

The **ABC's** of corporate governance

A summary of corporate governance through **Accountability, Board & Corporate Citizenship (ABC)**

In an ever-evolving work environment, good governance continues to be a pinnacle in promoting reputation and trust to stakeholders.

Good governance ensures good standing with the Legislation, Regulators, Statutory, and Authority bodies, therefore, making organizations attractive to its stakeholders and investors.

Practicing good governance can lead to several benefits, including the likelihood of improving performance, ensuring stability, productivity and even sustainability in the long term. Furthermore, it aids in reducing risks and enables faster and safer growth.

The governance regime in Botswana has adopted the **“Apply or Explain”** concept of King III Code of Governance which has been the minimum requirement for compliance to governance over the past few years. However, recently, organizations have complied with **“Apply and Explain”** representing King IV Code of Governance, which is also popular in the Southern African Region.

According to King IV Code of Governance, corporate governance is explained as the ‘exercise of ethical and effective leadership by the governing body towards the achievement of the governance outcome that includes, ethical culture, good performance, effective control and legitimacy’. The **“Apply and Explain”** concept emphasizes the principles and practices that ought to be abided by. It can also be summarized in the **ABC's** as follows:

A for Accountability

Refers to the liability which a person in a position of power has to someone else. In essence, the leadership of a company’s liability to the shareholder. In addition, accountability can also be noted as a characteristic of the board being the governing body of the company that is responsible for the strategic deliverables of the company.

As a characteristic of the governing body, accountability is one of the values a director should possess in exercising their fiduciary duty to the company, including acting with, integrity, fairness, competence, responsibility, independence, and transparency.



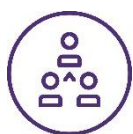
The principles that address accountability include:



To act and lead ethically and effectively. Govern ethics in a way that supports the establishment of an ethical culture.



Appreciate the risks, opportunities, strategy, business model, performance and sustainable development of the company they serve, to ensure the creation of value.



Ensure that the delegation within its own structures promotes independent judgment and assist with the balance of power and the effective discharge of its duties.



Ensure that the evaluation of its own performance and that of its committees, its chair, and its members, support continued improvements in its performance and effectiveness.

B for Board

The Companies Act (2022) of Botswana Section 126 defines a **Director** as a person occupying the position of “**Director**” or alternative director of the company who is entitled to exercise, control, and manage a company under the delegation of the Board with the person’s consent.

The term “**Board**” in relation to a company, means a collective group/cohort of directors of the company operating within the required quorum, acting together as the **Board of Directors**.

The Board is responsible for managing, directing and supervising the business and affairs of the company. This is to be done in good faith and the best interests of the company. As the company’s governing body of primary governance, the board;

- Directs the organization’s strategy
- Approves the policies that ensure the direction of the strategy
- Oversees and monitors the implementation and executions of management
- Exercises accountability to ensure that the board exercises its governance,
- Statutory and fiduciary responsibilities

The structure of the board can be defined in two ways:

- 1) A Unitary Board is a single board of directors comprising executive directors and non-executive directors that is accountable to the shareholder.
- 2) The two-tier Board has a supervisory board, which is responsible for general oversight of the company and the management board. A management board that has oversight of management issues led by the CEO.

In Botswana, the common practice is the Unitary board. There are several board structures to note, that include:

- Shareholder representatives (Executive Directors (ED’s)).

- Shareholder representatives who could also be senior executive management (ED’s).

- Shareholder representatives (Executive and Non-ED’s).

- Non-Executive Directors (NED’s), Independent Non-Executive Directors (INED’s).

- Non-Executive Directors (NED’s), Independent Non-Executive Directors (INED’s) and Executive Directors (ED’s).

However, in line with best practice, companies inclined to the Board that consists of a majority being INED’s to emphasize and ensure that the board acts independently of the company with independent minds in the best interest of the company as well as ensuring that the interests of the shareholders, directors and stakeholder can all be sufficiently satisfied.

In terms of the role of the board in ensuring corporate governance, the Board should have an appropriate balance of knowledge, skills, experience, diversity and independence to exercise the duties of the board. The Board should govern technology and information, comply with applicable laws, promote transparency, achieve the strategic objectives and ensure functions enable an effective control environment that supports integrity in information and decision-making.

C for Corporate Citizenship

This essentially speaks to recognizing that the company is an integral part of the broader society in which it operates and contributes to the greater good of the community's development. This can often mean the company's response to Corporate Social Responsibility (CSR) and in recent times, the response to Environmental, Social and Governance (ESG) at a broader scope and the economic welfare of society.

As an integral part of society, the corporate status becomes important. Corporate Citizenship creates a meaningful impact on the community which brings a variety of benefits that include, building trust with customers, uniquely differentiating yourself apart from competitors, attracting quality talent, increasing employee development and engagement, promoting employee retention and enhancing stakeholder management.

Corporate citizenship can lead to a sustainable business resulting in an opportunity to create value around social, economic and environmental performance. Ensuring the sustainability of the business leads to securing the future generation's opportunity to benefit from the business as well as create a positive economic impact on the country.

Corporate citizenship in good governance can be considered to have three characteristics that include:



Sustainability – this principle ensures that companies should create programs that can be carried out over time and have a long-lasting impact on the future of the community it serves.



Accountability – companies should appreciate that they are accountable to their stakeholders to ensure they achieve the objectives of corporate citizenship and do so efficiently to ensure sustainable use of natural resources and protect the environment.



Transparency – ensuring that a company defines the social objectives in a way that can be understood by stakeholders.

It is safe to say corporate citizenship essentially addresses the development of the Integration of social, environmental, and economic issues to which the Board should address all other stakeholders in the

society around health, welfare, safety economic, social and environmental matters.



Achieving best practices in corporate governance

Governance is essentially about effective leadership, stakeholder inclusion and the integration of social, environmental and economic issues. In Botswana, the Botswana Accountancy Oversight Authority (BAOA) and the Botswana Stock Exchange (BSE) have provided guidance whereby the minimum governance standard to be adopted would be the King III Code of Governance.

How we can help

At Grant Thornton, we serve to assist our clients with the best practices of corporate governance and ensure compliance and alignment with the company's relevant legislative and regulatory bodies.

Services we provide under corporate governance:

- Board Induction
- Minutes Secretarial
- Board & Committees Evaluation
- Drafting Board Charter
- Drafting Committees Terms of Reference
- New Board Member Research
- Board Skills Analysis
- Board Annual Plan
- Board Succession Plan
- Board Training
- Governance Reviews

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