



**CIC INSURANCE GROUP**

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**BOARD EVALUATION REPORT 2020**

**PRESENTED BY THE LEADERSHIP GROUP**

**3/22/2021**

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## 1. EXECUTIVE SUMMARY

The Leadership Group undertook an evaluation of the CIC Group Board performance to determine the key areas that should be focussed on to ensure that the Board continues to be effective. The Board evaluation process was administered between 19<sup>th</sup> and 23<sup>rd</sup> February 2021. The process involved the use of an online evaluation tool and one-on-one interviews with the Board Chair, the Chief Executive Officer and the Company Secretary. The evaluation sections comprise a Peer Review, Collective Board evaluation, evaluation of the Secretary, Chair, Chief Executive Officer and Committees.

The Peer Review reveals a collective score of 4.52 (Agree) out of a maximum of 5.0. The highest score is in "Preparation for meetings and punctuality," while the lowest scores are in two areas – "understanding corporate governance, policies and guidelines," "understanding of the business, regulatory environment and market" and "Being open-minded, listening and objectivity."

While the Collective Board evaluation reveals that Board members generally agree that the Board is performing well, the evaluation also shows that there are 5 areas that 22% of Board members rated at "Neither agree nor disagree". The highest performance ratings were achieved in the effectiveness of the Board in addressing conflict of interest and in the relationship between the Board and the CEO. The lowest score is in the extent to which the Board is proactive in developing a stakeholder engagement strategy.

With regard to the evaluation of Committees, the Finance and Investment Committee achieved a rating of 4.54 (90.8%), Audit and Risk achieved 4.20 (84%), while Governance and Nomination, Human Resource and Remuneration achieved 4.80 (96%).

The qualitative evaluation revealed that the Board members have 10 key themes of concern, some of which have been rolled over from the previous evaluation (2019). The key themes of concern in the 2020 evaluation are; strategic focus; risk management; succession planning; governance; training and development; talent management; performance management; business development and turnaround; technology; and support for the GCEO (management).

The Board evaluation has provided excellent feedback for the board to consider and implement in its journey to greatness. Below are our recommendations for the next steps.

### *a. Addressing challenges/key areas of concern*

We recommend that the Company Secretary prepares an action matrix with dates and responsibilities for the implementation of the recommendations once discussed and agreed by the Board. The committees should take up their respective areas of responsibility and come up with action points. These actions should then be monitored and progress reported at the board meetings.

The Chairman should have a one-on-one discussion with each individual Board member and share their feedback.

This will form a good basis for comparison during the next evaluation period. The Leadership Group will be available to assist in guiding the process where necessary.

### *b. Strategic focus and SP 2021-2025*

As the CIC Group Board and Management implement the 2021-2025 Strategic Plan, it is important to comprehensively review the following:

- i. Talent required (Board and management) to deliver the strategy
- ii. The role of technology in achieving the strategy – especially automation, digitization and data analytics
- iii. Succession planning
- iv. Board governance
- v. Risk management and business continuity.

**c. Training on subjects proposed by the board**

With regard to board training, develop a training calendar early enough to address the priority training areas.

**d. The Board maturity ladder**

We propose the incorporation of a Board maturity assessment as part of the next evaluation to determine the maturity level of the CIC Group board. This assessment will provide an opportunity for the CIC Group Board to measure itself against global best practice frameworks. This will assist in developing a maturity roadmap for the Board.

TABLE 1 – RECURRING THEMES OF CONCERN – 2020 AND 2019

2020 Board Evaluation	2019 Board Evaluation Comparison
• Strategic focus	• Strategic focus
• Risk management	
• Succession planning	• Succession planning
• Governance	• Board meetings (relevance of agenda) • Board dynamics (between board and management)
• Training and development	• Training & development
• Talent Management	• Talent management
• Performance management	
• Business development - turnaround	• Business development
• Technology	
• Support for GCEO (management)	

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## **ABBREVIATIONS**

CEO	Chief Executive Officer
CS	Company Secretary
TLGL	The Leadership Group Limited



## 2. INTRODUCTION

The Leadership Group was engaged by CIC Insurance Group in February 2021 to undertake an evaluation of the board performance of CIC Insurance Group and its subsidiaries to determine the key areas that should be focussed on to ensure that the respective Boards continue to be effective. This report has been prepared for **CIC Insurance Group** after the Board evaluation process was administered between 19<sup>th</sup> and 23<sup>rd</sup> February 2021. It sets out the scope of the evaluation, participants, the methodology, structure and process applied, a summary of the evaluation, recommendations and the conclusion.

### 2.1 ABOUT THE LEADERSHIP GROUP LTD.

The Leadership Group Limited (TLGL) has been created to support current and upcoming leaders to develop and fully realize their potential. TLGL is led by seasoned practitioners with a solid track record in their respective fields. At TLGL, we recognize that our cumulative skills only count where they can translate into real life and real business experiences. This is why we have established a set of solutions that we believe will transform businesses and people.

#### 1.1.1 TLGL'S CORPORATE PHILOSOPHY

TLGL's corporate philosophy is underpinned by the following Mission, Vision and Values:

***Our Mission:*** To deliver cutting edge leadership development consultancy and advisory services to senior leaders of top African businesses and organizations that would deliver value and results.

***Our Vision:*** To develop effective leaders for the future while making Leadership a continuous journey of stewardship.

#### **Core Values:**

***Integrity:*** We embrace the highest standards of integrity

***Collaboration:*** We work with others who share our values to further the cause of leadership

***Commitment:*** We embody and exemplify the ideals we stand for

***Change:*** We adapt to the changing dynamics of the leadership agenda

***Learning:*** We always seek and promote continual learning

#### 1.1.2 TLGL'S SOLUTION PORTFOLIO

- Executive coaching and mentorship
  - Governance and Board Practice
  - Culture and Change Management
  - Strategy and Business Advisory
  - Leadership and Communication
-

### 1.1.3 TLGL'S BOARD EVALUATION TEAM

Below is the TLGL team that conducted the Board evaluation, made presentations to the respective Boards, analysed the responses and prepared the reports:

- Dr. Martin Oduor-Otieno – CEO and team-leader
- Mrs Madren Oluoch-Olunya
- Dr. Percy Opio

## 2.2 ABOUT CIC INSURANCE GROUP

CIC Insurance Group (CIC Group) provides Insurance and Financial services that are innovatively created and customized to meet customer needs. CIC Group's "We Keep Our Word" reveals the organization's positioning and reinforces its commitment to the market.

In 2012 the group won The Annual Insurance Claims Settlement Award for consistently paying claims on time and was also recently listed at the Nairobi Securities Exchange (NSE). With a compounded annual growth rate of 62% in the past 5 years, CIC Group's unique M-Bima product has seen the organization emerge as one of the leading providers of micro-insurance in Kenya.

With a total of 3,878 shareholders and a capital base of Ksh 2.1 billion and 1.3 Million clients, the group ranks among the most successful and fastest-growing insurance company in Kenya and the leading co-operative insurer in Africa. CIC Group is also targeting to expand operations in the East and Central parts of Africa. In 2011 the demerger of its life and general business led to the formation of three subsidiaries, namely CIC Life Assurance Limited, CIC Asset Management Limited and CIC General Insurance Limited.<sup>1</sup>

### 1.1.4 CIC INSURANCE GROUP'S CORPORATE PHILOSOPHY

CIC Group's corporate philosophy is underpinned by the following Mission, Vision and Values:

***Our Mission:*** To be a World class provider of insurance and other financial services

***Our Vision:*** To help people achieve financial security

**Core Values:**

***INTEGRITY*** – *Be fair and transparent*

***DYNAMISM*** – *Be passionate and innovative*

***PERFORMANCE*** – *Be efficient and results driven*

***COOPERATION*** – *Live the cooperative spirit*

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<sup>1</sup> Source: <https://cic.co.ke/about-us/>

### 1.1.5 CIC INSURANCE GROUP'S GOVERNANCE STRUCTURE

CIC Group's governance structure comprises the following:

- CIC Group Board

CIC Group comprises 3,878 shareholders to whom the Board is answerable. The Board at the group level comprises nine directors who include the Chair, Vice Chair and the Group CEO. The Board comprises three committees – Audit and Risk; Finance & Investment; and Governance & Nomination, Human Resources & Remuneration. Each Committee comprises a chairperson and report to the Board. Some Committee members are not members of the CIC Group Board.

Some Board members of CIC Group are members of Committees of the subsidiaries' Boards only, while others are members of the respective subsidiaries' Boards.

- CIC Group Subsidiaries' Board

The subsidiaries each comprise a Board that is answerable to CIC Group Board. The Managing Director of the respective companies are also members of their respective Boards. The Boards each comprise two committees; Audit and Risk; and Finance and Investment. Each Committee is led by a Chairperson and reports to the Company Board.

## 2.3 GLOBAL BOARD BEST PRACTICES

Because of the importance of the Board in the success of any organization, several global bodies have come up with best practices frameworks or guiding principles that are expected to ensure successful Board practices and consequently, the success of the respective organizations that are represented by the Boards.

The IFC Toolkit<sup>2</sup> is an example of a framework that seeks to underpin codes of practices as tools for enhancing good corporate governance.<sup>2</sup> These codes serve as benchmarks that are used to monitor and implement corporate practices and policies at the organizational level and are also used to build investor confidence and to raise standards and drive corporate governance reforms.

The International Corporate Governance Network (ICGN), on the other hand, came up with what they refer to as the ICGN Global Governance Principles that define the standards for well-governed organizations.<sup>3</sup> These standards are applied in conjunction with global stewardship principles that define best practices with regard to investor governance and stewardship obligations, policies and processes. The key focus for this framework is public listed companies.

While other frameworks like G20/OECD Principles of Corporate Governance and King IV have also been fronted as best governance practices frameworks, the Insurance Act (Cap 487) spells out the corporate governance guidelines for insurance and reinsurance companies in Kenya.<sup>4</sup> This Act clearly spells out the principles of good governance which include the

<sup>2</sup> The International Bank for Reconstruction and Development/The World Bank – Toolkit 2

<sup>3</sup> International Corporate Governance Network, 2017. 5<sup>th</sup> Edition

<sup>4</sup> <https://www.ira.go.ke/index.php/regulatory-framework/prodential-guidelines/guidelines-to-insurers?start=20>

governance structure of boards, the roles and responsibilities of the board of directors, fit and proper person criteria, the controlling function of the board and the role of the chairman of the board. The Act also gives guidelines on board committee functions and spells out the duties and responsibilities of senior management and the Principal officer.

Regardless of the framework or model an organisation adopts for its corporate governance, the underlying consensus in all these perspectives is that **there is a direct relation between good corporate governance and the success of an organization – regardless of the industry or sector that the organization serves.**

## 2.4 DEFINING A BOARD EVALUATION

Board evaluation has been described as a process that seeks to assess or determine whether the Board of an organization is on track to achieve the desired outcomes and results outlined in the board’s strategic plan. The evaluation also seeks to reveal the strengths and areas of development of the individual members. In addition, a good evaluation will also reveal areas or issues that should be focussed on and addressed for the Board to achieve the desired results. Board evaluation is an integral part of board governance and therefore the board should take ownership of the evaluation including implementation of its outcomes.

## 2.5 BENEFITS OF A BOARD EVALUATION

From a global perspective, various research has proven that conducting regular and effective Board evaluations has led to strong leadership and commitment from both Board members and management. In addition, the evaluations have helped clarify roles with regard to the Board, CEO and management. The role of board committees and individual members has also been clarified. Board evaluations have also enhanced teamwork within the Board leading to a healthy relationship. Other benefits include improved accountability and responsibility within the Board and management, enhancement of effective communication to stakeholders and within the Board, and last but not least, more effective and efficient Board operations.

## 2.6 AREAS GENERALLY COVERED IN A BOARD EVALUATION

According to OECD, there are “Four Dimensions” of a Board evaluation that have been agreed upon internationally. These dimensions are illustrated in the diagram below:

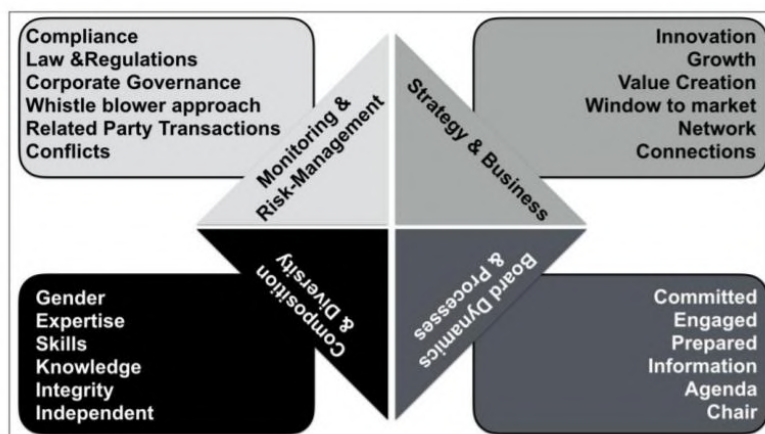


FIGURE 1 - OECD'S “FOUR DIMENSIONS” OF A BOARD EVALUATION

## **2.7 GLOBAL VIEWS OR EXPERIENCES WITH BOARD EVALUATIONS**

A research by The Corporate Secretaries International Association Limited (CSIA) in 2018 revealed some global trends and practices in Board evaluations that have been summarised below.

It has been more than three decades since board evaluation practices were originally introduced as part of good corporate governance.

1. Evaluating the performance of the board has become common practice in many countries, however, while many organizations indicated that evaluations were completed on a voluntary basis, in many instances organizations have not necessarily embraced board evaluations as mandatory yet. Nevertheless, there has been an increase in respondents who have completed the evaluation.
2. While the basis for most evaluations entailed a questionnaire and interviews or engagement to gain greater insights, the focus of evaluations has shifted from conformance or compliance to a variety of holistic aspects (conformance, performance, the future strategy etc), performance or a combination of performance and conformance.
3. Most companies still reported externally on whether an evaluation has been completed or not without including qualitative information on the evaluation, the board's performance or the plans for improvement. Improvements are needed in this area.
4. Improvements in board and individual performance were experienced in instances where evaluations were performed. However, some companies indicated that recommendations of the evaluation had not been implemented at all.
5. Respondents regarded board evaluations as value accretive especially when taken seriously by the board

In his research article titled *What Makes Great Boards Great* (Harvard Business Review), Jeffrey A. Sonnenfeld states that "what distinguishes exemplary boards is that they are robust, effective social systems." He goes further to identify the following as attributes of exemplary Boards:

1. A virtuous cycle of respect, trust and candour.
2. A culture of open dissent
3. Fluid portfolio roles
4. Individual Accountability
5. Focus on performance evaluation

These attributes can be achieved through a disciplined process of administering effective Board evaluations regularly as stipulated in the organization's policy and implementing the recommendations.

### **3. SCOPE**

The broad scope of this assignment covered the board evaluation of CIC Group and the three subsidiaries in Kenya (CICAM, CIC Life and CIC General Insurance) for the period covering

the year 2020. This evaluation was conducted online. Our online Board evaluation tool evaluated the performance of the CIC Group Board in the following areas:

1. Evaluation of Individual Board Members (Peer Evaluation)
2. Evaluation of the Board as a whole by all Board Members
3. Evaluation of the Secretary of the Board
4. Evaluation of the Chairman of Board
5. Evaluation of the Chief Executive Officer
6. 360 degrees' feedback for individual board members

### **3.1 PREPARATION FOR THE EVALUATION**

A pilot evaluation was created and a dry-run conducted from 10<sup>th</sup> to 11<sup>th</sup> February 2021. The participants included the Group CEO of CIC Group, the Managing Directors of the respective subsidiaries and the respective Company Secretaries. Input from the participants was used to improve the evaluation. The link to the evaluation was sent to the participants on 18<sup>th</sup> February 2021. Directors were trained on 19<sup>th</sup> February 2021 – the same day the evaluation officially began. The evaluation period lasted until 23<sup>rd</sup> February 2021.

Throughout this process, we worked closely with the two Company Secretaries – Mary Wanga (Subsidiaries) and Gail Odongo (CIC Group), and Peter Abande, and we thank them for their support.

### **3.2 DATA ANALYSIS AND INTERPRETATION**

Data has been analysed and provided as a summary in *Section 7* of this report.

### **3.3 360-DEGREES FEEDBACK**

The 360-degrees feedback does not form part of this report. However, an overall perspective of the feedback based on areas of the evaluation has been provided as part of this report.

Each member will receive their individual reports. Copies will also be given to the Board Chairman who will, as part of his feedback session discuss these with the respective Board members for appropriate action.

### **3.4 ONE-ON-ONE INTERVIEWS**

One-on-one interviews with the Board Chair, the Group CEO and Company Secretary were conducted during the week of 22<sup>nd</sup> and 29<sup>th</sup> February 2021 and their feedback has been incorporated in the qualitative analysis of the evaluation.

### **3.5 PRESENTATION TO THE BOARD**

The Board evaluation summary was presented on 15<sup>th</sup> March 2021 during the CIC Group full board meeting. Comments were noted and the report updated accordingly.

## **4. PARTICIPANTS**

Below is the list of the nine Board members and the non-Board members who participated in this evaluation:

1. Mr. Japheth Magomere - Group Chairman

2. Mr. Peter Nyigei - Vice Chairman
3. Mr. Gordon Owuor
4. Mr. Michael Wambia
5. Mr. James Njue
6. Mrs. Rosemary Githaiga
7. Mrs. Jyoti Patel
8. Mr. David Ngunjiri
9. Mr. Patrick Nyaga - Group CEO
10. Edwin Otieno - Committee Member (Non-Board Member)
11. Cornelius Ashira - Committee Member (Non-Board Member)
12. Judith Oluoch - Committee Member (Non-Board Member)

Julius Nyaga did not participate in the evaluation.

## 5. METHODOLOGY, PROCESS & STRUCTURE

### 5.1 ONLINE BOARD EVALUATION

An online evaluation tool was designed to make the process simple and accessible on the go. This approach achieved 92% participation with 92% completion rate. The evaluation was successfully completed over a period of 5 calendar days.

Through the evaluation tool, an online link with clear instructions on how to access the online questionnaire was sent to the Board members' email addresses. To ensure maximum participation, reminder emails were auto-generated by the evaluation tool and regularly sent to members who had either not participated or not completed the evaluation. The security functions of the tool ensured that Board members did not have access to each other's responses.

The evaluation tool took into consideration previous Board evaluations and covered the following areas as highlighted earlier:

1. Evaluation of Individual Board Members (Peer Evaluation)
2. Evaluation of the Board by all Board Members
3. Evaluation of the Secretary of the Board
4. Evaluation of the Chairman of Board
5. Evaluation of the Chief Executive Officer
6. 360 degrees' feedback for individual board members

The areas which were covered are shown in *Table 1* below:

TABLE 2 - STRUCTURE OF CIC GROUP BOARD EVALUATION

Section	Evaluation Areas
<b>Part A</b> Peer Evaluation	Individual Board members' preparedness, contribution, competence, value addition, understanding of business context, commitment, communication and listening skills, independence and open mindedness, and one thing that the Board member should do more of, and less of, respectively.
<b>Part B</b>	Board operations; understanding of business context; Board meetings; Board

Collective Board evaluation	performance; Board training; Board commitment; Board diversity; orientation of new members; Board's relationship with the Chief Executive Officer & Management; stakeholder engagement; Board updates; strategic focus; succession planning; ethical conduct; risk management; Board development; priority areas for 2020; areas of improvement;
<b>Part C</b> Company Secretary	The Company Secretary was evaluated in the following areas; effectiveness in managing Board meetings; inducting new Board members; compiling and sharing Board papers and minutes; process improvement; communicating important information to Board members; training and development; ensuring compliance to regulatory and legal requirements; supporting the Chairman effectively; and areas of improvement.
<b>Part D</b> Board Chairman	The Board Chairman was evaluated in the following areas; leadership capability; contribution; dedication; preparedness; strategic focus; independence; working relationship with stakeholders; communication skills; conflict management skills; personal attributes; adherence to good corporate governance; working relationship with the Chief Executive Officer; and areas of improvement.
<b>Part E</b> Chief Executive Officer	The Chief Executive Officer was evaluated in the following areas; leadership attributes; ability to develop and execute strategy; ability to communicate CIC Group's corporate philosophy; engagement with stakeholders; engagement with the Board; working relationship with the Chairman and senior management; ability to effectively lead CIC Group; ability to implement effective internal controls; risk management; implementing Board decisions; ability to coach and guide management; and areas of improvement
<b>Part F</b> Board Committees	The Board Committees were evaluated in the following areas; Members' understanding of the role of the Committee; achievement of Committee's mandate; competency and skillset alignment of members; adequacy of



	resources; access to information and expert advice; meetings; time management; relationship with the Board; consistency of member participation and contribution; appropriateness of Committee size; relationship between members; and areas of improvement.
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## 6. SUMMARY OF EVALUATION

### *Online Board Evaluation*

This section includes a summary of the evaluation based on the respective sections. Board members were requested to evaluate their peers, the collective Board, the Company Secretary, the Board Chairman, the Chief Executive Officer and the Board Committees. The quantitative evaluation was based on a 5-point Likert scale that allowed participants to rate the level to which they agree or disagree with the respective statements. Below are the values in the Likert scale with their corresponding levels:

- 5 – Strongly agree
- 4 - Agree
- 3 – Neither agree nor disagree
- 2 - Disagree
- 1 – Strongly disagree

In addition, a field was provided for participants to add comments or additional information to support their respective choices.

### **6.1 OVERALL PERFORMANCE**

Below is a summary of the overall performance of the CIC Group Board and in the respective areas of evaluation. An overview of each of the areas is provided in the sections that follow.



FIGURE 2 - OVERALL PERFORMANCE - 2020 CIC GROUP BOARD EVALUATION 2020

## 6.2 PART A - PEER EVALUATION

Below is a summary of the evaluation of *Part A* of the questionnaire.

While *Part A* was a Peer evaluation of individual Board members, this section will not include individual evaluations which will be submitted to the respective Board members as mentioned earlier. However, the analysis below is a summary of the Board members' overall performance in the respective areas of evaluation.

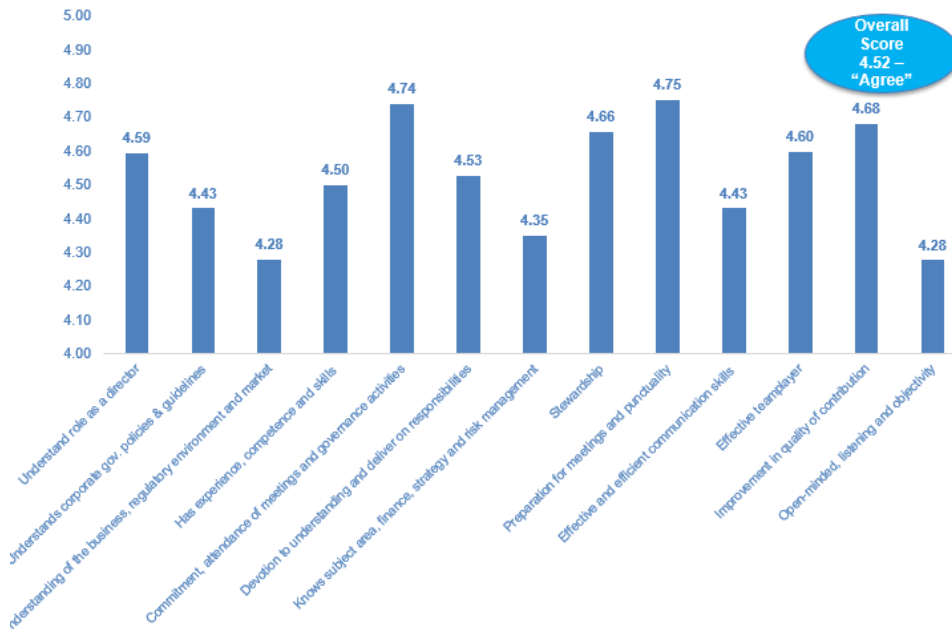


FIGURE 3 - SUMMARY OF PEER EVALUATION

The Peer evaluation reveals that Board members collectively scored an average of 4.52 (Agree) out of a maximum of 5.0 in the peer review. **This is a 90.4% score. The highest score is in "Preparation for meetings and punctuality," while the lowest scores are in two areas – "understanding corporate governance, policies and guidelines," "understanding of the business, regulatory environment and market" and "Being open-minded, listening and objectivity."**

In addition to the evaluation in the areas above, Board members were asked to state one thing that each director should do more of, and one that they should do less of respectively. *Figure 4* below comprises the most recurring themes and some themes that stood out as the directors responded to the questions:

**Directors should do MORE of**



- Teamwork
- Communicate with clarity
- Being decisive
- Listening to others
- Have strategic focus
- Being proactive
- Being open and honest
- Challenge openly
- Share experience

**Directors should do LESS of**



- Having a short-term perspective
- Lacking confidence
- Being too aggressive
- Impatience with management
- Not taking an independent stand
- Not participating

FIGURE 4- PEER REVIEW - AREAS OF IMPROVEMENT OR ENHANCEMENT

**6.3 PART B - COLLECTIVE BOARD EVALUATION**

In *Part B*, the participants evaluated the overall performance of the Board. *Figure 5* below reveals a summary of the evaluation in the respective areas, and an overall average score of 4.25 or 85%.

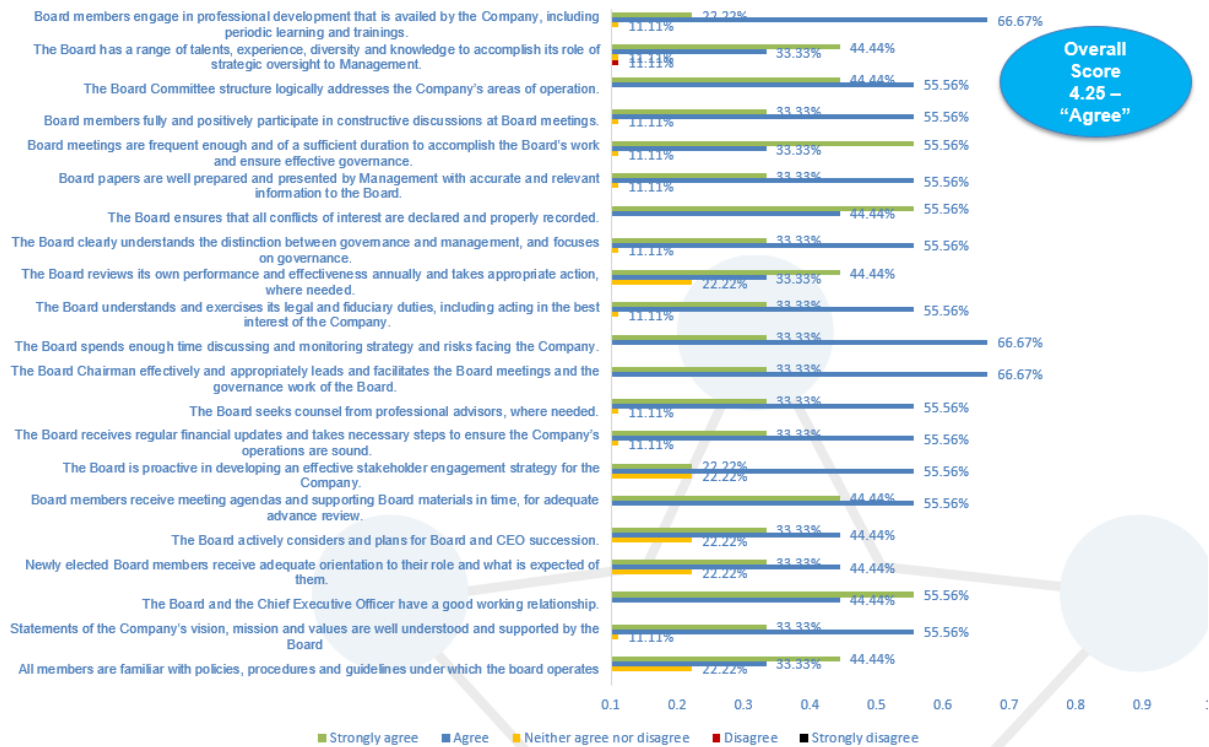


FIGURE 5- COLLECTIVE BOARD EVALUATION

While the results reveal that Board members generally agree that the Board is performing well, the evaluation also shows that there are 5 areas that 22% of Board members rated at “Neither agree nor disagree”. **The highest performance ratings were achieved in the effectiveness of the Board in addressing conflict of interest and in the relationship between the Board and the CEO. The lowest score is in the extent to which the Board is proactive in developing a stakeholder engagement strategy.**

During the evaluation, participants were requested to state areas that they believe had improved and areas that still needed further improvement. They were also asked to state what they believe should be the priority areas for 2020, what the Board should do more of, and less of in future, and suggestions for topics to be included in the Board trainings. Their responses have been summarised below and in the pages that follow.



FIGURE 6- BOARD EVALUATION - AREAS THAT HAVE IMPROVED AND NEED IMPROVEMENT

**Priorities over the next 12 months**

- Business growth and profitability
- Support the GCEO – in getting resources & business turnaround
- New markets
- Revisit the strategy to align with the impact of Covid-19
- Strategy and innovation
- Turn-around strategy in VUCA environment
- Implement the new strategy
- Long-term organization structure
- IT environment in the organisation
- Risks and controls
- Creating a strong management team
- Branch profitability
- Growing shareholder value
- Entrenching performance-based system and culture
- Sell Kajiado and Kiambu land.

FIGURE 7 - BOARD PRIORITIES FOR THE NEXT 12 MONTHS

With regard to priorities for the next 12 months, common themes that can be identified are a general concern for CIC Group’s performance with regard to business growth and development (profitability, business turn-around, performance, selling land and shareholder value), strategy and risk management. Technology and innovation are also key areas that the Board would like to focus on.



FIGURE 8 - WHAT THE BOARD SHOULD DO MORE OF AND LESS OF

With regard to what the Board should do more of and less of, a common theme is the desire to improve business performance and to focus on strategy. The desire to improve on leadership

and governance also stands out as a key theme. Worth noting also is the concern regarding boardroom politics which may affect cohesiveness if not addressed effectively.

Figure 9 below shows the topics that the Board highlighted for training in 2021. These are categorised into three key areas – strategy, leadership and governance, and risk and compliance.



FIGURE 9 - TRAINING TOPICS FOR THE 2020 BOARD TRAINING CALENDAR

#### **6.4 PART C - F EVALUATION OF THE COMPANY SECRETARY, CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND BOARD COMMITTEES**

While Part C, D, E and F of the evaluation focussed on the Company Secretary, Chairman, the Chief Executive Officer and Board Committees this section covers Board Committees and leaves the rest of the results to be submitted to the respective individuals.

##### **6.4.1 EVALUATION OF THE BOARD COMMITTEES**

The CIC Group Board comprises three committees, namely; Finance and Investment, Audit and Risk, and Governance and Nomination, Human Resource and Remuneration. The evaluation results in figure 10, 11 and 12 below reveal that the Finance and Investment Committee achieved a rating of 4.54 (90.8%), Audit and Risk achieved 4.20 (84%), while Governance and Nomination, Human Resource and Remuneration achieved 4.80 (96%).

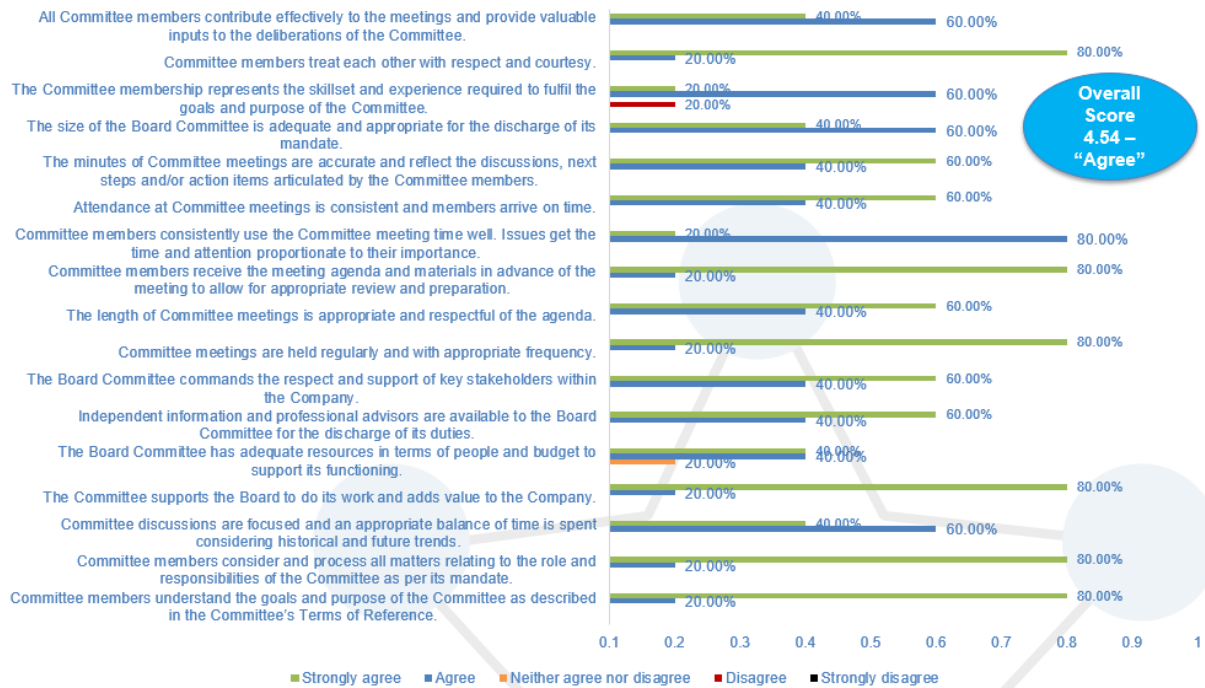


FIGURE 10 – FINANCE AND INVESTMENT COMMITTEE

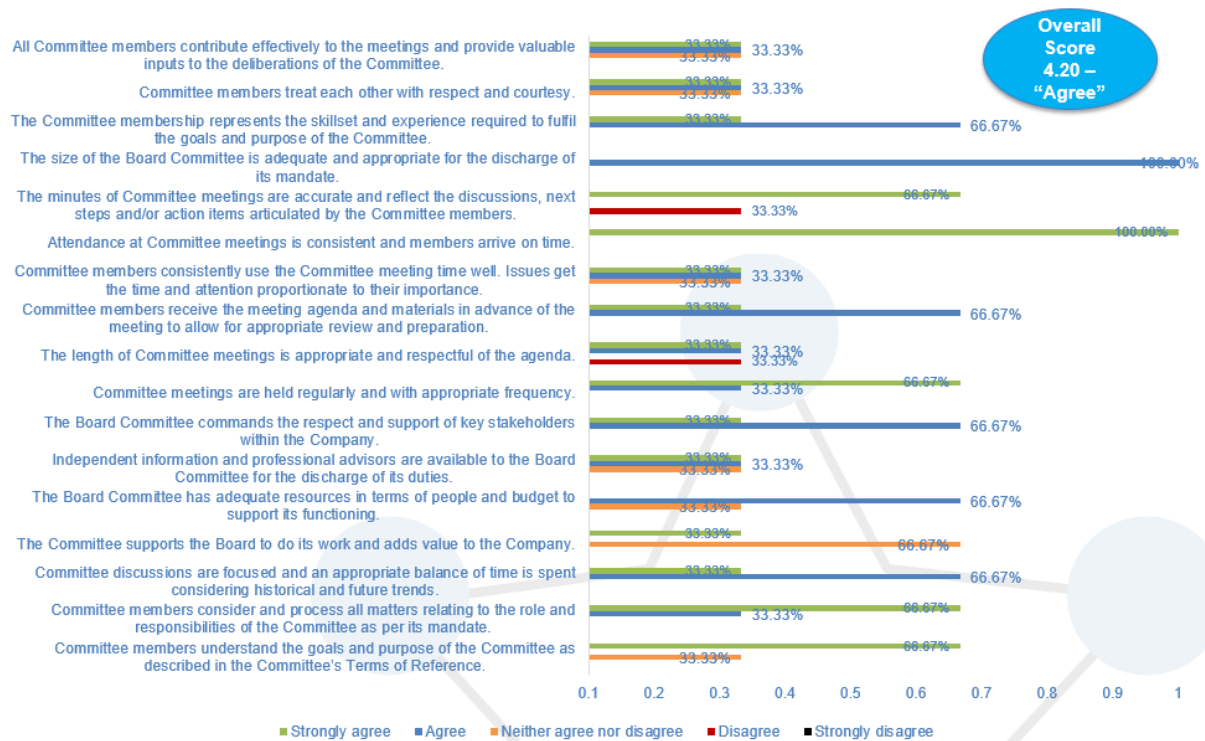


FIGURE 11 – AUDIT AND RISK COMMITTEE

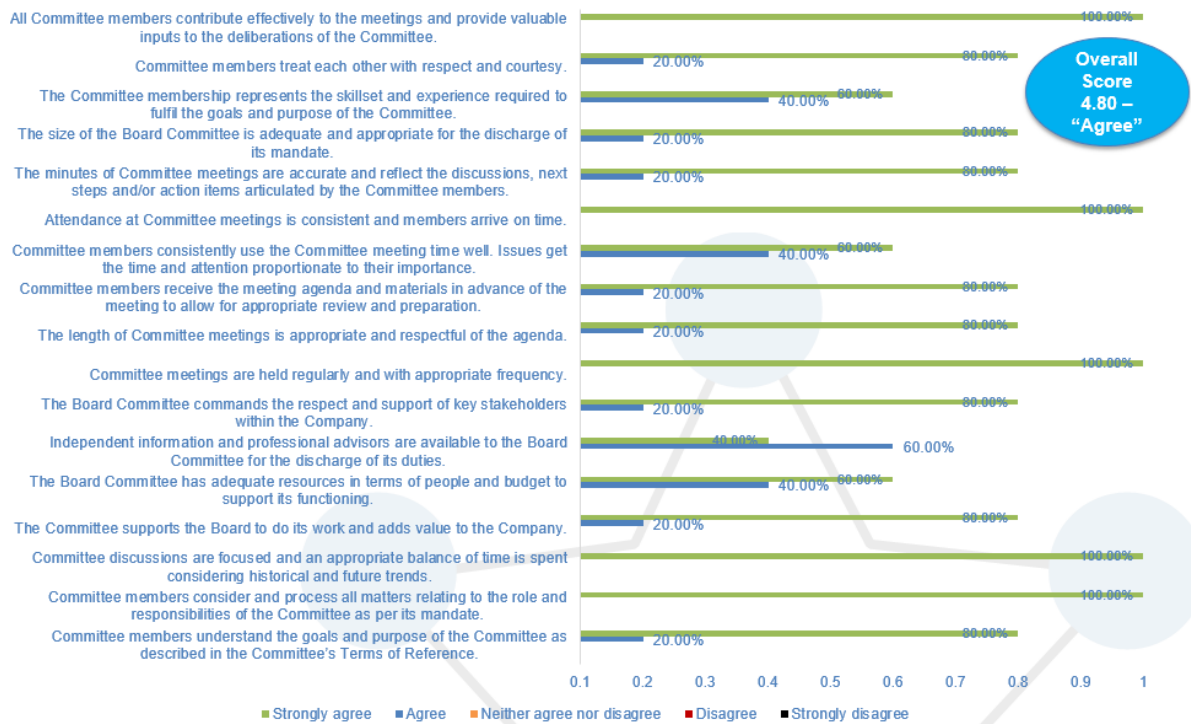


FIGURE 12 – GOVERNANCE & NOMINATION, HR & REMUNERATION

### Areas of Improvement for Board Committees

Participants were asked to state areas where they feel that the respective committees improved and need to improve since the last Board evaluation. This feedback has been summarized in figure 13 and 14 below.



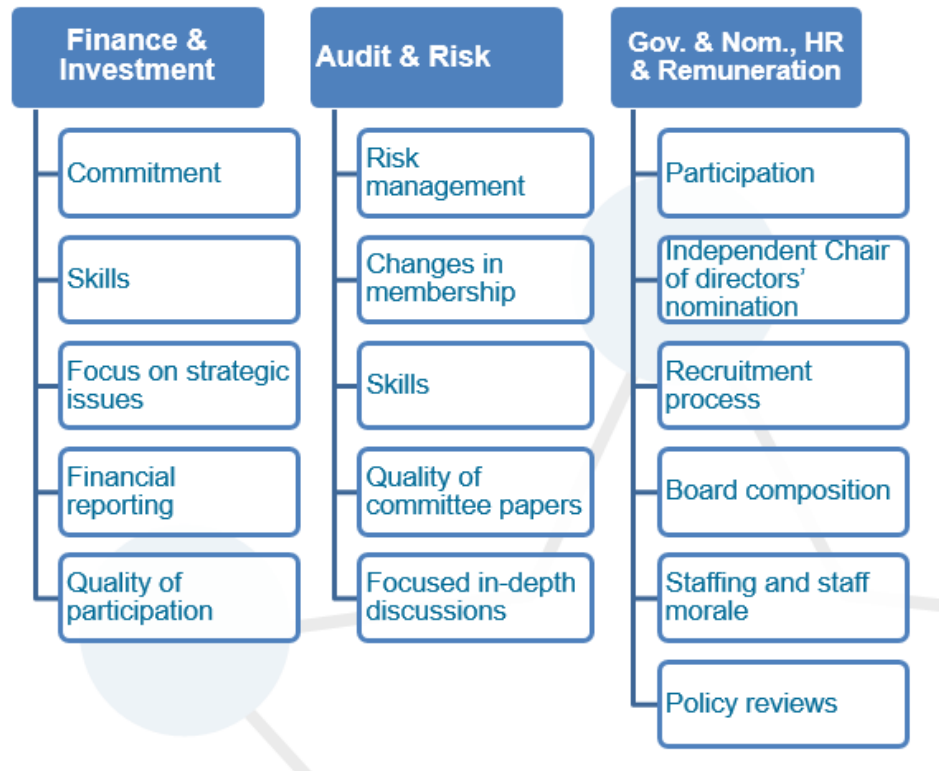


FIGURE 13 - IMPROVEMENTS IN COMMITTEES SINCE THE LAST BOARD EVALUATION

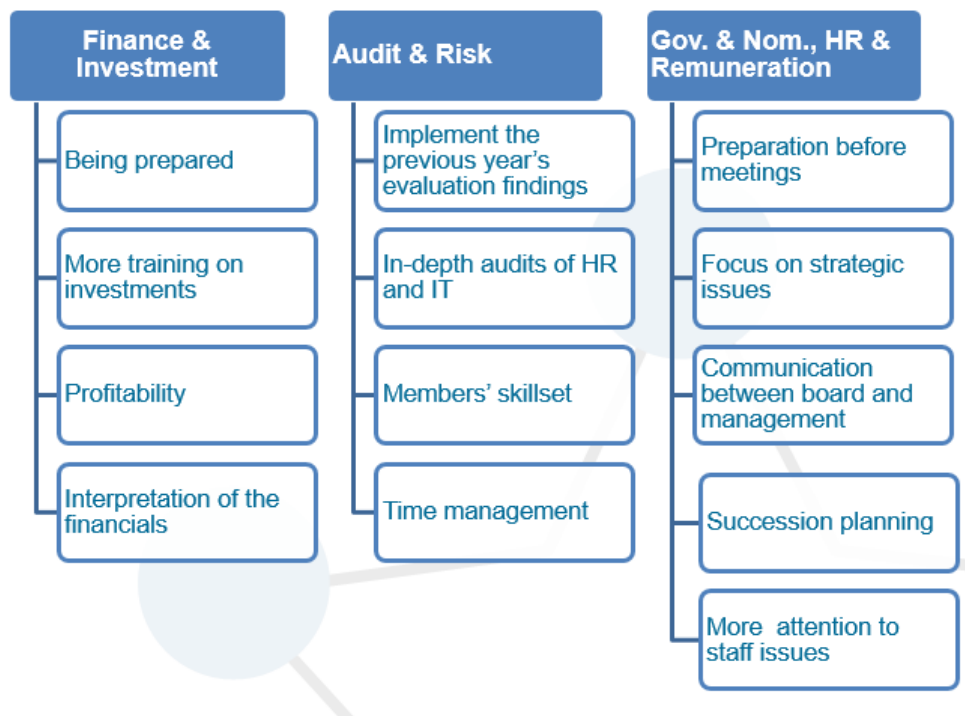


FIGURE 14 - AREAS THAT NEED IMPROVEMENT SINCE THE LAST BOARD EVALUATION

Participants were requested to identify what in their opinion should be priority areas for the respective Board Committees in the next 12 months after the evaluation. *Table 2* below is a summary of the respective priority areas.

TABLE 3 - BOARD COMMITTEE PRIORITIES OVER THE NEXT 12 MONTHS

Finance & Investment	Audit & Risk	Gov. & Nom., HR & Remuneration
Invest more	Overhaul the internal audit function	Invest more
Risk management	Safeguard members/ shareholders money	Performance management focus/ culture
Sale of Kiambu land to offset the financial costs	Appoint an additional independent director	Training in new challenges, risk and governance
Paying the bank loan	Strengthening the risk culture in the organisation	Succession planning
Close and proactive monitoring of strategy	Pay shareholders dividends	Review controls
Getting a strategic investor	Framework and Implementation of controls, systems and processes across the group	Ethical culture
To monitor the debts	Appoint additional staff in the Audit department	Attract and retain top talents
Capital injection to the business.		Review our grades
Identify other sources of revenue		

Figure 15 and figure 16 below summarize responses to the evaluation questions on what the respective Board Committees should do more of, and what they should do less of.

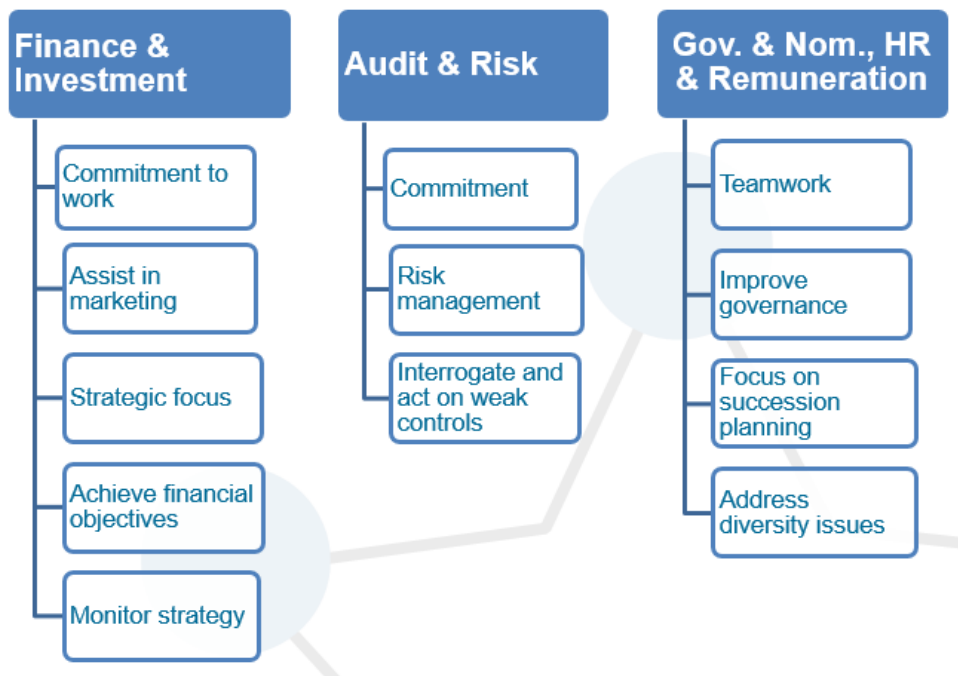


FIGURE 15 - WHAT THE RESPECTIVE BOARD COMMITTEES SHOULD DO MORE OF

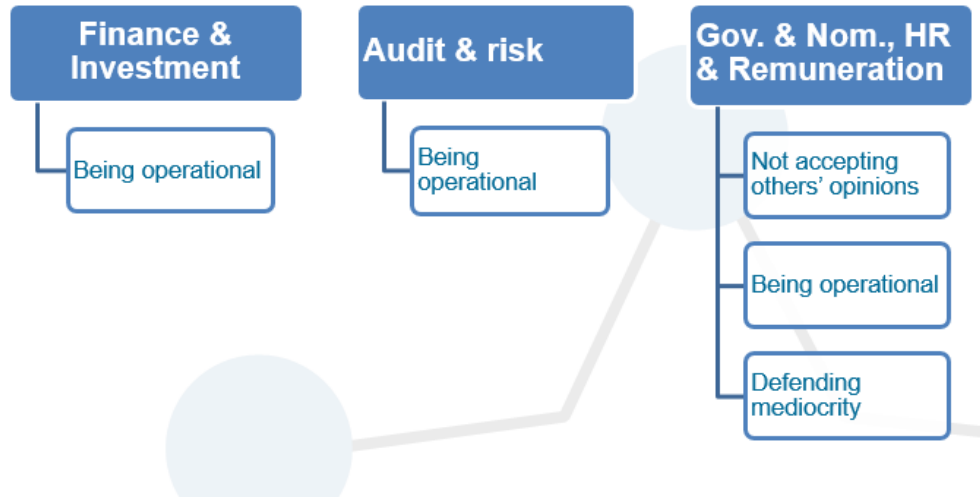


FIGURE 16 - WHAT THE RESPECTIVE BOARD COMMITTEES SHOULD DO LESS OF

## 6.5 KEY FINDINGS

### *Overall Board Performance*

The findings from the quantitative analysis reveal that there is a general agreement by the participants to the effect that the CIC Life Board is performing well (above 4 or 80% on the Likert scale). However, the evaluation reveals that in 71% of the evaluation areas in the Collective Board Evaluation, some Board members either “disagree” or “neither agree nor disagree” with the direction that the Board is going. The areas that the Board is excelling without reservations are:

- a. Working relationship between the Board and the CEO
- b. Receiving of meeting agenda and support material on time
- c. The Chairman’s leadership
- d. Time spent on discussing and monitoring strategy and risk
- e. Declaration and recording of conflicts of interest
- f. Board committee structure

The quantitative evaluation reveals that all Board members agree or strongly agree with the manner in which conflict of interest is handled by the Board. However, the qualitative evaluation reveals concerns regarding the conflict of interest amongst Board members between the interest of the organizations they represent and the interest of CIC Group. This has led to conflict of interest with regard to short-term gains versus long-term sustainability of the Group.

*Table 3* below summarises the areas that the Board should perceive as opportunities for improvement based on the quantitative analysis. It includes the statements that have either “Disagree” or “Neither agree nor disagree” ratings. The table also has statements from the Board Committees evaluations.

## Opportunities for Improvement

TABLE 4 – SUMMARY OF OPPORTUNITIES FOR IMPROVEMENT

<b>Evaluation Question</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neither agree nor disagree</b>	<b>Evaluation Section</b>
Q17: All members are familiar with policies, procedures and guidelines under which the board operates			22%	Collective Board Evaluation
Q20: Newly elected Board members receive adequate orientation to their role and what is expected of them			22%	Collective Board Evaluation
Q21: The Board actively considers and plans for Board and CEO succession			22%	Collective Board Evaluation
Q23: The Board is proactive in developing an effective stakeholder engagement strategy for the Company			22%	Collective Board Evaluation
Q29: The Board reviews its own performance and effectiveness annually and takes appropriate action, where needed			22%	Collective Board Evaluation
Q36: The Board has a range of talents, experience, diversity and knowledge to accomplish its role of strategic oversight to Management		11%	11%	Collective Board Evaluation
Q92: The Board Committee has adequate resources in terms of people and budget to support its functioning			20%	Board Committees Evaluation – Finance & Investment
Q102: The Committee membership represents the skillset and experience required to fulfil the goals and purpose of the Committee		20%		Board Committees Evaluation – Finance & Investment

Q109: Committee members understand the goals and purpose of the Committee as described in the Committee's Terms of Reference			33.33%	Board Committees Evaluation – Audit & Risk
Q112: The Committee supports the Board to do its work and adds value to the Company			66.67%	Board Committees Evaluation – Audit & Risk
Q113: The Board Committee has adequate resources in terms of people and budget to support its functioning			33%	Board Committees Evaluation – Audit & Risk
Q114: Independent information and professional advisors are available to the Board Committee for the discharge of its duties			33%	Board Committees Evaluation – Audit & Risk
Q117: The length of Committee meetings is appropriate and respectful of the agenda		33%		Board Committees Evaluation – Audit & Risk
Q119: Committee members consistently use the Committee meeting time well. Issues get the time and attention proportionate to their importance			33%	Board Committees Evaluation – Audit & Risk
Q121: The minutes of Committee meetings are accurate and reflect the discussions, next steps and/or action items articulated by the Committee members		33%		Board Committees Evaluation – Audit & Risk
Q124: Committee members treat each other with respect and courtesy			33%	Board Committees Evaluation – Audit & Risk
Q125: All Committee members contribute effectively to the meetings and provide valuable inputs to the deliberations of the Committee.			33%	Board Committees Evaluation – Audit & Risk

*Board Committees*

The Board should give the Audit and Risk Committee more focus with a possible deep-dive into the issues to address the concerns revealed from the evaluation.

## 6.6 RECURRING THEMES OF CONCERN TO BOARD MEMBERS

The qualitative analysis of the evaluation reveals the recurring themes of concern summarised in *Table 4*. The themes of concern from the 2020 Board evaluation have been juxtaposed with those from the 2019 Board evaluation to reveal themes that have been rolled over from the previous year. This will help the CIC Group Board to also narrow down on areas that may need closer attention.

TABLE 5 – RECURRING THEMES OF CONCERN – 2020 AND 2019

2020 Board Evaluation	2019 Board Evaluation Comparison
• Strategic focus	• Strategic focus
• Risk management	
• Succession planning	• Succession planning
• Governance	• Board meetings (relevance of agenda) • Board dynamics (between board and management)
• Training and development	• Training & development
• Talent Management	• Talent management
• Performance management	
• Business development - turnaround	• Business development
• Technology	
• Support for GCEO (management)	

## 6.7 COMPARISON WITH THE PREVIOUS BOARD EVALUATION – 2019

The previous Board evaluation was conducted for the 2019 calendar year. This section compares the findings from the current and previous evaluations for CIC Group on its own and also as a Group of companies. *Figure 17* below shows that there was an improvement in the overall performance of CIC Group and Subsidiaries' Boards from a score of 4.25 to 4.34.



FIGURE 17 – CIC GROUP & SUBSIDIARIES' COMPARISON WITH THE PREVIOUS BOARD EVALUATION

*Table 5* below reveals that CIC Group and CICAM registered improvements in their performances in comparison with the previous evaluations. However, CIC Life and CIC

General Insurance registered a decline in performance respectively. CIC Group Board registered an improvement in the overall performance from a score of 4.04 to 4.43.

TABLE 6 – CIC GROUP AND SUBSIDIARIES COMPARISON WITH THE PREVIOUS BOARD EVALUATION

	CIC GROUP		CIC AM		CIC LIFE		CIC GEN	
	2019	2020	2019	2020	2019	2020	2019	2020
Peer Evaluation	4.10	4.52	4.40	4.50	4.50	4.45	4.50	4.74
Collective Board Evaluation	4.10	4.25	4.20	4.27	4.20	4.30	4.20	3.97
Chairman	4.40	4.29	4.30	4.07	4.40	4.29	4.40	4.11
Company Secretary	4.00	4.29	4.20	4.18	4.20	4.29	4.20	3.78
GCEO and MDs	3.20	4.57	4.30	4.55	4.10	4.20	4.10	4.20
Audit & Risk Committee	4.00	4.20	4.30	4.49	4.40	3.79	4.40	4.41
Finance & Investment Committee	4.30	4.54	4.40	4.57	4.50	4.77	4.50	4.66
Gov. & Nom, HR & Remuneration	4.20	4.80						
<b>Overall Board Performance</b>	<b>4.04</b>	<b>4.43</b>	<b>4.30</b>	<b>4.38</b>	<b>4.33</b>	<b>4.30</b>	<b>4.33</b>	<b>4.27</b>

In addition to the comparison above, *Figure 18* below compares the Board's performance in specific evaluation areas.

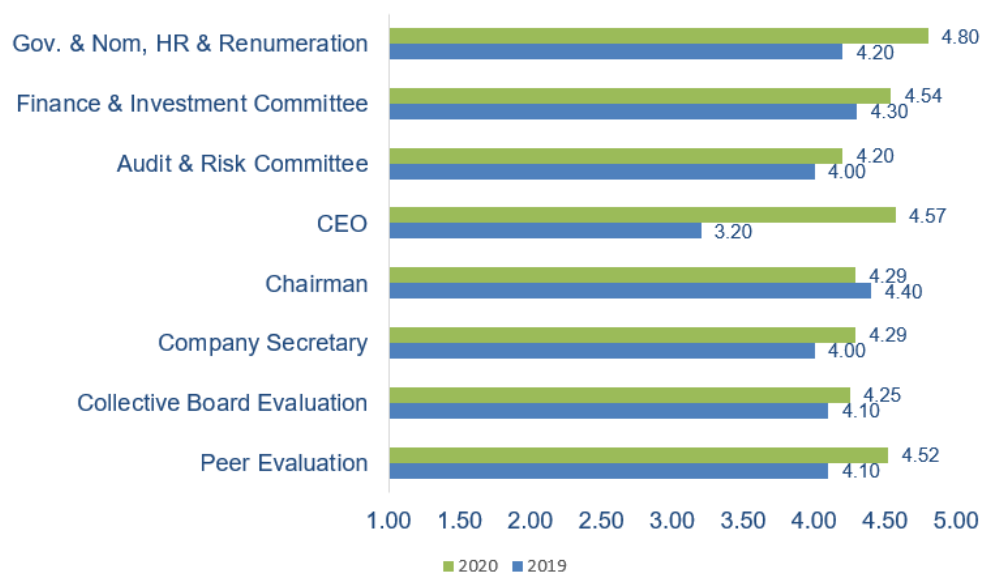


FIGURE 18 - COMPARISON WITH THE PREVIOUS EVALUATION IN SPECIFIC AREAS

### Recommendations from the previous Board Evaluation

Below are the recommendations from the 2019 Board evaluation:

- 1) **Succession Planning:** The Board needs to develop a succession plan for the Board and Senior Management using a structured and proactive process.
- 2) **Board Strategy:** The Board needs to focus its attention on Strategic issues over Operational matters to safeguard the future performance and sustainability of the Company. It should consider setting specific Key Performance Indicators (KPIs) for the Board which can be assessed. It is observed that the results of the Board evaluation do not bear a correlation with the Company's current performance.

- 3) **Board Meetings:** The Board needs to review the order and relevance of agenda items to improve meeting effectiveness and use of time. Items of strategic importance that require substantive Board deliberations and decision should be addressed early in the meeting before routine matters.
- 4) **Board Dynamics:** The Board needs to leverage healthy Board dynamics between Board members and with Management.
- 5) **Advisors:** Board Committees should have access to independent consultants for technical advice and may co-opt members to contribute specific professional expertise.

From the recommendations above, it is worth noting that strategic focus, succession planning and Board dynamics are still key focus areas of concern in the 2020 evaluation.

## 7. PRIORITY AREAS OF FOCUS

Based on the evaluation, below are priority areas (categorized as *High*; *Medium*; and *Low*) that the CIC Group Board should consider to focus on to improve its effectiveness.

TABLE 7 - RECOMMENDATIONS ON PRIORITY AREAS

Areas of Focus	Rating	Rationale
Risk management	High	<p>The evaluation reveals that the concerns in the Audit and Risk Committee need to be addressed as a matter of priority. These include a clear understanding of legal and regulatory risk in order to provide effective leadership in this area.</p> <p>The audit function is a recurring concern that needs to be addressed. With an effective audit function, the Board will realize a reduction of issues concerning controls and compliance.</p> <p>The Board may need to consider separating the functions of Audit and Risk and beefing up the teams at the Management and Board levels. Independent Board members with expertise in these two areas may help strengthen these two functions.</p> <p>Business continuity and enterprise risk management should be incorporated.</p>
Strategic focus	High	One of the key roles of the Board is to provide strategic direction.



		<p>The Board needs to play an active role in not only understanding the strategy but also playing its oversight role to ensure that it is being implemented.</p> <p>Concerns regarding being operational need to be addressed for the Board to focus on strategy and effective stakeholder engagement.</p> <p>The need to adopt strategic thinking within the Board is also a concern that needs to be addressed</p> <p>Business turnaround is a recurring concern across the members which can be addressed by playing a role in strategy implementation</p>
Governance	High	<p>Clarifying the Board's and Management's role will address the concern regarding the Board being operational.</p> <p>Succession planning needs to be given priority as well.</p> <p>We noted that not all the subsidiaries' Board Chairs are members of the CIC Insurance Group Board. The respective Chairs' membership in the Group Board would ensure that the subsidiaries' Board deliberations are appropriately reported to the Group Board by an independent Board member to complement the report on management. It will also strengthen the link between the Subsidiaries and the Group and improve communication within the Group. CIC Group may need to explore how the regulation based on regional representation can be amended to enable subsidiary Board Chairs to join the Group Board.</p> <p>The Board needs to consider coming up with a clear succession plan. The Board may need to consider whether to create a Nomination Committee to handle issues to do with succession and other related matters if the Governance and Nomination, HR and Remuneration Committee is overloaded. The majority</p>

		<p>members of the Nomination Committee could comprise independent directors.</p> <p>The Board needs to review the following Governance areas in the Collective Board evaluation that had “Neither agree nor disagree” responses from some Board members</p> <ul style="list-style-type: none"> <li>• Succession planning &amp; Talent management</li> <li>• Stakeholder engagement</li> <li>• Board performance reviews</li> <li>• Familiarity with Board policies, procedures and guidelines</li> </ul>
Training and development	Medium	The Board should come up with a training schedule that addresses the key areas of concern. This should incorporate digitalization and technologies relevant to the business
Talent management	Medium	<p>Organizations that can retain the best talent today have a competitive edge over their competitors.</p> <p>Concerns regarding adding an independent director should be addressed. However, the independent director will need to have skill-sets and experience that the Board lacks and needs.</p> <p>The Board needs to review the diversity of skills to determine the gap to bridge – for example, HR expertise are lacking in the Board. The Board may consider appointing independent directors to not only bridge the skills gap but to also create diversity.</p> <p>The Board should also address concerns regarding retaining good talent</p>
Management	Low	The fact that Board members have expressed their desire to support the GCEO makes the desire for a strong management team low risk

Technology	Low	<p>The concerns regarding technology seem to be more about understanding the environment</p> <p>The desire to support the GCEO should translate into supporting management to address IT concerns</p>

## 8. RECOMMENDATIONS

The Board evaluation has provided excellent feedback for the board to consider and implement in its journey to greatness. Below are our recommendations for the next step.

### *a. Addressing challenges/key areas of concern*

We recommend that the Company Secretary prepares an action matrix with dates and responsibilities for the implementation of the recommendations once discussed and agreed by the Board. The committees should take up their respective areas of responsibility and come up with action points. These actions should then be monitored and progress reported at the board meetings.

The Chairman should have a one-on-one discussion with each individual Board member and share their feedback.

This will form a good basis for comparison during the next evaluation period. It will also ensure that the Board evaluation is not relegated to a “compliance check-box” activity but is used to improve the Board’s effectiveness and the Company’s performance. The Leadership Group will be available to assist in guiding the process where necessary.

### *b. Board evaluations for all subsidiaries*

The Board needs to consider incorporating other subsidiaries in Malawi, Uganda and South Sudan into the Board evaluation cycle. This will ensure that the respective Boards also benefit from applying best practices in governance and improve on their effectiveness.

### *c. Strategic focus and SP 2021-2025*

As the CIC Group Board and Management implement the 2021-2025 Strategic Plan, it is important to comprehensively review the following:

- vi. Talent required (Board and management) to deliver the strategy
- vii. The role of technology in achieving the strategy – especially automation, digitization and data analytics
- viii. Succession planning
- ix. Board governance
- x. Risk management and business continuity.

The Board needs to discuss the strategy with Management, even if it is through virtual sessions. The Board and Management may use this opportunity to develop a

framework to enable CIC Group and the Subsidiaries to work together as a team to cross-sell each other's products. The Company's currently operate like "silos."

**d. Training on subjects proposed by the board**

With regard to board training, develop a training calendar early enough to address the priority training areas. The Board needs to adopt a mechanism of ensuring that the knowledge that is acquired through training is applied.

**e. Defining and adopting Board KPIs**

We recommend that the Board Chair and CEO consider work together to implement an effective leadership and governance framework and establish KPIs through the balanced scorecard. Tracking and assessing progress in Board responsibilities like monitoring achievement of strategic objectives, monitoring operational and financial results, ensuring organization performance improvement, monitoring organizational risks and ensuring good financial and non-financial reporting, rely on well-defined Board KPIs.

**f. Board composition**

We recommend that the Board increases the number of Independent Board members in order to create diversity and to address the skills-gap within the Board.

**g. The Board maturity ladder**

We propose the incorporation of a Board maturity assessment as part of the next evaluation to determine the maturity level of the CIC Group board. This assessment will provide an opportunity for the CIC Group Board to measure itself against global best practice frameworks. This will assist in developing a maturity roadmap for the Board.

In conclusion, the two evaluations (2019 and 2020) both reveal that the overall Board's performance is above 4.0. This high rating is also reflected in the peer review of the current evaluation. The evaluation reveals a good level of performance by members, both as a full Board and as individuals, which sets a base for the board to make concerted effort to move from "Good" to "Great." The very high ratings that Board members gave each other in the peer review also provides opportunity for the Board to review the level of openness of members with regard to providing candid feedback. In particular, the disconnect between the very high evaluation ratings and the poor Company financial performance needs the board to put in place a Board Performance Scorecard that will form a basis of continuous tracking and enable the board close this gap.

We at The Leadership Group would like to thank the Board of CIC Group for giving us the opportunity to work with CIC Group through this board evaluation exercise and look forward to continued relationship.