Benefits from PwC Governance Index

Benefits of the assessment:
- **Insights from our independent assessment** of how your business is progressing in meeting your business objectives. Benchmark against other companies / best practices
- **A quick high-level exercise** that is done through top-level discussions
- **Increase business performance** by implementing effective governance tools to bring value that goes beyond compliance

1. Strategy and Performance	**Strategy and Performance** • Vision, Mission • Corporate Strategy • KPI • Growth and Innovation	**Governance and Structure** • Roles and responsibility • Group's structure • The right man in the right place
2. Governance and Structure	**Manage Risks** • Risk Management • Tax and Legal exposures • Regulatory issues	**Business Process and Controls** • Segregation of duties • Effective control activities • Anti-Fraud controls • Budget vs Actual assessments
3. Manage Risks	**Manage Capital** • Cash flow management • Financial exposures • Banking facilities monitoring	**Monitoring and Audit** • Internal Audit • Mitigation of Deficiencies • Periodic evaluation
4. Business Process and Controls	**Digital and Transformation** • Reliable information system • Digital road map • Security and the use of Data	**Manage Talent** • Linkage between compensation and rewards • Strategy to attract talent • Organisation structure
5. Manage Capital		
6. Monitoring and Audit		
7. Digital and Transformation	8. Talent Management	**Professionalising the Family** • Family Constitution • Next Generation and Succession • Conflict resolution • Family Office

Professionalising the Family

Step-by-step approach

At PwC we understand that all business needs are unique. We offer you a three-step approach that will be used during the assessment process:

1 **Planning and preparation**
- Understanding your business and strategy
- Planning activities: interview schedules and documents needed
- Examine key relevant documents

2 **Observation and inquiry**
- Top level discussion, including with owners and director level
- Inquiries with selected management team, staff members/ mid level management and stakeholders
- Observe and cross-examine if needed – using the 8+1 areas

3 **Analysis, scoring (and road map development)**
- Analyse using our tools
- Determine the governance index
- Provide gap analysis, key recommendations, and road map development

Deliverable:
- PwC Governance Index and analysis. Scoring is using a 1-5 weighted rating

Score	Description
0 – 1	Not in place
1.1 – 2	Informal
2.1 – 3	In place
3.1 – 4	Fit for purpose
4.1 – 5	Fit for purpose, interfaces across the company and continuously improved

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Governance for value creation index (PwC Gov-Index)

A journey to grow and sustain value

pwc
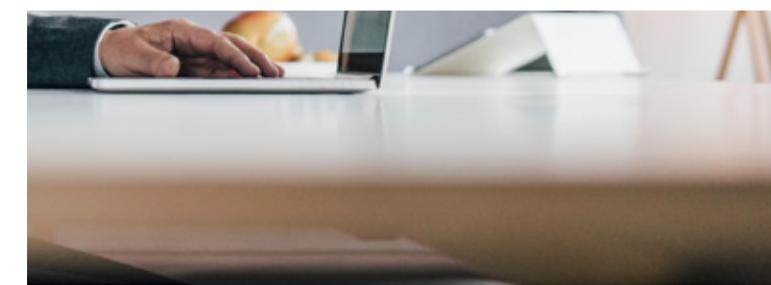
Speed of change and threats to your business

Speed of change is unpredictable and we have seen an unprecedented significant impact on businesses. PwC identifies long-term pervasive trends (megatrends), pressing short-term issues (ADAPT), and what the new insights and changes of the future worlds in the coming decade will be. Based on PwC's 22nd Annual Global CEO Survey (2019), there are five top threats that are in the minds of the CEOs of almost 3,000 companies.

| Over regulation | Political uncertainty | Availability of key skills | Cyber threats | Trade conflicts |
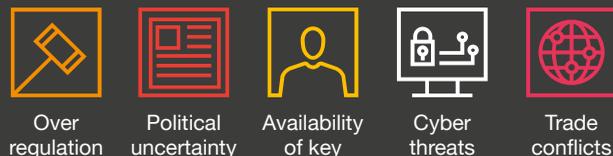
Companies need to embrace these changes through their strategic and transformational initiatives. There is no single one-size-fits-all solution but governance plays a central role to ensure that the efforts to anticipate the threats and meet business objectives are integrated.

Megatrends – *Long-term pervasive trends*

- Demographic and social change
- Shift in global economic power
- Rapid urbanisation
- Climate change and resource scarcity
- Technological breakthroughs

ADAPT – *Pressing short-term issues*

| **A** | **D** | **A** | **P** | **T** |
| Increasing wealth disparity and the erosion of the middle class | Disruption of business models and blurring of industry boundaries | Demographic pressure on business, social institutions and economies | Breakdown in global consensus and increasing nationalism | Declining trust in institutions and technology |

Future worlds: *key insights for the decade ahead*

- A few dominant political economic models will compete
- The human interface with technology will be the critical debate
- The system is in play
- Cities and wealthy individuals will increase in importance
- Bigger, faster, more complex

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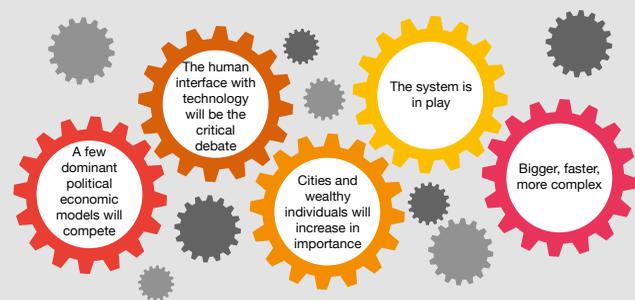
Governance for value creation

According to the Organisation for Economic Cooperation Development "Principles of Corporate Governance", governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Governance is not a "ticking the boxes" exercise in order to comply with regulatory and fraud prevention. Governance is beyond compliance and its objective is to provide the maximum benefit for the shareholders. Strong governance means a stronger ability to achieve your business goals.

For a **family business**, governance involves a dynamic relationship between family, management, and ownership. For **institutional companies**, the effectiveness of governance needs to be reassessed in light of the speed of changes and business threats so it continues to be a continuous improvement exercise.

By having a right balance of governance, companies have a solid foundation and structure to anticipate future sustainable growth.


Good governance means that shareholders get the maximum benefit from their ownership of the firm
(Shleifer and Vishy)

Best practices and PwC Governance Index

General components of Governance
- Board composition, responsibilities, and effectiveness
- Nominating committee
- Remuneration/Reward committee
- Audit and Risk / External Accountability
- Shareholder Relations (Rights of Shareholders)
- Stakeholder Relations (Engagement of Stakeholders)
- Disclosure and Transparency
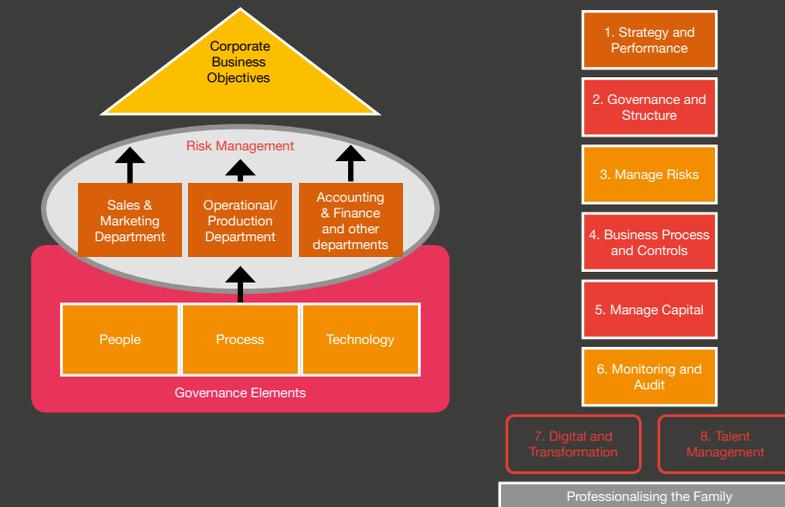
We have considered best practices about governance components and our wide range of experience in various companies to develop a relevant PwC Governance Index. The PwC Governance Index is an approach where companies can assess where they are over these 8+1 key governance areas. The approach starts with your business objectives and how management makes decisions to address challenges in meeting these objectives, through the various company's key components i.e. People, Processes, and Technology. The PwC Governance Index is **a structured approach** to ensure these relationships **are integrated**.

Notable Best Practice Resources:
- *UK Corporate Governance Code*
- *Institute of Directors (IoD) Good Governance Index (UK)*
- *The Centre for Governance, Institutions and Organizations (Singapore) for Governance and Transparency Index (National University of Singapore)*
- *SK 16/S.MBU/2012 on GCG assessment for State-Owned Companies in Indonesia*