE <sup>1</sup>							
	 1	 2	 3	 4	 5	 6	 7	 8
Income of R55 million per annum before fair value adjustment	●					●		
350 designation holders	●		●		●	●		
Consistent member retention of 85%	●			●		●		
Membership of 10 000	●			●		●		
8 000 Director Development delegates	●		●		●	●		
All IoDSA NEDs are CD(SA)s	●					●		●
Highest application rating for King IV	●					●		●
King IV penetration of the market	●	●				●		
Established research centre	●	●				●		●
Employer of choice	●					●		
Professional body engagement matrix	●		●			●	●	

 Refer to principle 4 in the Governance Report [click here](#)

### <sup>1</sup> Legend

- |   |  |
|---|--|
| 1. Sustainable organisational development | 5. Increase the number of competent directors                |
| 2. Promote good governance practices      | 6. Build a credible and visible brand                        |
| 3. Develop the director profession        | 7. Collaboration between like-minded professional institutes |
| 4. Committed and loyal membership         | 8. Be a role model for corporate governance and leadership   |

	2014	2015	2016	2017	2018
	R36.1 million	R39.7 million	R45.9 million	R47.3 million	<b>R50.3 million</b>
	16 new CD(SA)s Cumulative total of 34	15 new CD(SA)s Cumulative total of 47	11 new CD(SA)s Cumulative total of 56 Dedicated Secretariat established	26 new CD(SA)s Cumulative total of 82 Certified Director (Cert.Dir) launched. Cumulative total of 44	<b>28 new CD(SA)s 51 new Cert.Dir Cumulative total of both 224</b>
	88.3	81.2	78.8	79.2	<b>77</b>
	10.5% membership growth 6 854 members	11.4% membership growth 7 638 members	7% membership growth 8 151 members	7% membership growth 8 737 members	<b>3% membership growth 9 027 members</b>
	3 786	4 393	4 870	5 840	<b>5 406</b>
	5 out of 10 NEDs are CD(SA)s	6 out of 9 NEDs are CD(SA)s	6 out of 10 NEDs are CD(SA)s	6 out of 10 NEDs are CD(SA)s	<b>5 out of 9 NEDs are CD(SA)s. The Board reviewed this 2020 objective and amended to include consideration of Cert.Dir and other member categories.</b>
	Highest application of King III – AAA on Governance assessment instrument rating	Highest application of King III – AAA on Governance assessment instrument rating	Highest application of King III – AAA on Governance assessment instrument rating	King IV gap analysis completed and early adoption implemented First Governance Report issued	<b>King IV application review completed</b>
	King IV project commenced	King IV project underway	King IV launched 1 412 attendees 18 676 document views 132 comment letters 144 publicity clips 4 training sessions	86 King IV training sessions Endorsement page live on IoDSA website 2 practice notes	<b>38 King IV training sessions 5 King IV advisory projects 2 practice notes Increase in technical support queries relating to application of King IV</b>
	Annual <i>NED Fees Guide</i>	Annual <i>NED Fees Guide</i> Planning for African Governance Showcase	Inaugural Director Sentiment Survey Annual <i>NED Fees Guide</i> Launch of African Governance Showcase	2nd Director Sentiment Survey Annual <i>NED Fees Guide</i> 2nd African Governance Showcase	<b>3rd Director Sentiment Survey 3rd African Governance Showcase</b>
	Employees included in satisfaction survey deployed	Formalised reputation survey included employee feedback	Positive employee reputation survey results achieved	85% overall rating	<b>Maintained a rating of 84% to 86% Implemented new HR self-service portal</b>
	2nd year of support and participation for the Independent Professional Body Forum (IPBF)	IoDSA CEO appointed to chair of IPBF Formalised alliances with other professional bodies became a priority	4 successful IPBF meetings hosted and formal memoranda of understanding (MoU) maintained	4 successful IPBF meetings hosted Professional body engagement framework is in progress	<b>4 successful IPBF meetings hosted Professional body, Formalised MoU and formal CPD recognition programme</b>



# MESSAGES FROM LEADERSHIP

## CHAIR'S REPORT

Since the first King Report in 1994, South Africa has consistently pushed the boundaries of corporate governance thinking. The latest version of the King Report in 2016, King IV, sets out the philosophy, principles, practices and outcomes that serve as the benchmark for corporate governance in South Africa. One might ask why South Africa devotes so much energy to corporate governance. It is imperative to establish the country as a trusted partner in an increasingly global economy. Economic growth is a necessity, especially given social inequity and high unemployment rates in South Africa. Another driver to promote corporate governance is the unintended consequential corrupt behaviour in attempts to fast-track a more equitable economic order.

A well known proverb says *"a fish rots from the head down"*, the reality of which became obvious by the institutional and corporate scandals in recent years. Effective corporate governance is increasingly seen as a vital tool in returning the public and private sectors to economic health, and positioning the country to participate in the global economy. There are growing calls for boards to show ethical leadership now more than ever. Consequently, principle 1 of King IV states that "The governing body should lead ethically and effectively". It further recommends that members of the governing body should cultivate integrity, competence, responsibility, accountability, fairness and transparency (ICRAFT). This list of characteristics provides the framework for an ethical and effective director.

The key to performing well as a director, and to avoiding liability, is to discharge duties competently. A director's role continues to grow in complexity as its importance becomes more widely acknowledged. The range of knowledge required from directors has broadened dramatically, and includes fraud and financial scandals, changing regulations, shareholder and stakeholder activism, natural disasters, cyber threats, reputational risks and, recently, social morality. Directors' responsibilities and the standards they are expected to attain are constantly evolving. King IV is clear in stating that boards must ensure directors are provided with the opportunity to continuously enhance their skills. "Education and training on a governance basis now is not a luxury; it is an essential," said Prof Richard Leblanc, governance guru and author.

It is for this reason the IoDSA is spearheading the move to professionalise directorship, and why it has launched the CD(SA) and Certified Director designations, with associated CPD programmes. Directors need to have the right level and quality of skills. To keep these skills current, a formal programme is required. With the recent increased activism and call for accountability in South Africa, directors are strongly advised to understand the basic principles that determine their duties, and conscientiously fulfil them. Whichever route directors choose to acquire and maintain their skills, one thing is certain: they must do it.

I thank my fellow directors on the IoDSA Board for their collective wisdom and commitment, our CEO Angela Cherrington, who has reached the end of a very successful tenure, and the executive management and employees for their energy and diligence in advancing our work to realise the power of corporate governance as a critical lever of success in South Africa.



**DR PRIEUR DU PLESSIS**

Chair

**If a country does not have a reputation for strong governance, capital flows elsewhere.**

## INCOMING CHAIR'S MESSAGE

It is with great humility that I write this message. I have always believed that to effect change, we need active involvement as opposed to commentary from the sidelines. My journey with the IoDSA started a number of years ago, when I joined as a member. I was later elected onto the IoDSA Regional Committee in KwaZulu-Natal. I joined the IoDSA Board and served on various other board committees, culminating in my role as lead independent director, and now being elected into the prestigious role of Chair of this historic organisation.

With the solid foundation built by my predecessors, I believe that the IoDSA is poised for another sustainable leap into the future, being front of mind regarding anything governance and directorship related in South Africa. The role of the IoDSA, in the fast-moving and ever-changing world in which we live, is important to ensure sustainability against the backdrop of the corporate mishaps and failures that are so prevalent today. We have a pivotal role to play in governance and directorship in all sectors.

I will serve and lead this organisation with pride, honour and humility. I thank the IoDSA Board for the faith they have in electing me into this role. I further thank the employees, members and other stakeholders of the IoDSA for their continued support of this organisation; and to corporate governance in general.

Sincerely,



**MUHAMMAD SEEDAT**

Incoming Chair



**We will focus our efforts on  
enhancing our member value  
proposition.**

## CEO REFLECTIONS

I write this, my last report, as I wrap up my 15-year tenure with IoDSA and I am reminded of the resilience of this organisation and the tenacity of the team and our members. My conversations with members in the few months leading up to the close of 2018 showed me that many experienced a difficult year, with significantly more effort for less return, and difficult decisions appeared to be the norm.

The IoDSA saw its own share of difficulties, with economic pressures and internal resourcing challenges. However, we ended the year in a good financial position and maintained a strong result in our reputation scoring at 84%, with the business results element obtaining the highest scoring of 90%. This shows that our stakeholders believe that the IoDSA is run in a transparent way and there is continuous business growth.

We achieved income growth of 6% (2017: 4%). Membership increased by 3.3% (2017: 7%) and retention remains a concern as we ended below expectations. We lost members as a result of the economic conditions and non-renewal by Critical Skills Visa applicants. Total income was R50 347 503 (2017: R47 389 813), and total expenses were R48 155 626 (2017: R44 678 091). Total funds and reserves were R20 401 739 (2017: R18 812 205) and we retained our strong financial position.

We experienced a turning point in the uptake of and support for our designations, CD(SA) and Cert.Dir. We believe this shows a positive trend in the market, as individuals and organisations recognise the value of having a professional organisation to validate their competence.

We set the groundwork for developing an enhanced code of conduct for members by hosting member focus groups to better understand the perceived deficiencies and potential implementation challenges of more robust criteria. We thank those members who gave their time and expertise to this important initiative.

I wish to thank our Chair, Dr Prieur du Plessis for his leadership over the years and acknowledge the important contribution made by each of our Board members.

In closing, I refer to a quotation attributed to a 12th century philosopher later adapted by Sir Isaac Newton, "If I have seen further it is by standing on ye shoulders of Giants". I acknowledge the work of each CEO that came before, Richard Wilkinson, Tony Dixon, Lindie Engelbrecht and Ansie Ramalho, and their contribution to the various stages in the IoDSA lifecycle that gave us the ability to look further.

I hand the baton to our new CEO, Parmi Natesan – may you see further and take the IoDSA to even greater heights.

Yours in membership service,



**ANGELA CHERRINGTON**

Chief Executive Officer



**Our stakeholders believe that the IoDSA is run in a transparent way and there is continuous business growth**

	RESULTS (%)	
	2018	2017
Business results	90	90

## LOOKING FORWARD

As I prepare to assume the role of CEO of the IoDSA, I have naturally been giving thought to what the forward-looking agenda will be.

### ORGANISATIONAL

One of my first priorities will be to consider resourcing within the IoDSA, and undertake a process of ensuring we have the right skills to achieve our objectives; and that transformation remains top of mind. We will work on defining our medium and long-term strategic goals.

We are embarking on a process to change our name to "Institute of Directors in South Africa" to better reflect our geographical presence.

We will focus on using digital platforms and technologies to make our content more accessible and to spread our influence widely. The introduction of e-learning will allow us reach individuals outside of our main hubs. Increased media presence will raise awareness of governance issues generally and the role of the IoDSA.

### MEMBERSHIP

Our future as an influential organisation depends on the strength of our membership base. This relies on improving the value proposition for members. Some related initiatives include a more sustained effort to reach members and potential members outside of Gauteng, and to increase benefits and events that add value to members. We aim to align the guidance provided by our forums more closely with the functions performed by governing bodies and their committees. This will enhance the value we deliver to our members.

An important initiative relating to membership is the introduction of a new code of conduct and updated disciplinary procedures. To support the IoDSA as the custodian, and our members as trusted implementers of good governance in South Africa, we must have an understandable and relevant code of conduct, which society can see is taken seriously.

### CERTIFICATIONS

As directorship starts to be recognised by the market as a profession, we anticipate that certifications will become increasingly important. Our campaign to promote awareness of our certifications will continue, and we will liaise with recruitment agencies to enable the value of our certifications to be understood in the process of finding suitable candidates for NED vacancies. The CD(SA) designation is registered with the South African Qualifications Authority, and we intend to register the Cert. Dir SA designation.

### GIVING BACK

In the spirit of corporate citizenship, we will offer free governance e-learning programmes to non-profit organisations (NPOs) and SMEs. A pilot research project in local government will also commence. Because of the importance of education in this country, we will begin working with member volunteers to train school governing bodies to exercise their governance roles effectively. I trust we can rely on your support in realising these goals.

I wish to thank Angela Cherrington for the solid foundation she has laid as outgoing CEO; outgoing Chair, Dr Prieur du Plessis; and incoming Chair Muhammad Seedat for their guidance and support. I thank my fellow directors for their contribution to the IoDSA; and the IoDSA employees who will take this organisation to new heights with me.



**PARMI NATESAN**

CEO Elect



**Onward and upward  
for the IoDSA**

# BUSINESS MODEL

We apply a social and ethical lens to value creation by regarding legislation and codes of best practice relating to social and economic development, including anti-corruption, consumer relationships and stakeholder engagement, human resources and labour, ethics management, and the integration of our values.

We apply the principles of good corporate citizenship and respect the protection of human rights. We continually consider the impact of the IoDSA's activities and services on the environment. The value we create for our members and other stakeholders is illustrated in our business model below.

## HOW THE IODSA IS OPERATED AND MANAGED – HOW WE CREATE VALUE

	RESULTS (%)	
	2018	2017
Operational capability	84	85



## WHAT WE RELY ON

### Financial capital

We derive income primarily from subscription revenue (36%), the Centre for Corporate Governance (CCG) (14%), and Director Development (44%). Other revenue made up 6%.

### Human capital

We depend on a small employee complement of 35 (2017: 36). This enables us to deliver membership and professional services.

This is complemented by external specialists and eight core facilitators, as needed, for specialised and other training.

### Intellectual capital

We leverage the strength and integrity of our brand and ownership, copyright and trademarks related to the King Reports, and CD(SA).

### Social and relationship capital

We focus on enhancing relationships with stakeholders. Our activities are guided and impacted by stakeholders' input, engagement and relationships.

	RESULTS (%)	
	2018	2017
CSI	81	80
Human capital	86	88
Strategic alliances	82	81
External dialogue	72	77
Internal dialogue	88	91

## TO DELIVER LONG-TERM VALUE

### MEMBERSHIP

- 3.3% membership growth
- Members enjoy:
  - Thought Leadership and Professional benefits
    - › 9 thought leadership publications
    - › Publications by the CCG (refer right)
  - Business benefits and opportunities
    - › 148 NED vacancy notices
    - › 10 CV search projects
    - › Business, professional and individual insurance discounts
  - Director Development, events and networking:
    - › 37 member events
    - › 8 lifestyle benefits

Refer to page 23.

### CENTRE FOR CORPORATE GOVERNANCE

- 3 *Directorship* magazines
- 1 guidance paper
- 3 governance newsletters
- 2 King practice notes
- 6 forum papers
- 33 Board appraisals

Refer to page 24.

### DIRECTOR DEVELOPMENT

- 376 Director Development training programmes
- 5 406 delegates attended programmes
- 1 New training programme (NED)

Refer to page 28.

### DIRECTOR CERTIFICATION

- SAQA-recognised professional body
- IoDSA Director Competency Framework™
- 2 designations:
  - CD (SA): 28 new  
Designed to enhance directorship as a profession and further promote sound corporate governance in South Africa. The CD(SA) will assess and credit the mastery of directors, while enhancing the skills of directors in South Africa
  - Cert.Dir: 51 new  
Aimed at making the marketplace aware of individuals who attain the designation and have the knowledge to serve as a director

Refer to page 28.

**Better directors.  
Better boards.  
Better business.**

	RESULTS (%)	
	2018	2017
Value offering	82	81
Strategic intent	88	88
Business development and results	90	90
6% revenue growth		



# STAKEHOLDER LANDSCAPE

## ENGAGEMENT STRATEGY

Stakeholder interaction is prescribed and guided by our stakeholder engagement framework. The IoDSA recognises building relationships with our stakeholders is a key priority. Stakeholder feedback informs and influences our activities and initiatives. Ongoing engagement and feedback channels help us understand our stakeholders' needs.

Our engagement strategy seeks to:

- **monitor** developments and our landscape;
- **engage** with the aim of influencing stakeholder perception;
- **partner** with like-minded parties; and
- **empower** those charged with governance duties or those we can guide and develop with our overarching vision of “**Better directors. Better boards. Better business**”.

 Refer to principle 16 in the Governance Report [click here](#)

## STAKEHOLDER LANDSCAPE AND HOW WE ENGAGE

### EMPOWER

#### Members

- Email, newsletters and electronic and printed magazine
- Courtesy calls
- Networking events
- New member induction
- Annual reputation survey
- AGM
- Feedback mechanisms
- Website and member portal
- Social media

#### Employees

- Transparent reporting
- Weekly management and monthly employee meetings
- “Keeping you informed” emails
- Quarterly team-building
- Employee wellness programme
- Employee survey
- Formalised performance appraisal process
- Informal interactions
- Recognition through monthly and annual employee awards

## PARTNER

### Facilitators

- Facilitator meetings
- Informative emails

### Professional bodies

- Quarterly IPBF meetings
- Regular interaction on various IoDSA forums and committees
- Informal networking and information sharing
- CEO lunch series
- Participation in international forums ie. ACGN and GNDI

## PARTNER AND ENGAGE

### Suppliers and vendors

- Supplier registration process
- Informal interactions

## ENGAGE

### Business and industry

- Maintain formal associations through memoranda of understanding

## ENGAGE AND MONITOR

### Government

- Representation on various IoDSA forums and working groups
- Ad hoc one-on-one meetings and interaction

### Media

- Public relations agency
- Direct communication

### Regulators and policymakers

- Representation on various IoDSA forums and working groups
- One-on-one meetings and interaction



### RESULTS (%)

	2018	2017
Strategic alliances	82	81

## MEETING STAKEHOLDER EXPECTATIONS

The table that follows sets out why our stakeholders are key to our value creation, and how engaging with them supports our strategic objectives.

STAKEHOLDER GROUP AND OUR REASON FOR ENGAGING	THEIR EXPECTATIONS	CONNECTED TO OUR STRATEGIC OBJECTIVES <sup>1</sup>							
		1	2	3	4	5	6	7	8
<b>Members</b> <ul style="list-style-type: none"> <li>• Support, guide and develop members to strengthen our voice in the directorship space</li> <li>• Ensure the sustainability of our subscription revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Benefits and value in return for their annual investment</li> <li>• A platform to network and share views</li> <li>• Receive relevant information</li> </ul>	●	●		●	●	●		
<b>Employees</b> <ul style="list-style-type: none"> <li>• Develop and retain talent</li> <li>• Ensure we have a motivated and productive team that delivers professional support to our stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Ethical and supportive working environment</li> <li>• Access to training and development</li> <li>• Fair recognition and reward</li> <li>• Job security</li> </ul>	●					●		
<b>Facilitators</b> <ul style="list-style-type: none"> <li>• Work with our team of specialists to ensure we deliver high-quality and relevant advice, thought leadership and development programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to influence or develop content</li> <li>• Access to fee-earning activities</li> <li>• Active engagement</li> </ul>			●		●			

### <sup>1</sup> Legend

1. Sustainable organisational development
2. Promote good governance practices
3. Develop the director profession
4. Committed and loyal membership
5. Increase the number of competent directors
6. Build a credible and visible brand
7. Collaboration between like-minded professional institutes
8. Be a role model for corporate governance and leadership

STAKEHOLDER GROUP AND OUR REASON FOR ENGAGING	THEIR EXPECTATIONS	CONNECTED TO OUR STRATEGIC OBJECTIVES <sup>1</sup>							
		1	2	3	4	5	6	7	8
<b>Professional bodies</b> <ul style="list-style-type: none"> <li>Collaborate to enhance member benefits and extend our reach and influence</li> </ul>	<ul style="list-style-type: none"> <li>A mechanism to share information and best practice</li> <li>To offer reciprocal member benefits</li> <li>To partner on activities where member footprint overlaps</li> <li>Benchmarking practices</li> </ul>				●		●	●	
<b>Suppliers and vendors</b> <ul style="list-style-type: none"> <li>Ensure we have suppliers and vendors who support us in the value chain to deliver quality products and services</li> </ul>	<ul style="list-style-type: none"> <li>Fair and transparent procurement processes</li> <li>Prompt payment for products and services</li> </ul>	●					●		
<b>Business and industry</b> <ul style="list-style-type: none"> <li>Provide us with greater exposure to the business community and extend our reach</li> </ul>	<ul style="list-style-type: none"> <li>A mechanism to share information and best practice</li> <li>Access to thought leadership and advisory services</li> </ul>						●	●	
<b>Government</b> <ul style="list-style-type: none"> <li>Extend our reach and influence</li> <li>Provide us with greater exposure to the community and positively influence governance practices</li> </ul>	<ul style="list-style-type: none"> <li>A mechanism to share information and best practice</li> <li>Promotion of good governance</li> </ul>		●				●		
<b>Media</b> <ul style="list-style-type: none"> <li>Extend our reach and influence</li> <li>Enhance the perception of our role in governance thought leadership</li> </ul>	<ul style="list-style-type: none"> <li>Access to credible thought leadership that informs opinion and enhances public awareness</li> </ul>		●				●		
<b>Regulators and policymakers</b> <ul style="list-style-type: none"> <li>Stay abreast of changes or updates within the governance landscape and influence policy development</li> </ul>	<ul style="list-style-type: none"> <li>Good governance practice</li> <li>Participating in public commentary</li> </ul>			●			●		●

<sup>1</sup> Legend

- |   |  |
|---|--|
| 1. Sustainable organisational development | 5. Increase the number of competent directors                |
| 2. Promote good governance practices      | 6. Build a credible and visible brand                        |
| 3. Develop the director profession        | 7. Collaboration between like-minded professional institutes |
| 4. Committed and loyal membership         | 8. Be a role model for corporate governance and leadership   |

	RESULTS (%)	
	2018	2017
External dialogue	72	77
Internal dialogue	88	91





# RISKS AND OPPORTUNITIES

## RISK MANAGEMENT

Management reviewed the risk register and risk management processes in 2018. The risk management process identifies all risks that impact our ability to meet our strategic objectives.

Risks are ranked in order of priority, based on the evaluation of the likelihood of the risk occurring and its potential impact. The risk management process and reporting will undergo a comprehensive review during 2019.

## RISK GOVERNANCE STRUCTURE



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## The risk management process identifies all risks that impact our ability to meet our strategic objectives.

### RISK MANAGEMENT PROCESS

#### 1. Establish the context of the risk

*Set the stage for risk identification:* Risk impacts our ability to achieve our strategic objectives, and contextualising these objectives is a prerequisite to identifying risk.

#### 2. Identify the risk

*Generate a comprehensive list of risks and opportunities based on events that may positively or negatively impact the achievement of strategic objectives:* The influence of the external and internal environment across the four capitals is considered when risks and opportunities are identified.

#### 3. Evaluate the risk

Each risk is assessed considering the likelihood of occurrence and the severity of impact, also referred to as the assessment criteria. Evaluation includes the impact on:

- the timeframe for Board and executive to address the risk;
- financial resources;
- external environment;
- our reputation;
- regulatory requirements; and
- management effort.

#### 4. Respond

We plan our response to each risk by focusing on the high priorities. We formulate controls and develop preventive and contingency plans to mitigate the risk and take advantage of the opportunities that align with our strategic objectives.

#### 5. Review and monitor

We calculate residual risk and determine if further action is needed.

#### 6. Communicate and report to stakeholders

We communicate and deliberate at Board level and report to our stakeholders in this report.

 Refer to principle 11 in the Governance Report PDF, [click here](#)

## RISKS AND OPPORTUNITIES

The top four material risks described below have the most significant impact on our ability to create value for our stakeholders and meet our strategic objectives. During 2018, we reviewed the risks impacting our business, bearing in mind current economic and business conditions. There are no changes to the risk rankings, as we believe they fairly represent our current environment.

When evaluating the risks the IoDSA is willing to take, the Board considers and approves the IoDSA's risk appetite and risk tolerance. Due to the nature of the business, the IoDSA is conservative in its appetite and tolerance for risk. The Board considered the need for periodic independent assurance on the effectiveness of risk management and does not deem this necessary.

### INADEQUATE BBBEE RATING

<b>Risk ranking:</b> 1 (2017: 1)	Definition: Inadequate BBBEE rating influencing customers and service providers.
<b>Risk owner:</b> Executive: Finance & Operations	
Likelihood: 5 	The principal cause is the application of the BBBEE Codes and our expectation that the IoDSA will exceed the revenue threshold for qualifying small enterprises.
Impact: 5	A significant change in the IoDSA's BBBEE level could still result in reputational damage and financial loss. We will refine our BBBEE strategy in 2019.
<b>Strategic impact:</b>  Sustainable organisational development	

### RETENTION OF KEY EMPLOYEES

<b>Risk ranking:</b> 2 (2017: 2)	Definition: Our small employee complement means the retention of key individuals is critical. Many employees perform multiple tasks and contribute towards various objectives as set out in the business plan.
<b>Risk owner:</b> Chief Executive Officer	
Likelihood: 5 	Our ability to retain employees is impacted by market competition and limited career opportunities due to the size of our organisation, along with the investment required in training and upskilling all employees.
Impact: 4	A high employee turnover impacts our ability to deliver on business plans and service levels and increases recruitment costs. The related opportunity is the fresh thinking and focus new employees bring.
<b>Strategic impact:</b>  Sustainable organisational development  Build a credible and visible brand	To mitigate this risk, we developed formalised succession plans and salary benchmarking. We created an environment where good performance is rewarded, and we prioritise promoting internal employees. We increased our investment in training and bursaries for all employees.

## SKILLS ATTRACTION

<b>Risk ranking:</b> 3 (2017: 3)	Definition: It is a challenge to attract skilled employees in the non-profit sector due to funding restrictions and limited growth opportunities.
<b>Risk owner:</b> Executive: Finance & Operations	
Likelihood: 5 	Our ability to attract talent is influenced by offering market-related salaries and limited opportunities for career growth due to our size.
Impact: 4 	Positions left vacant for an extended time negatively impact our ability to deliver on our business objectives. We focus on financial and non-financial benefits, and development and training to enhance attraction. We rely on the strength of our brand and vision to attract talent.
<b>Strategic impact:</b>  Sustainable organisational development	

## ECONOMIC CONDITIONS

<b>Risk ranking:</b> 4 (2017: 4)	Definition: As a voluntary organisation, insufficient funding is a risk in the current economic climate.
<b>Risk owner:</b> Executive: Finance & Operations	
Likelihood: 5 	The IoDSA competes for the "share of wallet" with other professional associations. Our competitor landscape spans other associations and governance consulting firms and training providers.
Impact: 4 	As IoDSA is a non-statutory voluntary association, members may opt for membership of a statutory association. There are opportunities to enhance our member value proposition and innovate with new offerings to remain relevant.
<b>Strategic impact:</b>  Sustainable organisational development	Loss of membership subscriptions and revenue from services would result in the inability to deliver on our business plans; liquidity concerns; inability to adequately remunerate and reward employees; and impact our ability to expand our service offerings.
 Collaboration with like-minded professional bodies	We mitigate this risk by monitoring our investments and investment strategy; robust financial management and planning; and through developing supportive relationships with other professional associations to collaborate rather than compete.



# PERFORMANCE REVIEWS

Our performance discussion is structured around four primary service channels and our human capital. The diagram below shows how the focus areas of our service channels align to our strategic objectives.



	RESULTS (%)	
	2018	2017
Operational capability	84	85
Business development and results	90	90
Strategic alliances	82	81

**We will continue to improve services for our members, as the organisation can only move forward with their support.**

## MEMBERSHIP

Membership increased by 3.3% and we achieved a retention rate of 77% (2017: 79.2%). Economic pressures negatively impact our membership numbers. Our retention target is also negatively impacted by individuals joining the IoDSA as part of the Critical Skills Visa applications process, who do not renew their membership thereafter. This challenge was addressed by introducing a specialised membership category for such applicants, requiring their commitment to a minimum of a three years. This requirement should reflect in our improved 2019 retention rate.

## EVENTS AND NETWORKING

A total of 1 416 members and 451 non-members attended our events during the year (2017: 1 727 members and 605 non-members). We hosted 37 events for members, with five events in Cape Town and nine in Durban (2017: 31 events, seven Cape Town, six Durban).

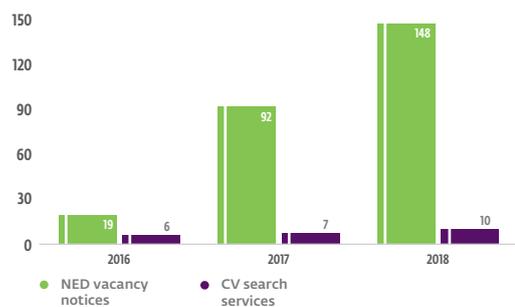
Following feedback in 2017, we undertook to create events that included more opportunities for networking. Feedback from attendees showed members and non-members found it beneficial to attend our events as it gave them the opportunity to strengthen business connections and build professional relationships. When networking with like-minded people, our event attendees saw the opportunity to advance their careers and get access to job opportunities by meeting new people.

Our key events were the IoDSA annual executive golf day, the AGM luncheon, and the Women's Day tea, which continues to grow in popularity. The annual golf day had a remarkable attendance of 244 participants filling two courses. Bridge Fund Managers was the presenting sponsor. Looking forward, using lessons learned from 2018, we will endeavour to create a better networking environment for members.

## NED VACANCIES

We saw greater use of our NED vacancy notification and CV search services. This further enhanced the opportunities for members to have access to NED positions.

**NED vacancies**



## ALLIANCES AND ASSOCIATES

We are associated with other professional bodies. 2019 will see a critical review of our alliance relationships to determine the need for formalised agreements or partnership relating specifically to CPD. The following relationships were still in place in 2018.

South African Institute of Chartered Accountants

The Institute of Internal Auditors South Africa

Institute of Risk Management South Africa

Association of Certified Fraud Examiners

We believe these institutes make up a part of the greater governance ecosystem and we will continue to actively engage with these and other institutes to promote good governance through shared thought leadership. We recognise, within this ecosystem, members may hold dual memberships, and we aim to collaborate on events and initiatives to enhance our respective value propositions.

## CENTRE FOR CORPORATE GOVERNANCE

### THOUGHT LEADERSHIP

#### Advocacy

The IoDSA endeavours to provide comment and input on material legal changes within the governance realm that affect directors and our members. Focus areas for the year included:

- Commentary submission on the draft Companies Bill
- Commentary submission on the proposed changes to the JSE Listings Requirements
- Hosting of an inaugural Governance Think Tank

#### General guidance and practice notes

We released a general guidance paper on the alignment of Board Charters to King IV recommendations, along with two practices notes, namely:

- *Governing body committees* – clarity around the rationale and approach taken in King IV relation to governing body committees.
- *Declaration of interests* – clarity on the view in King IV on the recommendations concerning declarations of interests by a member of the governing body.



General guidance note on board charter aligned King IV PDF, [click here](#)

King IV practice note on governing body committees PDF, [click here](#)

King IV practice note – declaration of interests PDF, [click here](#)

## Articles and media releases

The IoDSA continues to produce and publish a number of articles and media releases regarding key governance matters which were topical and in the media during 2018, which are outlined below:

BUSINESS REPORT SERIES	OTHER ARTICLES/RELEASES
Board tenure – do it by the numbers	Non-profit sector governing body challenges
Company secretaries emerging as governance custodians	King Committee leadership change
Corporate scandals: the buck stops with the board	Top tips for creating an effective board agenda
Governance form vs function	What does good corporate governance have to do with director liability
New directors: how to hit the ground running	IBASA Webinar Director Duties write up – done by IBASA
Number of boards: A delicate balance	Directors worldwide concerned about more than the bottom line
Pointers for running effective board meetings	Directors' skills: using the soft to strengthen
Remuneration committees must bridge the "strategy-remuneration" gap	How to get the benefits from governance reporting
So, you want to be a non-executive director?	Professional Bodies unite as corruption and state capture complaints against members escalates
SONA leans heavily on corporate governance	What are directors' duties in respect of climate change?
Understanding King IV and what it is intended to achieve	
What is the ideal board size?	
What's on the boardroom agenda for 2018?	

 To view our media releases, [click here](#)

## Governance alerts

Our governance alerts are aimed at bringing key and topical governance matters to the attention of our members, these included:

- Constitution Court Judgement materially impacting labour brokering and temporary employment services
- A reference point for articles and publications for Audit Committees
- Call for members to participate in the commentary relating to the Companies Amendment Bill 2018

## Directorship magazine

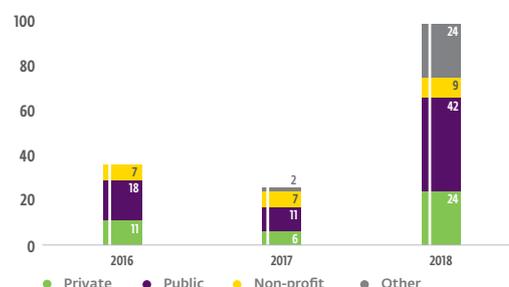
We released three *Directorship* magazines in 2018 and the fourth edition was finalised for distribution in January 2019. We encouraged members to contribute to the magazine during the year and saw an increased number of member article submissions. Some of our themes during 2018 included reputation management, managing country risk, findings from the inaugural Global Director Survey and our Director Sentiment Index™ Report, fostering accountability in the business landscape, digital transformation, and mentorship. We continued with our regular features of FAQs, lessons from the boardroom and member profiles.

## BOARD APPRAISAL SERVICES (BAS)

The number of appraisals performed increased to 33 (2017: 26). We introduced new reporting features and enhanced questionnaires including King IV board and individual peer questionnaires.

Stakeholder engagement was the lowest-performing area across all entity types for many years, however, we have seen significant improvement. In 2009 we scored 2.5 and 2018 we scored 3.3. This improvement in scoring is encouraging, as the principles of responsible corporate citizenship and the need to understand and respond to the legitimate rights and expectations of the organisation's various stakeholder groupings is vital to long-term sustainability and IoDSA's success.

**BAS – number of projects per entity type (%)**



### GOVERNANCE ADVISORY SERVICES

Governance advisory services continued to have a focus on King IV governance assessments and application in 2018, with new service offerings being developed, such as the Governance Mapping Workshops for NPOs/SMMEs and Board Culture Workshops. Whilst the department did not meet the budget for 2018 (Revenue: R848 422, Budget: R1000 000), it conducted more projects compared to 2017 (2017:10, 2018:12) and continued to act as a channel to integrate the other IoDSA services provided to clients which provides a more practical and holistic offering. A positive response was received from clients in this regard and we learned that clients found greater take away value with actionable outcomes.

We attended to 173 technical support queries (2017: 222). The average time spent per query equated to 24 minutes (2017: 23 minutes) with an increase in non-member requests. While this free technical support benefits a member, non-member queries were addressed to support our objective of promoting corporate governance and creating awareness of the IoDSA and its role and service offering.

The most common query types related to:

- board charters;
- conflicts of interest;
- terms of reference templates; and
- King IV interpretation.

### FORUMS AND NETWORKS

Our forums are intended as collaborative platforms which enable us to draw from the knowledge and experience of a diverse stakeholder base in order to influence and inform the development of thought leadership papers and guidance.

FORUM	PURPOSE	2018 ACTIVITIES
<b>The Audit Committee Forum (ACF)</b> <i>(sponsored by KPMG)</i>	Promote the efficacy of audit committees through sharing knowledge with their peers, disseminating relevant information, and focusing on key performance areas	IoDSA activities in relation to the forum remained suspended and the IoDSA's stance is being reviewed on an ongoing basis. We believe the activities of the ACF remain valuable and the suspension of activity relates to the association risk attached to the sponsor.
<b>The Corporate Governance Network (CGN)</b> <i>(sponsored by PwC)</i>	Provide directors and senior executives with the tools to understand and implement sound governance	<ul style="list-style-type: none"> <li>• Three papers were completed and launched at events hosted in Johannesburg, Cape Town and Durban:                             <ul style="list-style-type: none"> <li>– <i>Cyber security;</i></li> <li>– <i>Governing bodies' role in preserving the broad moral landscape; and</i></li> <li>– <i>The governing body agenda.</i></li> </ul> </li> <li>• We hosted a regional event in Cape Town on 2017 papers relating to governing body composition and succession planning.</li> </ul>
<b>The Sustainable Development Forum (SDF)</b> <i>(sponsored by Standard Bank)</i>	Disseminate information on developments relating to sustainability issues through regular discussion events and, when appropriate, publications	We hosted an event on <i>Climate change: Director liability and the role of the organisation as a corporate citizen</i> in Johannesburg and Cape Town.
<b>The Remuneration Committee Forum (Remco Forum)</b> <i>(sponsored by EY)</i>	Research and disseminate information on developments relating to Remuneration Committee matters through published position papers and discussion events	The forum released one paper on <i>Paying for sustainable performance.</i>
<b>The Public Sector Audit Committee Forum (PSACF)</b> <i>(sponsored by National Treasury)</i>	Facilitate guidance of and assistance to members of public sector audit committees	<ul style="list-style-type: none"> <li>• Two papers were completed and released:                             <ul style="list-style-type: none"> <li>– <i>Audit Committee Reporting;</i> and</li> <li>– <i>Financial analysis for municipalities.</i></li> </ul> </li> </ul>

Our participation in forums includes two international networks. The purpose for and objectives of these networks are outlined below.

NETWORK	PURPOSE	ACTIVITIES FOR 2017
<b>Global Network of Director Institutes (GNDI)</b>	Share knowledge and practices with like-minded institutes and provide members with access to international governance resources and events	<ul style="list-style-type: none"> <li>• Two international meetings held in Switzerland and Thailand respectively.</li> <li>• Inaugural Global Director Survey Report.</li> <li>• Inaugural institute benchmarking project.</li> </ul>
<b>African Corporate Governance Network (ACGN)</b>	Engage with contemporary African institutes of directors with the aim of enhancing effective corporate governance practices, and building better organisations and corporate citizens in Africa	<ul style="list-style-type: none"> <li>• Two international meetings held in Namibia and Algeria respectively to coincide with governance conferences hosted by the local institutes in each country</li> <li>• New Chair appointed in September 2018 from IoD Kenya</li> </ul>

## RESEARCH

### South African Directors' Sentiment Index™ Report

The research tracks the sentiment of our country's directors by measuring their views on a variety of elements covering economic, business, governance and directorship conditions.

Ultimately, the study provides a valuable indicator of the matters important to our members and the wider director community. It also provides a different platform for the IoDSA to consult and engage with its members on matters affecting them.

The findings reflect the views of a total of 422 South African directors, covering both IoDSA members (321) and non-members (101).

The overall mean scores for economic and business conditions showed an improvement since 2016, although the overall sentiment for business remains slightly negative. The sentiment for governance and directorship conditions on the other hand has not changed significantly since 2017 and remains positive overall.

### The African Governance Showcase competition

For the third consecutive year, the IoDSA, with the International Finance Corporation and sponsored by the Swiss State Secretariat for Economic Affairs, are looking for case studies that are recent and relevant to Africa's corporate governance landscape.

The case study competition encourages global submissions from participants on all areas of African corporate governance. Case studies must be based on corporate governance cases in Africa, in organisations that could be expected to, or chose to, apply the principles contained in the King Report on Corporate Governance in South Africa, or the relevant corporate governance codes of the country within which the organisation operates.

Our 2018 winners produced case studies covering:

- *Caffeine, Critics, and Crucial Decisions* – A fictional account of Absa and its shared value approach to corporate citizenship.
- Unemployment Insurance Fund (UIF): *Bird flu infects UIF financials*
- *A company board of directors: a nuisance or a necessary burden?*
- An internal control dilemma at *Sheys360* (a Zimbabwean SME)

### NED Fees Guide

- The IoDSA did not issue an edition of the *NED Fees Guide* for 2018, but commenced a review of the reporting format. The guide may be re-launched in 2019.

### Governance research platform

The IoDSA continues its endeavours to assist and promote governance research through its governance research platform. It does so by:

- providing a platform that enables students with established research projects to showcase their projects and thereby attract IoDSA members to participate in their research process; and
- assisting students in determining a governance-related research topic by publishing potential topics.

### KING COMMITTEE

We are the convener and secretariat of the King Committee, which is responsible for the King I, King II, King III and King IV reports. We are unique in that we are the only directors' institute internationally that legally owns its national code of corporate governance. This is a position of privilege and a responsibility we take seriously – to the extent that our primary objective is to promote corporate governance in South Africa.

Professor Mervyn King handed over the role of Chair of the King Committee to Professor Suresh Kana in August 2018. Prof King has been the Chair of the King Committee since its inception in 1992. He will remain a member of the Committee in his new role as Chair Emeritus.

## DIRECTOR DEVELOPMENT

### OPEN PUBLIC PROGRAMMES

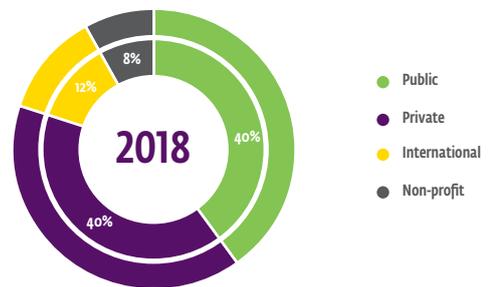
We hosted 152 (2017: 142) public programmes with a total of 2 749 delegates (2017: 2 531). Unlike in-house programmes, members make up the majority of attendees, which reinforces that our public programmes are seen as contributing towards board readiness and adding to our member value proposition. Our most popular public programme offering is still our five-part *Being a Director* series, which lays the foundation for those individuals wanting to transition in the certification pathway.

### IN-HOUSE PROGRAMMES

We conducted 205 (2017: 166) programmes reaching 2 684 (2017: 3 309) delegates during the year. The majority of programmes took place in Gauteng (66.36%) followed by other regions (14.29%), international (7.37%), KwaZulu-Natal (6.45%), and Western Cape (5.53%).

When analysing our member support of in-house programmes, we experience more non-member attendance, which suggests there is opportunity for conversion of these clients into members.

Programmes per sector



## DIRECTOR CERTIFICATION

Director certification was established in January 2017. This department manages all the activities related to the marketing, recruitment, assessment and CPD of CD(SA) and Cert. Dir. The end of 2018 saw a change in the oversight structure for CD(SA) as the Board established a Certification Committee as a sub-committee and expanded their mandate to provide more holistic oversight of both the IoDSA designations, the Committee took up its mandate in January 2019.

We awarded 28 CD(SA) designations (2017: 26) and 51 Cert. Dir (2017: 44) and ended with a cumulative total of 224.

We wish to express our thanks and appreciation to the former CD(SA) governing body members for their valuable contribution to the establishing and growing the CD(SA) community.

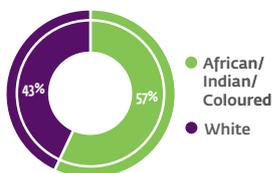
## CERTIFIED DIRECTOR DEMOGRAPHICS

Target **64**

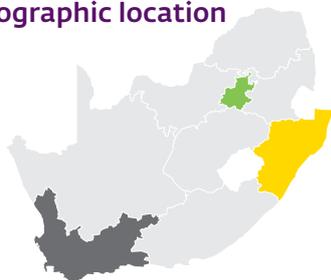
Total  
**115**

 **70**

 **45**



### Geographic location



Gauteng  
**90**

Western Cape  
**10**

KwaZulu-Natal  
**5**

Other  
**10**

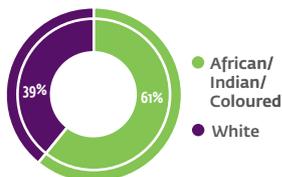
## CD(SA) DEMOGRAPHICS

Target **106**

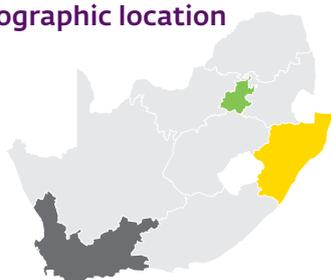
Total  
**109**

 **78**

 **31**



### Geographic location



Gauteng  
**83**

Western Cape  
**18**

KwaZulu-Natal  
**4**

Other  
**4**

## How to become a CD(SA)

Recognising Mastery



download CD(SA) Handbook



read the Director Competency Framework  
feel confident that you are competent for each of the 20 competencies



know the process to qualify



submit application form



find two people as character references



check dates of all CD(SA) assessments



submit the Portfolio of Qualifications & Experience



write the CD(SA) Exam



complete the Peer Interview



CHARTERED DIRECTOR



congratulations!



IoDSA Governing structures approve / decline certification

## How to become a Cert.Dir.

A step closer to being a professional director



Complete Being a Director Part 1 – 4 and MCQs



Complete Being a Director Part 5



Complete Governance of Ethics and MCQs or apply for exemption



Register for Certified Director Assessment with Director Certification



Apply for letter of completion from Director Development



Complete Financial insights for Non-financial directors and MCQs or apply for exemption



Write Certified Director Assessment



Pass Certified Director Assessment



Part 1 – Training and MCQs (Director Development)

Part 2 – Assessment (Director Certification)

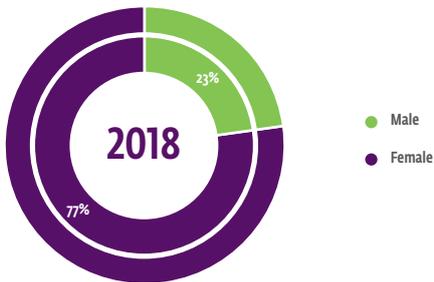
## HUMAN CAPITAL

We wish to be considered an “employer of choice”, which means we aim to attract and retain skilled employees by offering fair remuneration, rewarding good performance, creating development and growth opportunities, and providing a safe and healthy working environment.

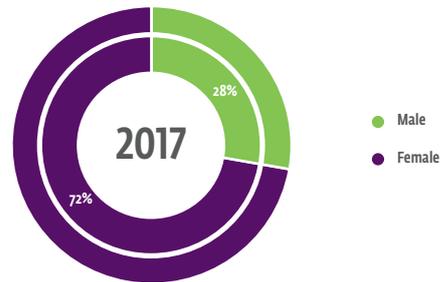
Working under the guidance of our Social and Ethics and Remuneration Committees, the table below sets out some of our key activities.

<b>Fair and responsible remuneration</b>	<ul style="list-style-type: none"> <li>• Salary benchmarking</li> </ul>
<b>Performance reward</b>	<ul style="list-style-type: none"> <li>• Annual review of our Bonus and Remuneration Policy</li> <li>• Team member of the month and year awards</li> </ul>
<b>Development and growth</b>	<ul style="list-style-type: none"> <li>• Investment of approximately R 488 496 in the development of employees through bursaries or work-relevant training programmes</li> <li>• Introduction of policy for eligible employees to proceed with IoDSA certification process – One Cert.Dir awarded in 2018</li> </ul>
<b>Safe and healthy workplace</b>	<ul style="list-style-type: none"> <li>• Annual audit of our Health and Safety Policies and procedures</li> <li>• Continuous training of health and safety committee members</li> <li>• Health and safety simulation exercises for emergency preparedness purposes</li> <li>• Employee wellness and assistance programme through ICAS</li> </ul>
<b>Engagement</b>	<ul style="list-style-type: none"> <li>• Ethics survey</li> <li>• Social interactions, team-building and events</li> <li>• Successful introduction of a new human resource management platform including self-service elements for standard HR administration</li> </ul>

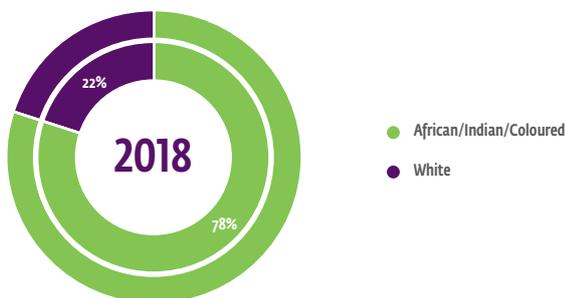
Gender – employees (%)



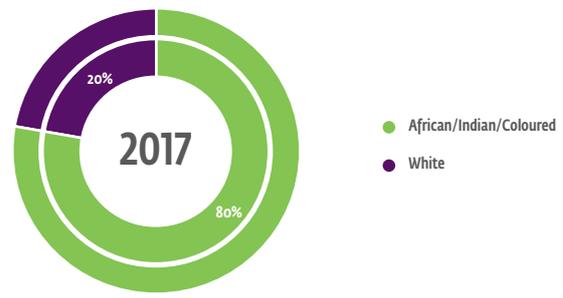
Gender – employees (%)



Race – employees (%)



Race – employees (%)



	RESULTS (%)	
	2018	2017
Internal dialogue	88	91
Human capital	86	88

## CORPORATE SOCIAL INVESTMENT

We hosted our second NPO sponsorship initiative to provide the opportunity for a select number of individuals to attend Director Development programmes and undertake a high-level board appraisal with a full IoDSA sponsorship.

The initiative was introduced to align our CSI initiatives to our strategic objectives by utilising our specific organisational skill set to aid in building capacity in non-profit directors. The sponsorship replaces our *ad hoc* initiatives in favour of a structured programme and defined reporting.

The beneficiaries of the initiative for 2018 were:

- Boys & Girls Clubs of South Africa
- Dance Theatre Africa
- Education Trust & Star Schools
- Malamulele Onward
- The Children Communication Centre



	RESULTS (%)	
	2018	2017
CSI	81	80



# IODSA AS A GOVERNANCE ROLE MODEL

The IoDSA upholds the principles of the King IV Report on Corporate Governance™ (King IV) and strives, through ethical and effective leadership, to achieve the governance outcomes of an ethical culture, good performance, effective control and legitimacy.

We believe our practices uphold the principles of King IV and achieve the required governance outcomes through applying the King IV principles and practice recommendations giving due consideration to proportionality in terms of our size, our resources, and the complexity of our activities. We produced a full Governance Report as part of our reporting suit which can be found at

 [click here](#)

## OUR BOARD

The IoDSA is governed by a Board of Directors. Directors are elected from its membership at the AGM held in June each year, at which all subscription-paying members have voting rights.

The Board comprised 11 directors as at 31 December 2018. The maximum allowed per the Memorandum of Incorporation is 15.

The Board consists of a majority of non-executive directors (nine), all of whom are considered independent. The Chief Executive Officer is an ex-officio member of the Board. The Board determines which other executives serve as ex-officio members of the Board.

Dr Prieur du Plessis retires at the end of his tenure in June 2019. The Board appointed Muhammad Seedat as his successor. Muhammad will take up the role of Chair of the Board after the AGM in June.

During 2018, there were two executive directors on the Board – the Chief Executive Officer and the Executive: Centre for Corporate Governance.

March 2019 will see the end of Angela Cherrington's tenure, the Board proactively managed the CEO succession process and identified Parmi Natesan as the most suitable successor. Parmi will serve as CEO Elect from 1 January and will take up the role as CEO formally from 1 April 2019.



**Ntuthuko Bhengu**

**BOARD**  
As at 31 December 2018

**MEMBERS**



**Sana-Ullah Bray**



**Angela Cherrington**



**Dr Prieur du Plessis**



**Zeona Jacobs**



**Patrick Kabuya**



**Felicia Msiza**



**Parmi Natesan**



**Pumla Radebe**



**Muhammad Seedat**



**Louisa Stephens**

**Audit and Risk Committee**

Assists the Board with overseeing assurance, integrity of financial reporting, risk governance as well as technology and information governance

**Social and Ethics Committee**

Assists the Board with overseeing organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships

**Remuneration Committee**

Assists the Board with overseeing fair and responsible remuneration and transparent remuneration disclosure

**Nominations Committee**

Assists the Board with overseeing board composition, succession planning for Board and management, Board nominations and Board evaluation

**Investment Committee**

Assists the Board with overseeing responsibilities relating to the investment management activities

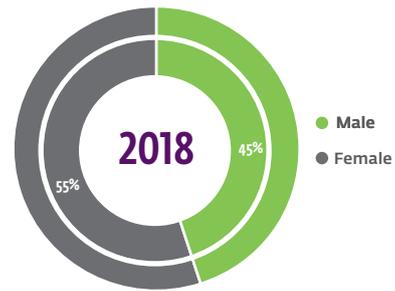
 For more information on our Board members, [click here](#)

## BOARD MEMBERS AND DIVERSITY

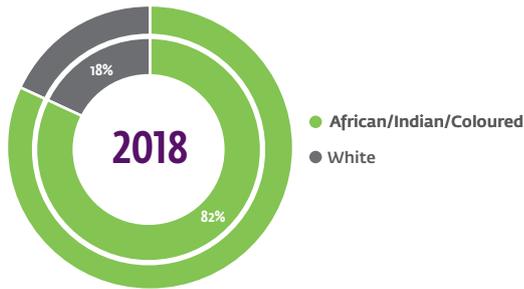
The Board promotes diversity of knowledge, skills, experience, age, culture, race and gender in its membership, through the use of a board skills matrix, ongoing monitoring by the Nominations Committee and diversity considerations during the shortlisting of candidates for Board vacancies.

Board diversity statistics include:

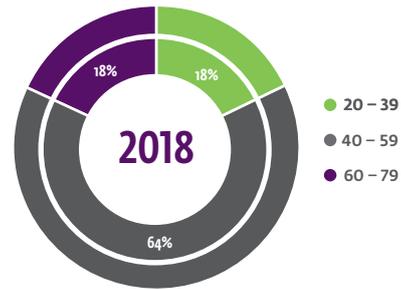
Gender (%)



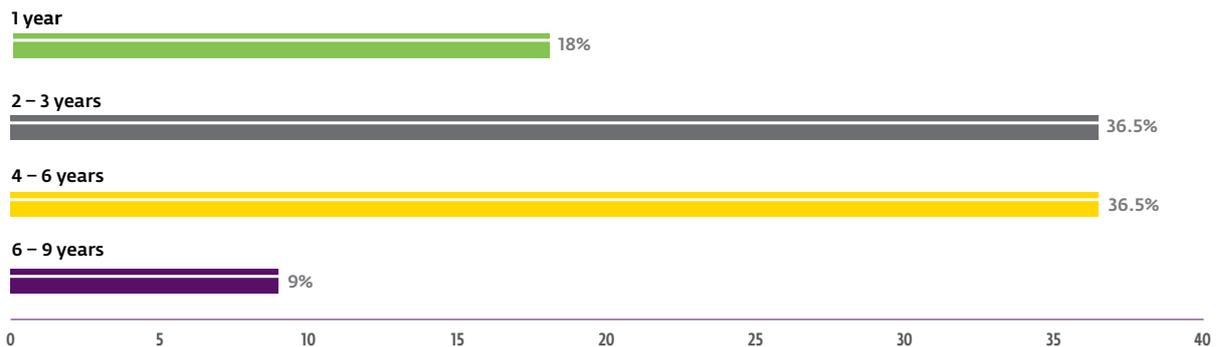
Race (%)



Age (%)



Tenure (%)



Skills

0%	8.8%	8.8%	14.7%	4.4%
Digital	Education	Finance	Governance	HR
7.4%	4.4%	3%	10.3%	4.4%
Investment	IT	Legal	Marketing	Operations
4.4%	8.8%	4.4%	14.7%	1.5%
Remuneration	Risk	Sustainability	Strategy	Tax

## BOARD FOCUS

A key focus for the Board in 2018 was succession planning for the CEO role and appointment of a suitable successor to the CEO. The Chair, Dr Prieur du Plessis will retire in June 2019 and Muhammad Seedat will take up the position of Chair after the AGM in June.

A further focus area for the Board, was to consider changing the name of the IoDSA from the Institute of Directors in Southern Africa to the Institute of Directors in South Africa. In light of the IoDSA's role primarily in South Africa and with other director institutes opening up in our neighbouring countries, the Board deliberated whether "Southern Africa" is still suitable.

In light of several recent corporate governance failures, the IoDSA as an advocate of governance, undertook driving the implementation of a more robust member disciplinary process and procedures. The intention was to ensure the IoDSA's members could be held accountable as governance role models. The Board focused on reviewing the planned process and the implementation of the new disciplinary procedures will be a key focus for 2019.

Other recurring matters addressed by the Board included:

<b>Leadership, ethics and corporate citizenship</b>	<ul style="list-style-type: none"> <li>• Approval of updated Board Code of Conduct and Ethics Policy</li> <li>• Noting of the NPO sponsorship initiative</li> </ul>
<b>Strategy, performance and reporting</b>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of performance against business plan and budget for 2018</li> <li>• Approval of Annual Financial Statements and Integrated Report and Governance Report for 2018</li> <li>• Approval of business plan and budget for 2019</li> <li>• Annual strategy session to critically analyse activities in line with strategy</li> </ul>
<b>Governing structures and delegation</b>	<ul style="list-style-type: none"> <li>• Monitoring declaration of interests</li> <li>• Considering the Board evaluation outcomes</li> <li>• Approving delegation of authority, with added focus on which policies should be approved by which structure</li> <li>• Noting and considering feedback from Board Committees</li> <li>• Approving candidates put forward for voting for Board vacancies</li> <li>• Considering CD(SA) candidates for certification</li> <li>• Certifications Committee role and composition</li> </ul>
<b>Governing functional areas</b>	<ul style="list-style-type: none"> <li>• Overseeing compliance in general, including IoDSA's tax-exempt status specifically</li> <li>• Approving the Bonus and Remuneration Policies and ratifying employee bonuses</li> <li>• Overseeing technology and information governance, including results of penetration testing</li> <li>• Approving the risk register, as well as risk appetite and tolerance levels</li> <li>• Considering assurances received for board decision-making</li> </ul>
<b>Stakeholder relationships</b>	<ul style="list-style-type: none"> <li>• Monitoring stakeholder relations activities, including relationships with potential reputational impact on IoDSA</li> <li>• Approving the 2019 AGM notice and related processes</li> </ul>

The Board is satisfied with the application of corporate governance in 2018, as espoused in King IV on a proportionality basis for the size and nature of the IoDSA. We will continually strive to make enhancements where deemed fit. The Board is also satisfied it has fulfilled its responsibilities in accordance with its charter for the 2018 financial year.

The Board is satisfied each committee has the necessary knowledge, skills, experience and capacity to execute its duties effectively. Each Board committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference for the 2018 financial year.

# SUMMARY FINANCIAL INFORMATION

 Refer to full set of Annual Financial Statements [click here](#)

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	2018 R	2017 R
Revenue	48 903 851	46 231 060
Other income	1 443 652	1 158 753
<b>Gross income</b>	<b>50 347 503</b>	<b>47 389 813</b>
Depreciation	(551 285)	(576 978)
Directors' emoluments: Executive directors	(3 994 227)	(4 706 358)
Employee salaries and benefits	(13 255 225)	(10 916 383)
Other operating expenses	(30 354 889)	(28 478 372)
<b>Operating profit/(loss) for the year</b>	<b>2 191 877</b>	<b>2 711 722</b>
Fair value adjustment on investments	(602 343)	902 332
<b>Total profit/(loss) for the year</b>	<b>1 589 534</b>	<b>3 614 054</b>

## STATEMENT OF FINANCIAL POSITION

at 31 December 2018

	2018 R	2017 R
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 708 921	1 773 836
<b>Current assets</b>		
Inventory	19 079	52 851
Trade and other receivables	2 191 263	1 637 021
Investments in collective investment schemes	19 366 966	23 057 134
Cash and cash equivalents	12 530 831	7 595 900
	<b>34 108 139</b>	<b>32 342 906</b>
<b>Total assets</b>	<b>35 817 060</b>	<b>34 116 742</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funds and reserves</b>		
Accumulated funds	20 401 739	18 812 205
<b>Non-current liabilities</b>		
Amounts received in advance	1 106 033	1 709 317
<b>Current liabilities</b>		
Trade and other payables	4 032 132	4 552 824
Provisions	1 758 155	1 333 280
Amounts received in advance	8 519 001	7 709 116
	<b>14 309 288</b>	<b>15 304 537</b>
<b>Total funds and liabilities</b>	<b>35 817 060</b>	<b>34 116 742</b>

## STATEMENT OF CHANGES IN ACCUMULATED FUNDS

for the year ended 31 December

	ACCUMULATED FUNDS R
Balance at 1 January 2017	15 198 151
Comprehensive income for the year	3 614 054
<b>Balance at 31 December 2017</b>	<b>18 812 205</b>
Comprehensive income for the year	1 589 534
<b>Balance at 31 December 2018</b>	<b>20 401 739</b>

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018 R	2017 R
<b>Cash inflow from operating activities</b>		
Cash generated by operations	889 825	1 562 128
Investment income	519 370	382 530
<b>Net cash inflow from operating activities</b>	<b>1 409 195</b>	<b>1 944 658</b>
<b>Cash outflow from investing activities</b>		
Acquisition of furniture and equipment	(486 370)	(516 287)
(Payment)/receipt for other financial assets	4 012 106	–
<b>Net cash outflow from investing activities</b>	<b>3 525 736</b>	<b>(516 287)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4 934 931</b>	<b>1 428 371</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7 595 900</b>	<b>6 167 529</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>12 530 831</b>	<b>7 595 900</b>



# ABBREVIATIONS

Below is a reference of commonly used abbreviations:

<b>ACF</b>	Audit Committee Forum	<b>King IV</b>	King IV Report on Corporate Governance™
<b>ACGN</b>	African Corporate Governance Network	<b>MCQs</b>	multiple choice questions
<b>AGM</b>	Annual General Meeting	<b>MoU</b>	memoranda of understanding
<b>BAS</b>	Board Appraisal Services	<b>NED</b>	Non-executive director
<b>BBBEE</b>	broad-based black economic empowerment	<b>NPC</b>	non-profit company
<b>CCG</b>	Centre for Corporate Governance	<b>NPO</b>	non-profit organisation
<b>CD (SA)</b>	Chartered Director	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>Cert. Dir</b>	Certified Director	<b>PSACF</b>	The Public Sector Audit Committee Forum
<b>CGN</b>	The Corporate Governance Network	<b>Remco Forum</b>	Remuneration Committee Forum
<b>CPD</b>	continuing professional development	<b>report</b>	Integrated Report
<b>CSI</b>	corporate social investment	<b>SAICA</b>	South African Institute of Chartered Accountants
<b>GNDI</b>	Global Network of Director Institutes	<b>SAQA</b>	South African Qualifications Authority
<b>IFC</b>	International Finance Corporation	<b>SDF</b>	Sustainable Development Forum
<b>IIRC</b>	International Integrated Reporting Council	<b>SECO</b>	Swiss State Secretariat for Economic Affairs
<b>IoDSA</b>	Institute of Directors in Southern Africa NPC	<b>SME</b>	Small and Medium Enterprises
<b>IPBF</b>	Independent Professional Body Forum		
<b>IRBA</b>	Independent Regulatory Board for Auditors		





**iodsa**.co.za

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GRAYSTON RIDGE OFFICE PARK,  
144 KATHERINE STREET,  
SANDOWN, SANDTON, 2196**

**PO BOX 521372,  
SAXONWOLD, 2132**

## **Connect with the IoDSA** on social media

 Institute of Directors in Southern Africa

 @The\_IoDSA

 Institute of Directors in Southern Africa

 IoD\_southernafrica

# Notes

A series of horizontal dashed lines for writing notes.