



THE 4th CHAPTER SEMINAR – SOUTH AFRICA

Theme: *Harnessing Sustainable Economic Growth and Human Development in Africa*

Venue: **The Capital Empire, 177 Empire Place, Cnr. Rivonia Road, Sandhurst, Sandton, Johannesburg, 2031, South Africa.**

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Corporate governance principles of harnessing sustainable economic development

Presenter

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30 August 2019

Capitalism: Is it.....?



“The only responsibility of a corporation is to increase profit for its shareholders.”

Milton Friedman
Capitalism and Freedom
1962

Or is it.....?



“The business of business should not be about money, it should be about responsibility. It should be about **public good**, not private greed.”

Julian Richer
The Ethical Capitalist
2018

UN Sustainable Development Goals 2030



UN SDG's – why are these relevant.....?



GOAL 1: No Poverty

GOAL 2: Zero Hunger

GOAL 3: Good Health and Well-being

GOAL 4: Quality Education

GOAL 5: Gender Equality

GOAL 6: Clean Water and Sanitation

GOAL 7: Affordable and Clean Energy

GOAL 8: Decent Work and Economic Growth

GOAL 9: Industry, Innovation and Infrastructure

GOAL 10: Reduced Inequality

GOAL 11: Sustainable Cities and Communities

GOAL 12: Responsible Consumption and Production

GOAL 13: Climate Action

GOAL 14: Life Below Water

GOAL 15: Life on Land

GOAL 16: Peace and Justice Strong Institutions

GOAL 17: Partnerships to achieve the Goal

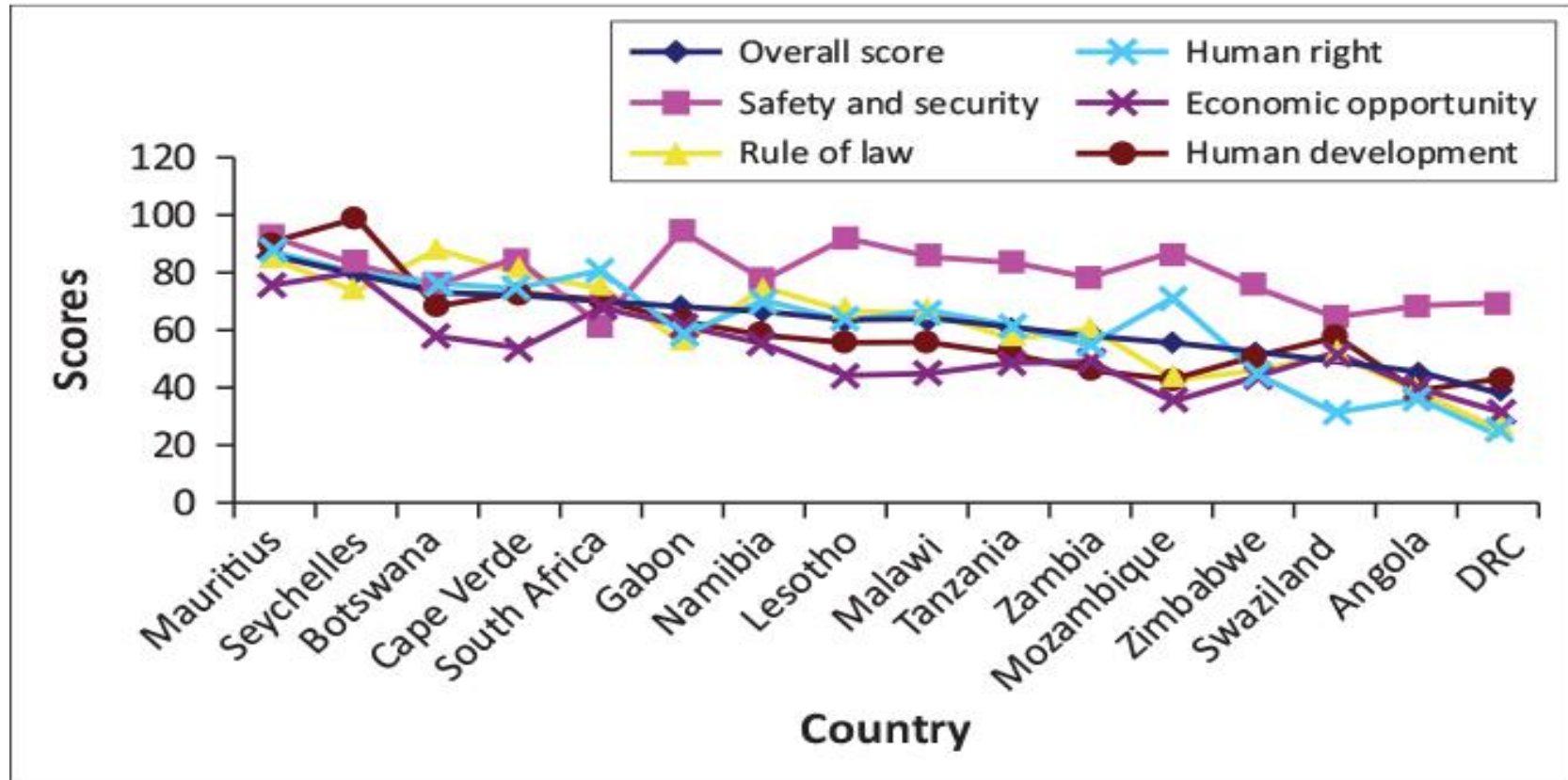
UN SDG's – why are these
relevant.....?



“The UN's Sustainable
Development Goals Aren't Just
Doing Good -- They're Good
Business”

Jonquil Hackenberg
Forbes Magazine
29 August 2019

A picture of “African governance” in 2007.....



Source: IIAG 2007

FIGURE 1: Ibrahim index of African Governance.

Sustainable development – a fundamental concept of KIV



“Sustainable development, understood as “conducting operations in a manner that meets the existing needs without compromising the ability of future generations to meet their needs”, is a primary **ethical and economic imperative** in response to the challenges and opportunities posed by the organisation being an integral part of society and its status as a corporate citizen.”

King IV definition of corporate governance.....



Corporate governance, for the purposes of King IV, is defined as the exercise of **ethical and effective leadership** by the governing body that results in the achievement of the following **governance outcomes**:

- an ethical culture;
- good performance and value creation;
- effective control; and
- legitimacy.

King IV definition of value creation.....



“The process that results in the increases, decreases or transformations of the capitals caused by the organisation’s business activities and outputs. The value creation process therefore has neutral, positive and negative outcomes.”

In other words.....doing more of the good you do and less of the bad you do.....

The Capitals.....Financial; Human; Intellectual; Social; Manufactured; Natural (Integrated Reporting Framework, IIRC)

King IV.....Outcome based



Governance outcomes



Principles



Recommended Practices

Responsible corporate citizenship and value creation



- **King IV, Principle 3: Responsible corporate citizenship** – The Board should ensure that the organisation is and is seen to be a responsible corporate citizen

In the.....

- Workplace
 - Economy
 - Society
 - Environment
- **King IV, Principle 4: Strategy and performance** – The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

Sustainable development and the role of the Board...



- The role of the Board as explained by King IV:
 - “Setting” the strategic direction
 - Approving the policies and plans required to achieve the strategy
 - Overseeing and monitoring that strategy and plans are implemented
 - Ensuring accountability through reporting and disclosure

But it is not only the Board's responsibility.....



“Accounting and finance has to change at its very essence. The finance professional today should not only prepare the financial statements according to financial reporting standards; the finance professional has a critical role to play in the change from maximizing profits for shareholders to maintaining value creation in a sustainable manner. His or her role is more of a **value officer** than a financial officer.....”

Mervyn king & Jill Atkins
Chief Value Officer
2016

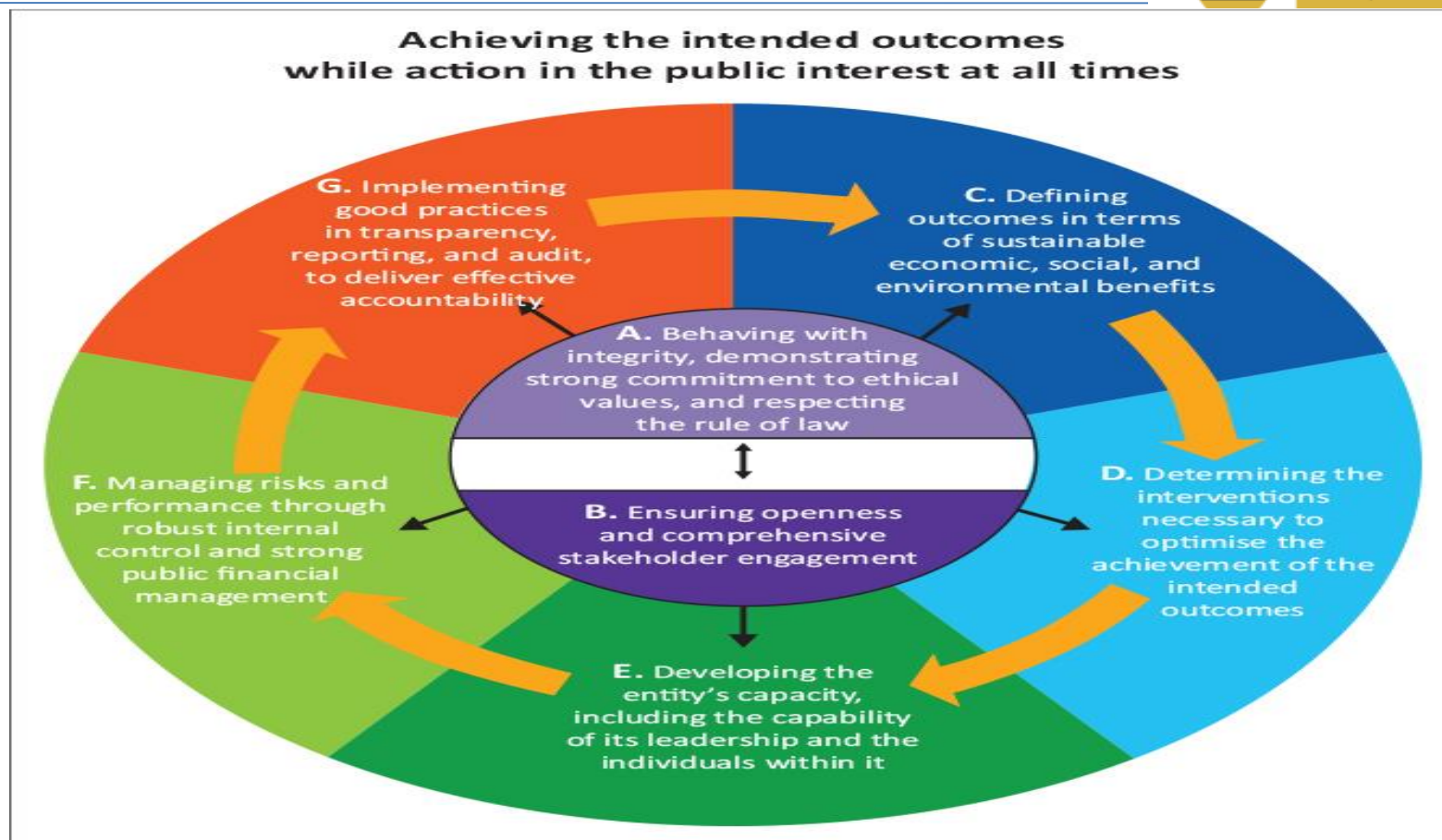
And it is critical for Africa....



“No matter who you speak to these days, Africa is seen as an exciting investment frontier. To ensure that this investment indeed occurs and then translates into benefits for Africa’s people, it’s vital that the continent’s businesses are able to compete successfully. Creating a corporate governance framework that is effective will help achieve both those goals.....”

Jane Valls, CEO and chairperson, African Corporate Governance Network (ACGN)

So what should we do....



Source: IFAC & CIPFA (2014:12)

FIGURE 2: Good corporate governance in Africa: A framework illustrating relationships between the principles for good governance in the public sector.

But it is not only in the hands of corporates.....



For good corporate governance, African states must undertake the following among other things:

Short term

- to signal a departure from excessive political decisions;
- to strengthen current good corporate governance structures.

Medium term

- to implement in an accountable manner public management functions;
- to create a working environment which attracts both domestic and international investors.

Long term

- to demonstrate a desire to achieve high levels of good corporate governance practices that promise sustainable development;
- to implement poverty reduction and development policies.

Let it be about the public good, in
the public and the private
sector.....



“.....the challenge in Africa is one of determining if, indeed, governments are there to rule for narrower interests or for the public good. As such African leadership is challenged to use the political space which they occupy to influence development of good **corporate governance policies** for **sustainable development** as suggested in this article. The task ahead for sustainable development in Africa’s public sector is for African countries to redirect their efforts in applying good economic and corporate governance practices as highlighted herein....”

Corporate governance in Africa’s public sector for sustainable development: The task ahead, Daniel Chigudu, Journal for Transdisciplinary Research, October 2018

Thank you.....



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