**TRINIDAD AND TOBAGO**

**CORPORATE GOVERNANCE CODE 2024**

**TABLE OF CONTENTS**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| 1 | Message from the Chairman of the Working Committee | 5 |
| 2 | Working Committee and Steering Committee Composition | 8 |
| 3 | Introduction | 10 |
| A | First Foundational Principle – **Governing Body Effectiveness**  A-1 Principle  A-2 Rationale  A-3 Key Aspects of Practice  A-3(a) General  A-3(b) Capacity Building  A-3(c) The Chairman or Equivalent  A-3(d) Governance Meetings  A-3(e) Corporate Etiquette and Confidentiality  A-3(f) The Corporate Secretary or Equivalent  A-3(g) Remuneration  A-4 Expected Outcomes | 14  14  14  14  14  16  18  19  20  21  21  22 |
| B | Second Foundational Principle – **Oversight and Accountability**   1. Principle 2. Rationale 3. Key Aspects of Practice   B-3(a) Oversight  B-3(b) Accountability  B-3(c) The Audit Committee (or its equivalent)  B-3(d) Independent Auditor  B-3(e) Financial Reporting Processes,  Accounting Policies and Internal Control  B-3(f) Ethical compliance, legal compliance and  risk management  B-3(g) Internal Audit Charter  B-3(h) Risk Governance   1. Expected Outcomes | 23  23  23  23  23  25  28  31  32    34  35  36  36 |
| C | Third Foundational Principle – **Stakeholders and Disclosure**   1. Principle 2. Rationale 3. Key Aspects of Practice   C-3(a) Stakeholder Policy  C-3(b) Stakeholder Strategy and Framework  C-3(c) Continuous Stakeholder Engagement  C-3(d) Constructive use of the General Meeting  C-3(e) Intragroup Stakeholder Relations  C-3(f) Employee Relations  C-3(g) Health, Safety and Data Protection  C-3(h) Timely and Balanced Disclosures   1. Expected Outcomes | 37  37  37  37  37  38  38  39  39  42  42  43  44 |
| D | Fourth Foundational Principle – **Corporate Sustainability, Ethics and Enduring Value Creation**   1. Principle 2. Rationale 3. Key Aspects of Practice   D-3(a) Business Continuity  D-3(b) Environmental, Social and Governance initiatives  D-3(c) Ethical Behaviour  D-3(d) Integrity Through Leadership  D-3(e) Ethical Leadership Dimension   1. Expected Outcomes | 45  45  45  45  45  46  47  50  50  53 |

**FOREWORD:**

**A Message from the Chairman**.

In November 2013 I was a Member of the Working Committee chaired by Retired Justice of Appeal Roger Hamel-Smith that devised the Trinidad and Tobago Corporate Governance Code (“*the Code*”) directed primarily to companies with public accountability.

The Code, which was voluntary and the first of its kind locally, was the product of a partnership initiative led by the Caribbean Corporate Governance Institute, the Trinidad and Tobago Chamber of Industry and Commerce and the Trinidad and Tobago Stock Exchange.

The Code was principle - based and followed international best practices and was specifically customized to acknowledge indigenous commercial and business practices; particularly, its objective was to enhance governance, strengthen transparency and efficiency in the market and improve investment culture by underscoring high level Principles, Recommendations and Guidelines on a voluntary *apply or explain* basis.

The Code’s Five (5) Key Principles were:-

1. Establish a Framework for Effective Governance;
2. Strengthen the Composition and Performance of Board and Committees;
3. Reinforce Loyalty and Independence;
4. Foster Accountability; and
5. Strengthen Relationships with Owners.

Ten (10) years after its unveiling, a brand new 2024 Corporate Governance Code is now available with key differences:-

* 1. the new Code has widened its scope to include (in addition to companies with public accountability) other forms of business enterprises, including private companies, state agencies, not-for-profits, non-governmental organizations, charities, family-owned businesses, partnerships and membership associations;
  2. the new Code has cascaded the Five (5) Key Principles, Recommendations and Guidelines into Four (4) Foundational Principles, namely:-
     1. Governing Body Effectiveness;
     2. Oversight and Accountability;
     3. Stakeholders and Disclosure; and
     4. Corporate Sustainability, Ethics and Enduring Value Creation; and
  3. the new Code draws on the very latest governance trends discussed in, for instance, the 2021 Jamaica Corporate Governance Code, the October 2022 King IV Report on Corporate Governance for South Africa, the March 2021 Corporate Governance Guidelines issued by the Central Bank of Trinidad and Tobago, the ISO 37000 (2021) Governance of Organisations[[1]](#footnote-1) and the G20/OECD Principles of Corporate Governance, for practical application but, equally, harmonizes with the Companies Act Chapter 81:01 of the Revised Laws of the Republic of Trinidad and Tobago and other local legislation.

In his highly acclaimed text *Stop the Rot* (2017), Bob Garratt[[2]](#footnote-2) underscored three (3) values of any business organization, namely, accountability, probity and transparency and explains the challenge of persuading a doubtful public that these can fructify into a business culture driven by values.

Similarly, Bob Tricker in Corporate Governance (3rd Edition)[[3]](#footnote-3) makes the point that all corporate entities need governing, and this governing body is responsible for identifying the organisation’s direction, formulating strategy and policy making, supervising management and being accountable.

The new Code reflects these global governance trends configured for specific local needs; it is, however, adaptable and sufficiently intuitive to reward organisations which implement its provisions; I anticipate that implementation would not be merely a box-ticking exercise.

While the new Code is not (nor is it intended to be) a one size fits all model, it does proceed on the basis that all four (4) Foundational Principles have universal application irrespective of the form of business enterprise, that is to say, they apply equally to private and public companies, state agencies, not-for-profits, NGOs, charities, family owned businesses and membership organisations. This is on the basis that every business enterprise has a governing body whether it is a partnership, executive committee or board of directors.

To that end, this new Code fits most Trinidad and Tobago business models and I invite these business enterprises to consider a voluntary adoption of most if not the entire Code.

The development of this new Code also reflects the contributions of a Working Committee whose composition permitted different interests and perspectives to be presented for consideration. The new Code is, therefore, not a compromise but an amalgamation of these different views which were then filtered through consultation. I am indebted to all members of the Working Committee for their passionate embrace of the principles of best practice corporate governance.

Finally, I am grateful to the three (3) partnering organisations, namely, the Caribbean Corporate Governance Institute, the Trinidad and Tobago Chamber of Industry and Commerce and the Trinidad and Tobago Stock Exchange as well as the Steering Committee which devised the mandate for the Working Committee. I also greatly appreciated the enthusiastic support of the Secretariat led by Ceronne Bayley.

***Ronnie Bissessar S.C.***

***Chairman, Trinidad and Tobago Corporate Governance***

***Code Working Committee***

***08th January 2024***

**WORKING COMMITTEE MEMBERS**

|  |  |
| --- | --- |
| 1 | Ronnie Bissessar S.C. – Head of Chambers, Lawgivers |
| 2 | Frances Bain-Cumberbatch - Chief Legal and External Affairs Officer, Ansa McAl Group of Companies |
| 3 | Lindi Joy Ballah-Tull - General Counsel and Group Corporate Secretary of First Citizens Bank Ltd |
| 4 | Dawn Callender - Chairman of the Board of Commissioners, Regulated Industries Commission |
| 5 | Carolynn Chalmers - CEO, Good Governance Academy |
| 6 | Franka Costelloe - Director, Lifetime Roofing Ltd. |
| 7 | Wayne Dass - CEO, Caribbean Information and Credit Rating Services Ltd. |
| 8 | Peter Ganteaume - Deputy Chairman, Guardian Holdings Ltd. |
| 9 | Stacy-Ann Golding - Executive Chairman, S.N Golding Financial Services Limited |
| 10 | Chandradath Maharaj - Chief Financial Officer, TATIL Life |
| 11 | Daniella O'Connor - Consultant |
| 12 | Angelique Parisot-Potter – Former Executive Vice President / Business Integrity & General Group Counsel at Massy Group of Companies |
| 13 | Jacqueline Quamina - Governance Consultant, Independent Director |
| 14 | Denise Roopnarinesingh - Group Legal Manager, Trinidad Cement Limited. |
| 15 | Ravi Rajcoomar S.C - Attorney at Law, Head, Invictus Chambers |
| 16 | Paula Rajkumarsingh - Director, Amaranth Business Solutions Ltd. |
| 17 | Inez Sinanan - Director, Trinidad and Tobago International Finance Centre |

**STEERING COMMITTEE MEMBERS**

|  |  |
| --- | --- |
| 1 | Fé Lopez Collymore – Chair of the Steering Committee and Director of the Caribbean Corporate Governance Institute |
| 2 | Ronnie Bissessar S.C. – Head of Chambers, Lawgivers |
| 3 | Stephen De Gannes – Chief Executive Officer of the Trinidad and Tobago Chamber of Commerce |
| 4 | Eva Mitchell – Chief Executive Officer of the Trinidad and Tobago Stock Exchange |
| 5 | Kamla Rampersad de Silva – Chief Executive Officer of the Caribbean Corporate Governance Insitute |

**SECRETARIAT**

|  |  |
| --- | --- |
| 1 | Ceronne Bayley – Corporate Governance Consultant |

**INTRODUCTION**

Corporate governance has been defined in many ways throughout the years. In 1992 the Cadbury Committee defined corporate governance as *the system by which companies are directed and controlled* and underscored that *Boards of directors are responsible for the governance of their companies*[[4]](#footnote-4). In 2023 the G20/OECD in its revised corporate governance principles noted that corporate governance *involves a set of relationships between a company’s management, board, shareholders and stakeholders. Corporate governance also provides the structure and systems through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance are determined*.*[[5]](#footnote-5)*

While there may be no single definition of corporate governance, theorists and corporate governance practitioners around the globe agree on one thing: Organizations that adopt sound corporate governance practices perform better, enjoy long-term sustainability and are trusted by its shareholders and stakeholders. Weak governance, conversely, leads to failing companies, corporate scandals, lasting reputational problems and perhaps more importantly but yet often overlooked, broken people and families.

It is critical that we acknowledge that there is an inextricable link between corporate governance and the life of each and every individual in society. On the surface, this may seem like a far stretch. Some may ask *How does my behaviour in a Boardroom affect the life of someone I never met?* Consider this scenario: Sue has been working for ABC Ltd. for the past ten years. She is an asset to her organization and has been promoted several times. A Governance Code has recommended and its regulatory body has mandated that ABC Ltd adopt a Code of Ethics. The organization has done so, however, decisions and behaviour that violate the Code are repeatedly tolerated by the organization’s leaders, causing a toxic workplace environment for Sue. Sue, once a high achiever, has become withdrawn and her performance suffers. No attempt is made to determine what could be causing the change in Sue. Sue continues to come to work every day to battle a toxic environment. She longs for the years when the environment was positive and inspiring. Sue eventually becomes very ill and suffers from Acute Stress Disorder arising out of challenges at work. Sue’s family is thrown into turmoil and must seek the help of therapists. Sue becomes pregnant and suffers a miscarriage because of workplace trauma. Sue is never the same again and unable to contribute to the broader economy.

Every organization exists for a particular purpose and its leaders hold the power to cause significant harm or significant benefit to others in their pursuit of organizational purpose. Whether those individuals are employees, customers, suppliers, investors, or even Board directors themselves, every Board director, under section 99 of the Companies Act Chapter 81:01 of the Revised Laws of the Republic of Trinidad and Tobago, is entrusted with a statutory duty of care to the company, and in determining what are the best interests of a company, a director shall have regard to the interests of the company’s employees in general as well as to the interests of its shareholders.

Therefore, Board directors must avoid the promotion of themselves and ensure that systems are in place to prevent agency conflict. Agency theory, developed in 1932 by Berle and Means[[6]](#footnote-6), posits that there exists a principal-agent relationship between shareholders and directors with directors being the agents of the shareholders. In such a relationship, the agent is expected to represent the best interests of the principal above their own. Agency conflict arises when directors act in their own interests contrary to the principles of agency theory. Central to the recommendations in this Code is the need to promote company interests over self-interests.

The organizations that adopt the recommendations in this Code, either in whole or in part will realize:-

1. improved ethical leadership and governing body effectiveness;
2. improved operational and financial performance;
3. increased access to financing;
4. improved stewardship, oversight and accountability;
5. improved enterprise wide risk management;
6. improved monitoring and evaluation;
7. improved investor protection and confidence;
8. reduced cost of capital;
9. improved stakeholder relationships; and
10. improved resilience and long term sustainability.

The Code, being principle-based, adopts an *apply or explain* approach, requiring companies to apply the principles or explain why they have not done so. This approach allows governing bodies the flexibility to tell a story of how corporate governance is being applied having regard to their own unique circumstances and complexities.

It is envisaged that companies will be called upon to report on their application of the Code by their respective regulatory and supervisory bodies such as the Trinidad and Tobago Securities and Exchange Commission, the Central Bank of Trinidad and Tobago and relevant Line Ministries of Government in the case of State Enterprises.

It is noteworthy that in Trinidad and Tobago legislation has already recognized the need for effective corporate governance practices and incorporate them into law. For example, an important change to the Insurance (Amendment) Act 2020 is the inclusion of provisions to strengthen internal controls, risk and capital management and corporate governance. This led to the Central Bank of Trinidad and Tobago (CBTT) in 2021 issuing revised corporate governance guidelines to those companies regulated by the CBTT. This trend is expected to continue in Trinidad and Tobago as many countries are now adopting a hybrid approach to corporate governance combining mandatory laws and regulations with voluntary principle-based codes of best practice. For this reason, governing bodies ought to be aware of the legal and regulatory environment in which they operate and use the Code’s recommendations as a means of achieving them.

Further, the Code’s structure is heavily influenced by the International Standard on Corporate Governance prepared by the International Organization for Standardizations (ISO 37000:2021 (E)) which demonstrates how the application of corporate governance principles enables a company to realize its purpose and achieve desired outcomes. As such, the rationale, key aspects of practice and expected outcomes of each principle are presented.

**A.** **GOVERNING BODY EFFECTIVENESS**

**A-1 Principle**

The corporate governance framework for effective governance requires that the organisation is headed by a governing body accountable to the organisation and its owners with oversight responsibility for management and for the organisation’s sustainability and enduring value creation. An organization should therefore be led by a governing body that is adequately constituted, trained and supported to allow for maximum effectiveness.

**A-2 Rationale**

An effective governing body is critical to the long term success of any organisation. If an organization is not well led, the effects of poor leadership will permeate and ultimately lead to its demise and failure to fulfil its purpose. Governing bodies that are held to account for their actions will ensure that they perform at the highest standards expected of them and that any powers of delegation to management are exercised with due diligence and skill.

**A-3 Key Aspects of Practice**

**A-3(a) General**

The governing body should, therefore, ensure through its head and its members, that:-

1. policies are prepared, implemented and reviewed affirming the organisation’s vision, mission and purpose and defining its strategic goals and objectives in the short, medium and long term;
2. the organization’s strategy, purpose and values are aligned with its culture. All members of the governing body should act with integrity, lead by example and promote the desired culture. Culture should be continually monitored and assessed;
3. its decisions are implemented timeously and transparently;
4. in its actions and/or conduct, it is accountable to the organisation, its owners and employees as it acts in the organisation’s best interest;
5. the organisation adheres to all relevant laws, regulations, rules, codes, practices and conventions;
6. owners and other stakeholders are periodically provided with high-quality disclosures on the financial and operating results of the organisation, including the overarching socio-economic and environmental ecosphere in which it operates, to enable them to properly understand the nature of the organisation’s business, its current financial position and how it is performing against stated benchmarks and objectives;
7. it provides and continues to provide effective leadership to the organisation, benchmarked against established, objectively assessed performance criteria and prudent controls, which enable performance to be measured from time to time;
8. oversight of the organisation’s business is maintained with *inter alia* strategic planning, management selection, compensation of senior management, succession planning, stakeholder communications, internal controls, performance objectives, risk monitoring and management, codes of conduct and regulatory compliance, firmly in its hands;
9. the performance of the chief executive officer or equivalent is monitored with appropriate succession planning for executive management (or its equivalent);
10. adequate resources are provided and re-distributed to achieve the organisation’s strategic goals and objectives;
11. operational risks that adversely impact business continuity are identified, prioritised and periodically updated with appropriate risk-abatement or risk-mitigation measures put in place, under the purview of a dedicated chief risk officer answerable to the governing body;
12. policies which acknowledge and reward exemplary performance are implemented, to promote employee loyalty and fidelity to the organisation;
13. the organisation takes decisions to minimize the negative impact of its operations and ensure they do not adversely impact on the ecology and natural environment and, in fact, sustain and improve the ecology, natural environment and society as a whole;
14. there is a clear division of responsibilities between the governing body and executive management and within these unitary bodies, the respective duties and responsibilities are plainly identified and remunerated so as to ensure and promote an effective balance of power, such that no single individual has unfettered control of the organisation; and
15. disclosures for a reporting period are made in accordance with best practice for governance disclosure principles and not merely to discharge regulatory, statutory or legal requirements.

**A-3(b) Capacity Building**

The governing body should:-

1. ensure that it is of commensurate numerical size, adequately resourced and competent with the appropriate skill set and experience to discharge its duties and responsibilities effectively;
2. make decisions (particularly high-value ones) based on accurate and reliable data and information which is evidence-based;
3. constitute appropriate committees (or their equivalent) and delegate (where necessary) their responsibilities in accordance with the organisation’s by-law, charter or constitution pursuant to the law and/or governance best practices, so as to enhance independent judgment and bring special expertise in areas such as audit, risk management, election to the governing body and executive remuneration;
4. take collective and final responsibility for all decision-making;
5. encourage diversity in gender, age, racial origins and educational backgrounds in its composition to permit the widest possible perspectives and views;
6. appoint to its members (at least in the minority) persons who are or are generally regarded as independent in character and judgment and are apolitical; and in so doing, determine the criteria or standards of independence;
7. include an appropriate combination of executive (that is, employed by the organisation) and non-executive persons, so that no individual or group can dominate decision-making;
8. devise, implement and be governed by principle-based Codes of Conduct and Ethical Behaviour (in addition to those mandated by law for persons in *public life*) which encourage ethical conduct;
9. ensure that declarations of conflicts of interest and related party transactions are recorded;
10. appoint a nominating committee comprising highly respected persons mandated to nominate persons based on merit and against objective criteria, for election to the governing body, so that there will always be persons with institutional experience on the governing body and the appointment process is formal, rigorous, transparent and fair. The nominating committee should comprise a majority of independent non-executive directors and the Chairman of the Board (or equivalent) may chair the committee except when the committee is considering his successor;
11. implement, at least annually, independent evaluations for its members and the governing body as a whole, which critically assess performance, competencies and attendances benchmarked against agreed criteria and metrics with appropriate induction and training opportunities;
12. formulate its various policies, practices and conventions including committee composition, charters, terms of reference and disclosures in writing in a single document (to be called, variously, a by-law or charter or constitution) which is refreshed from time to time and accessible to stakeholders and, ultimately, the public at large;
13. ensure that all new directors devote time to a comprehensive, formal and dedicated induction process in order to understand the culture of the organization and the environment in which it operates. The induction programme should be tailored to the needs of the directors and implemented in phases to reduce information overload;
14. ensure that the skills of the individual members of the governing body are regularly refreshed through ongoing personal development and training programmes; and
15. develop a Board succession plan that takes into account contingency planning for sudden and unforeseen departures and governing body refreshers that allow for business continuity and the maintenance of a diverse and balanced Board in the future.

**A-3(c) The Chairman or Equivalent**

The Chairman or head of the governing body should:-

1. provide effective leadership to the organisation as a whole and, specifically, to the governing body;
2. not be or operate as the head of the executive management (or its equivalent), and the division of responsibilities should be clearly defined in the organisation’s by-law, charter or constitution;
3. set the board’s agenda with a primary focus on strategy, performance, value creation, culture, stakeholders and accountability and ensuring that issues relevant to these areas are reserved for board decision;
4. shape the culture in the boardroom by ensuring that all views are heard and treated with respect;
5. encourage all board members to engage in board and committee meetings by drawing on their skills, experience and knowledge;
6. fostering relationships based on trust, mutual respect and open communication – both in and outside the boardroom, with members of the governing body and members of senior management;
7. provide guidance and serve as a mentor to directors and senior management;
8. lead the annual board evaluation, with support from the senior independent director as appropriate, and acting on the results; and
9. ensure that the governing body has access to information on a timely basis, inclusive of access to independent advice when required.

**A-3(d) Governance Meetings**

* + - * 1. The governing body should ensure that it conducts regular high level governance meetings (whether convened virtually or in person) including (but not limited to) board and committee meetings with appropriate notice and chaired by the head of the governing body or the convener of the appropriate committee. These meetings should be characterised by formality, candour, decorum and dignity and:-
      1. be *quorate* (as provided for in the by-law, charter or constitution);
      2. be recorded, with decisions, key considerations and deliberations minuted as determined by the head whether *verbatim* or in summary;
      3. be based on an agenda prepared by the head in consultation with the corporate secretary (or equivalent) as approved by the members;
      4. permit discussions and presentations by or through the head who dictates the pace and tone of the meeting;
      5. encourage unanimity in decision-making but where members are deadlocked, a decision may be made by voting (save for *ex officio* members) by a show of hands and in such cases, the chairman of the meeting has an original and casting vote; and
      6. permit a dissenting member to have his/her dissent and the reason for the dissent recorded in the minutes.
         1. Members of the governing body must be able to allocate sufficient time to meet the expectations of the persons appointing them and avoid overboarding. Meeting absences should be approved by the Chairman (or equivalent).

**A-3(e) Corporate Etiquette and Confidentiality**

* + - * 1. The governing body and its head should set the tone in relation to corporate etiquette and the confidentiality ascribed to decision-making by the governing body and members of the governing body and committees are expected to maintain the confidentiality of the discussions, deliberations and decisions, save where such disclosure is required by law; and
        2. The governing body should ensure that important original documents including (but not limited to) incorporation papers, minutes, deeds and legal instruments of and concerning the organisation including embossed seals, stamps and stationery are kept by the organisation’s secretary (or equivalent) as custodian and are adequately secured. Word processors, computers and filing and storage cabinets containing these original documents must be similarly secured.

**A-3(f) The Corporate Secretary or Equivalent**

1. The governing body should ensure that it engages a corporate secretary (or equivalent) to serve as the organization’s Chief Governance Officer and the ‘conscience of the company’; and

(ii) While reporting operationally to the head of the executive management, he/she is the conduit to and answerable solely to the head and members of the governing body. The appointment and termination of the corporate secretary (or equivalent) should be a matter for the governing body as a whole.

**A-3 (g) Remuneration**

1. The governing body and executive management should be remunerated at market rates for similar duties and responsibilities at commensurate type and sized organisations, and the remuneration structures, as determined by the governing body, should reflect the responsibilities, as well as the competencies, qualifications and experience of the incumbent;
2. The governing body should, therefore, develop a formal and transparent policy on remuneration for the governing body members and the executive management which should include, where applicable, profit related bonuses and performance pay. In establishing its remuneration structure and policy, governing bodies should have regard to pay gaps between the remuneration of members of the governing body, senior management and of staff within the organization as well as the organization’s risk appetite and tolerance; and
3. the governing body should consider establishing a committee with responsibility for remuneration that comprises independent non-executive members of the governing body. The committee should recommend compensation packages for executive directors, senior management and directors’ fees. The levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role.

**A-4 Expected Outcomes**

Having applied the recommendations stated here in accordance with the size, sector and complexity of the organizations, it is expected that organizations will achieve the following key outcomes:-

1. a culture that aligns with the organisation’s purpose;
2. an effective governing body performance; and
3. a reduced risk of corporate scandals.

**B.** **OVERSIGHT AND ACCOUNTABILITY**

**B-1 - Principle**

The governing body is responsible for maintaining oversight of the organisation and is accountable to the organisation, its owners, employees, clients and other stakeholders for the organisation’s financial performance and how it conducts its business. Oversight and accountability engender trust and legitimacy and improve financial performance which enhances owners’ equity and value.

**B-2 - Rationale**

Accountability is a globally recognized corporate governance principle that ensures that an organization’s leaders are held to the highest standards expected of them. Governing bodies that are held to account by shareholders and stakeholders ensure that they perform at their best and in turn exercise proper oversight over those to which they have delegated responsibility. Ultimately, accountability helps to minimize or avoid potential conflicts that could arise from the mismanagement of authority.

**B-3 - Key Aspects of Practice**

**B-3(a) Oversight**

The governing body, through oversight, takes corrective action as necessary to ensure that the organisation’s strategic goals and objectives are met and for these purposes:-

(i) The sources of authority and their responsibilities, must be identified in writing and provided to the persons to whom the responsibilities are directed or delegated; these sources include (but are not limited to):-

(a) laws, regulations, rules, practices and guidelines; or

(b) unanimous shareholder agreements, by-laws or constitutions; or

(c) ethical and moral conventions.

(ii) The person to whom responsibility is delegated must account for his actions; the governing body must ask searching questions of and reprimand those who fail to account or who, upon an account being taken, have not fulfilled the responsibilities delegated.

* + - * 1. The governing body should periodically review the organisation’s financial accounting systems, internal controls, risk management and financial reporting and make improvements. Independent oversight is required from time to time through internal audit, external audit, audit committee, enterprise risk committee and risk officers.
        2. The governing body’s oversight function is intended to ensure *inter alia* that:-
        3. assets are safeguarded;
        4. business processes are working in accordance with and within approved parameters;
        5. continuous improvement is recorded against measured objectives;
        6. risks affecting business continuity are identified, prioritised and supported with risk abatement and risk mitigation strategies; and
        7. potential exposure is limited.
        8. The governing body should periodically review organisational performance against previously determined criteria and take corrective action to arrest and reverse declining financial performance and results.
        9. The governing body should receive from executive management (or those responsible for implementing the governing body’s decisions), periodic reports with its/their recommendations which must be considered, so as to:-
  1. improve financial performance and results;
  2. improve terms and conditions for employees;
  3. redirect resources to where it is most required;
  4. re-prioritize risks as part of the organisation’s risk framework, in particular, relating to cyber security and artificial intelligence;
  5. improve data protection and maintain pace with appropriate technological solutions;
  6. identify new stakeholders and deepen existing stakeholder relationships;
  7. improve transparency and cost-effectiveness in procurement procedures;
  8. create a positive organizational culture to facilitate the achievements of organizational strategies, goals and objectives; and
  9. establish whistleblower practices.
     + - 1. The governing body should periodically review and, if necessary, re-design the organisation’s governance framework to make it more agile, responsive and engaging and recalibrate the levels of assurance scrutiny required to provide the governing body, periodically, with independent assessments of its performance against measured criteria; and
         2. The governing body should periodically review the reporting lines of those who provide assurance, internally and externally, to safeguard their independence and authority.

**B-3(b) Accountability**

1. The governing body should demonstrate its accountability to the organisation as a whole and hold to account those to whom it has delegated responsibilities. Accountability engenders trust and legitimacy which improves corporate performance. The governing body should fundamentally delegate and remain accountable to and for the organisation as a whole.
2. The governing body should operate in a fair and transparent manner and ensure that accountability is practised throughout the organization in accordance with:-
   1. law or regulations;
   2. the by-law, charter or the constitution;
   3. regulatory and compliance requirements;
   4. ethical or moral conventions; and
   5. standard business and industry practices.
3. The governing body should therefore ensure that the organisation’s reports and disclosures (to stakeholders):-
   1. describe the organisational purpose, values, strategy and governance framework and provide information about the governing body itself and the organisational culture; and
   2. describe assurance processes that have been applied to support the integrity of the information used or reported.
4. The governing body should also:-
   1. determine the most appropriate reporting methods for the organisation;
   2. ensure that reported information is material, complete, accurate, balanced and timely;
   3. ensure that stakeholders are able to access the reports and disclosures and have the necessary information to make informed assessments of the organisation’s performance over time; and
   4. be available to answer and/or provide responses to stakeholders about decisions made or actions taken.
5. To improve accountability, the governing body should ensure that the organisation’s reports and disclosures to stakeholders provide accurate, reliable and timely information on:-
   1. its financial performance against stated objectives;
   2. the way in which the organisation’s performance was achieved and whether this performance was reasonable in the context of changing governance policies and values;
   3. the actual and potential impact on the resources it uses and on the natural environment and in the social and economic context within which it operates;
   4. the level of influence (if any) exercised by stakeholders and persons who have a controlling interest;
   5. executive management and governing body remuneration including profit related pay and allowances;
   6. any material failure of compliance, why it occurred and how future compliance will be improved;
   7. conflicts of interest positions and how they were resolved (if at all); and
   8. new and emerging organisational risks which threaten the achievement of the organisation’s objectives, including its business continuity, and how these risks are being mitigated and managed.
6. The governing body should, in the organisation’s reports and disclosures (to stakeholders):-
   1. expressly identify potential and actual exposures (including litigation) and in relation to the latter, estimate the exposure in monetary terms;
   2. express confidence in the integrity of the information relied upon (by describing the assurance processes applied);
   3. maintain transparency, but within the limits of business’ confidentiality;
   4. report on historic actions and outcomes as well as future intentions;
   5. use the most appropriate reporting methodologies for the organisation, given evolving trends and stakeholder expectations;
   6. so far as is reasonably practicable, exceed the minimum reporting and disclosure standards as required by law or convention; and
   7. ensure that reported and disclosed information is material, reliable, understandable, accurate, balanced and timely.
7. The governing body should encourage and manage stakeholder engagement to facilitate orderly participation and meaningful use of stakeholder feedback which would contribute to corporate sustainability.

**B-3(c) The Audit Committee (or its equivalent)**

1. Accountability should be driven by the governing body and, for the most part, delegated to an audit committee and a risk management committee (or their equivalent) which is important for:-
   1. maintaining the organisation’s financial stability;
   2. gaining the trust and confidence of investors and stakeholders;
   3. understanding how the organisation can achieve better financial results together with improved corporate governance;
   4. managing key risks; and
   5. supporting accountability within the organization.
2. The audit committee will assist the governing body in overseeing and making recommendations in relation to:-
   1. the integrity of the organisation’s financial statements and the accounting and financial reporting processes and financial statement audits;
   2. compliance with legal and regulatory requirements;
   3. (for public companies) its independent auditor’s qualifications and independence; and
   4. the performance of the organisation’s independent auditor and internal audit function.
3. The audit committee should be given the authority to meet with and seek any information it requires from employees, officers, directors or external parties.
4. The audit committee, in order to properly discharge its functions and duties, should:-
   1. be properly resourced and compensated (including for advisors retained by the audit committee);
   2. comprise members with relevant qualifications who meet the applicable standards of independence (as determined by the governing body);
   3. have at least one (1) member who qualifies as an audit expert;
   4. be provided with annual continuing education and training in financial reporting and other relevant subject-matter areas;
   5. meet at least quarterly, but may meet more frequently as determined by the committee convener, who will prepare the agenda for the committee’s meeting and arrange briefing material for the committee as far in advance of the meeting as reasonably practicable;
   6. ensure that each regularly scheduled meeting concludes with an executive session of the committee, absent members of management;
   7. foster open communication and meet periodically with management, the director of the internal audit function and the independent auditor in separate executive meetings;
   8. meet with the independent auditor and management to discuss the annual audited financial statements and quarterly financial statements, including the organisation’s disclosures;
   9. review and advise on the selection and removal of the internal auditor;
   10. review the activities and organizational structure of the internal audit function, as well as the qualifications of its personnel;
   11. annually, review and recommend changes (if any) to the internal audit charter.
   12. periodically review, with the internal auditor, any significant difficulties, disagreements with management or scope restrictions encountered in the course of administering the audit function;
   13. periodically review the internal audit function’s responsibility, budget and staffing with the independent auditor;
   14. report regularly to the governing body regarding the execution of the audit committee’s duties and responsibilities, activities, any issues encountered, and related recommendations;
   15. review the organisation's audited financial statements and recommend their inclusion in the annual report;
   16. discuss with the independent auditor the internal audit function and the extent to which changes or improvements in financial or accounting practices have been implemented;
   17. review with management, the organisation’s finance function, including its budget, organization and quality of personnel;
   18. conduct an annual performance assessment relative to the audit committee’s purpose, duties and responsibilities; and
   19. perform any other activities consistent with the organisation’s by-laws, charters or constitution or as the governing body or audit committee determines necessary or appropriate.

**B-3(d) Independent Auditor**

1. The governing body shall appoint an independent auditor and:-
   1. oversee the work performed by the independent auditor retained for the purpose of preparing or issuing an audit report or related work;
   2. review the performance and independence of the independent auditor and recommend the removal of the independent auditor to the shareholders, if circumstances warrant;
   3. ensure that the independent auditor reports directly to the audit committee to permit the audit committee’s oversight of the resolution of any emerging disagreements between management and the independent auditor; and
   4. actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the independence of the independent auditor.
2. the governing body shall, at all times, safeguard the independence of the auditor and to this end, should ensure that adequate measures are in place, including (but not limited to) policies regarding the conduct of non-audit services and auditor rotation.

**B-3(e) Financial Reporting Processes, Accounting Policies and Internal Control**

1. The governing body should:-
   1. in consultation with the independent auditor and the internal audit function, review the integrity of the organisation’s financial reporting processes (both internal and external);
   2. periodically review the adequacy and effectiveness of the organisation’s disclosure controls and procedures and its internal controls over financial reporting, including any significant deficiencies and significant changes in internal controls;
   3. consider the scope of the internal and independent auditors’ review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management responses;
   4. receive and review any disclosure from the organisation’s head of executive management or head of finance (howsoever called) made in connection with the certification of the organisation’s quarterly and annual regulatory reports/submissions;
   5. identify significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the organisation’s ability to record, process, summarize and report financial data and report on any fraud that involves management or other employees who have a significant role in operationalising the organisation’s internal controls;
   6. report on concerns regarding accounting principles and financial statement presentations, including any significant changes in the organisation’s selection or application of accounting principles, issues as to the adequacy of the organisation’s internal controls and any special audit steps adopted in light of material control deficiencies;
   7. review analyses prepared by management and the independent auditor identifying significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
   8. review the effect of regulatory and accounting initiatives as well as off-balance-sheet transactions, on the financial statements of the organisation and approve all related-party transactions; and
   9. establish and oversee policies and procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters including confidential, anonymous submissions by employees regarding questionable accounting or auditing practices.

**B-3(f) Ethical compliance, legal compliance and risk management**

1. The risk management committee (or its equivalent or as subsumed within the audit committee) shall:-
   1. oversee, review, and periodically update the organisation’s code of business conduct and ethics and the organisation’s system to monitor compliance with and enforce the code;
   2. review, with the organisation’s counsel (or its equivalent), legal compliance and legal matters that could have a significant impact on the organisation’s financial statements;
   3. carry out a robust assessment of the organisation’s emerging and principal risks with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process of business continuity, as well as the organisation’s major financial risk exposures and the steps management has undertaken to control them;
   4. consider the risk of management’s ability to override the organisation’s internal controls;
   5. make recommendations for the appointment of a chief risk officer reporting directly to the governing body or, alternatively, to the executive management; and
   6. include as emerging risks:-
2. data security and privacy;
3. artificial intelligence;
4. climate change;
5. pandemics;
6. geographical instability; and
7. social discontent.

**B-3(g) Internal Audit Charter**

1. An internal audit charter provides the organization with a blueprint for how internal audit will operate and helps the governing body to clearly signal the value it places on internal audit’s independence. Ideally it establishes reporting lines for the chief audit executive (or equivalent) that support that independence by reporting functionally to the governing body (or those charged with governance) and administratively to executive management.
2. The governing body and its executive management should have clearly defined and articulated operating orders to enable the internal audit function to operate at the highest standard. This is most easily achieved with a well-designed internal audit charter.
3. The internal audit charter should set out the authority of and empower internal audit to execute its functions. This authority should include: unfettered access to records, relevant personnel and physical property, the ability to retain advisory services to support the audit function and general authority to respond to emerging issues.

**B-3(h) - Risk Governance**

(i) The governing body should:

1. oversee and be held accountable for risk governance in the organization and in so doing make the relevant risk disclosures in its annual report or other such reporting mechanisms;
2. establish an enterprise-wide risk framework to ensure that all risks facing the organization can be identified, assessed, managed and reviewed, using proven risk management techniques;
3. establish the organization's risk appetite and limits and ensure that risk is being managed within approved guidelines;
4. ensure that preventative controls are in place to prevent an adverse risk event from occurring, that detection controls are in place to detect risk events when they occur and that corrective controls are in place for dealing with risk events that have occurred;
5. ensure that risk governance remains a key component of its agenda;
6. delegate risk management to independent persons, whether internal or external to the organization, with prudent care and skill; and
7. ensure that it is kept apprised of new and emerging risks facing the organization.

**B-4 Expected Outcomes**

Having applied the recommendations stated here in accordance with the size, sector and complexity of the organizations, it is expected that organizations will achieve the following key outcomes:

1. improved corporate transparency and investor confidence;
2. improved risk management; and
3. reduced risk to auditor independence.

**C.** **STAKEHOLDERS AND DISCLOSURE**

**C-1 Principle**

The governing body should expressly identify and prioritise its stakeholders (including but not limited to employees, clients, owners, members and regulators) and actively engage them in a consultative process to achieve the organisation’s strategic goals and objectives. The governing body should, therefore, have a stated strategy of stakeholder engagement to ensure that effective stakeholder relationships are created and sustained and that stakeholder expectations are managed, but considered in organisational decision-making.

**C-2 Rationale**

As companies move away from adopting the shareholder primacy model of corporate governance of yesteryear, we have been seeing a shift toward a more inclusive stakeholder approach in the way governing bodies operate. New companies’ legislation, for instance, now consider stakeholder interests when providing for the duties of company directors. Further, the South African King Report introduced the inclusive stakeholder approach which requires governing bodies to consider the legitimate interests and expectations of key stakeholders on the basis that it is in the best interests of the company. Taking into consideration the interests of key stakeholders has proven to contribute to the long term success and sustainability of an organisation.

**C-3 Key Aspects of Practice**

**C-3 (a) Stakeholder Policy**

The governing body’s stakeholder policy describes the criteria for identifying stakeholders and how they are to be prioritized or classified and the protocols for engagement in order to foster and sustain productive stakeholder relationships. The classifications should allow the organisation to determine the relevance of stakeholder expectations to its decision-making.

**C-3(b) Stakeholder Strategy and Framework**

The governing body should, therefore, oversee the implementation of strategies and frameworks for managing the organisation’s relationships with its internal and external stakeholders including (but not limited to):-

* + 1. the establishment of a methodology for identifying stakeholders and classifying them based on the materiality of the impact of the organisation’s activities on the stakeholder and vice versa. This should be supported by a documented communication strategy for stakeholder engagement.
    2. the establishment of a methodology for monitoring, measuring and managing the quality of stakeholder engagement. This should include a documented dispute resolution process; and
    3. the incorporation of stakeholder risk in the organisation’s enterprise-wide risk management system.

**C-3(c) Continuous Stakeholder Engagement**

The governing body should:-

* + 1. encourage proactive and regular communication between the organisation and its stakeholders;
    2. implement mechanisms to facilitate meaningful stakeholder engagement, to ensure a comprehensive understanding of stakeholders’ issues and concerns;
    3. ensure that the feedback from stakeholder engagement and any communication with stakeholders are directed to the relevant persons within the governing body;
    4. approve a policy for the communication of stakeholder feedback within the organisation, so that concerns are quickly and effectively addressed; and
    5. ensure that the relevant persons clearly understand and appreciate stakeholder grievances and to address them before they are made public and adversely impacts the organisation’s corporate reputation.

**C-3(d) Constructive use of the General Meeting**

1. The governing body should ensure:-
   1. that general meetings of the owners (or similar meetings) are conducted in such a way that they are an effective method of engagement with owners (as stakeholders) to encourage their participation; and
   2. that arrangements are made for all governing body members, the heads of governing body committees, executive management, external auditors and other key persons are present and available to answer questions at the general meeting (or similar meeting).

**C-3(e) Intragroup Stakeholder Relations**

1. The governing body, in relation to parent and subsidiary organisations, should:-
   1. assume responsibility for the group governance framework by setting out the approach to relationship management and the distribution of power within the group;
   2. approve policies and set out clear strategies for the establishment of new group entities and provide adequate guidance regarding the group’s structure, evolution and limitations;
   3. establish a centralised approval process for the creation of new group entities based on established criteria including the entities’ ability to monitor and fulfil statutory, regulatory, governance and disclosure requirements;
   4. maintain a repository of pertinent information relating to each group entity such as: information on the structure, composition, governance framework, ownership and nature of businesses conducted for each group entity;
   5. recognise the risks inherent in the complexity of the group structure, including lack of transparency from the management of entities, operational risks associated with the complexity of the structures and intragroup exposure; and
   6. evaluate how the risk profile, structure and requirements of the individual entities affect the group’s ability to manage its risk profile and deploy funding and capital in both normal and adverse circumstances.
2. The governing body of the parent organisation and the governing bodies of the subsidiaries within the group should utilise an agreed governance framework by which the parent determines priorities for achieving group objectives and provide direction on how the relationships and exercise of power within the group should be structured in pursuit of these priorities. This may include:-
   1. the alignment of strategy across the group, including the parent organisation’s input in the business plans and budgets of its subsidiaries;
   2. the alignment of processes and policies for managing key areas; and
   3. involvement in the appointment of key staff members of the subsidiaries.
3. In negotiating the governance framework for the group, each subsidiary’s governing body should have an effective input into group matters that affect the subsidiary. This input should be based on the principle of proportionality, adopting and scaling practices based on suitability, appropriateness and impact.
4. The parent governing body should ensure:-
   1. that each subsidiary has sufficient resources to meet the group and national governance standards; and
   2. that all subsidiaries understand the roles and relationships among subsidiaries and between subsidiaries and the parent.
5. The parent governing body must always recognise the fiduciary duties of its subsidiaries’ governing body and its members and their duty to act in the subsidiary’s best interest.
6. The parent governing body should ensure that its subsidiaries’ governing bodies are included in the development of the group’s governance framework in order to facilitate the seamless adoption and implementation of the group’s policies, structures and procedures.
7. The parent governing body should ensure that the group’s governance framework is relevant to each subsidiary, contemplating, among other factors:-
   1. a delineation of the rights and roles of the parent;
   2. the delegation of certain responsibilities of the governing body of the subsidiary, subject to reporting and information-sharing requirements, to a parent governing body;
   3. the extent to which policies of the parent governing body are to be adopted by subsidiaries;
   4. engagement of the governing body of a subsidiary organisation before the parent governing body exercises its right to elect members to the governing body of the subsidiary; and
   5. the implementation of systems and controls to mitigate the risk of exposure to litigation or sanction for breaching legal duty in relation to the use of information obtained while acting as a governing body member of one organisation within the group for the purposes of another organisation within the group.

**C-3(f) Employee Relations**

1. Governing bodies should recognise employees as key stakeholders and ensure meaningful engagement to consider employee’s views and wellbeing in the organisation’s governance and operations; this requires regular and meaningful discussion between the organisation’s executive management and employee representatives (including majority recognised trade unions).
2. Governing bodies should be aware of the legislation governing industrial relations, trade disputes and conciliations and may seek external professional advice to manage the process.
3. Governing bodies should adopt a robust policy framework for key human resources matters including grievance procedures, health and safety violations, whistleblowing, disciplinary procedures, sexual harassment and workplace violence to be acknowledged and addressed so that written policies can be prepared (or improved) and implemented; and
4. Governing bodies should disclose the organization’s objectives, programs, achievements and shortfalls in the area of diversity, equity and inclusion and to what extent it is fulfilling (or not) its mandate in this area.

**C-3(g) Health, Safety and Data Protection**

1. Organisations:-
2. have a non-delegable statutory and common law duty to ensure the health and safety of employees as well as approved visitors in the workplace;
3. should develop policies and protocols (which become terms and conditions of employment) relating to *inter alia*, anti-discriminatory practices, gender and sexual orientation bias, social media intrusiveness, privacy controls and workplace bullying; and
4. should establish, in relation to employees, policies for the retention and protection of personal and sensitive employee data, which are aligned to relevant legislation (if any).

**C-3(h) Timely and Balanced Disclosures**

1. Governing bodies should, so far as is practicable, make all disclosures publicly available on their website and :-
2. promote timely and balanced disclosure of all material matters concerning the organisation. These disclosures should be ethical and transparent and enable stakeholders to make informed assessments of the organisation’s alignment of its performance with its stated goals and objectives;
3. implement mechanisms to ensure, at a minimum, compliance with all statutory disclosure requirements; and
4. ensure that its financial disclosures include sufficient explanatory notes to permit ease of understanding by stakeholders.
5. Organisations’ disclosures should be purpose, sustainability and stakeholder driven. They should be jargon-free, accurate, balanced, transparent and easily understood.
6. Governing bodies (in relation to publicly listed companies) should establish and disclose written policies designed to ensure compliance with all disclosure requirements and to ensure accountability at the executive management level for such compliance.
7. The governing body should adhere to a review and approval process designed to ensure that public announcements by the organisation are accurate and timely and are expressed clearly and objectively to allow investors and other stakeholders to make informed decisions.
8. Disclosures should be made in relation to all oversight committees and should include each committee’s approved terms of reference, responsibilities, functions and composition and each member’s qualifications and experience.
9. Oversight committees should also make periodic disclosures which includes:-
   1. the number of meetings held during the disclosure period and attendance at those meetings; and
   2. key matters considered by the committee during the reporting period and the committee’s undertaking that it is satisfied that it has fulfilled its obligations in accordance with its terms of reference for the reporting period.

**C-4 Expected Outcomes**

Having applied the recommendations stated here in accordance with the size, sector and complexity of the organizations, it is expected that organizations will achieve the following key outcomes:

1. Improved sustainability;
2. Improved employee engagement; and
3. Increased stakeholder buy-in to company initiatives

**D.** **CORPORATE SUSTAINABILITY, ETHICS AND ENDURING VALUE CREATION**

**D-1 Principle**

Governing bodies should ensure that the organization is not focused on short-term profitability at the expense of long-term survival and sustainability. In so doing, governing bodies should prioritize business ethics, corporate responsibility and integrated thinking to balance current and future needs in the interest of the long term success of the organisation.

**D-2 Rationale**

Organizations have realized that a commitment to ethical behaviour, responsible corporate citizenship and integrated thinking leads to improved competitive advantage, reduced risk (especially reputational risk), improved innovation and ultimately corporate sustainability and enduring value creation.

**D-3 Key Aspects of practice**

**D-3(a) Business Continuity**

The governing body should ensure that:-

* 1. the organization continues to achieve its strategic goals and objectives which remain viable;
  2. there are policies by which the organisation is required to provide its stakeholders, including its regulators, with clear and concise reports on the organization’s impact on the natural environment, ecology and society as a whole;
  3. responsibility and accountability are demonstrated by the organisation’s continued reporting on its strategic activities and the associated outcomes on its socio-economic and environmental impact, including circumstances where the outcomes were negative and how this was being addressed and reversed; and
  4. key resources within the organization’s business model are developed and integrated to consider the overarching socio-economic and environmental systems in which the organisation operates and that the sustainability framework and the activities in support of the said framework are identified as part of the organisation’s business model.

1. The governing body should ensure that risk management is driven by its members, and a business continuity or special risk committee, which is answerable to the governing body, is appointed and comprises suitably qualified officers. The principal function of this committee is to identify and prioritize risks which would adversely affect business continuity and determine how these risks would be managed by risk-abatement or risk-mitigation measures within the organisation. These measures must be known throughout and regularly reinforced within the organisation, in accordance with a communication policy that would inform stakeholders as to how the risk was being managed.

**D-3(b) Environmental, Social and Governance (ESG) Initiatives**

* + - * 1. The governing body should:

1. ensure that ESG is on the governing body’s agenda with a requirement for regular reporting between the governing body and management;
2. embrace integrated thinking as part of its ESG strategy so as to avoid the ‘silo’ effect; integrated thinking involves the balanced consideration of both financial and non-financial data when developing its strategy or decision making;
3. develop, implement, monitor and regularly review policies such as its code of conduct and ethical behaviour, as well as employment, environmental and CSR policies;
4. ensure open and honest communication with key stakeholders in accordance with its stakeholder engagement strategy; and
5. carry out an evaluation of the effectiveness of its ESG initiatives on an annual basis.

**D-3(c) Ethical Behaviour**

* + - * 1. Ethical behaviour is a primary outcome for any organisation desirous of aligning its business model to ethical values and principles and the governing body, by example, should ensure that its own members demonstrate the highest levels of ethical behaviour. This requires the implementation of a Code of Conduct and Ethics which encourages members to:
  1. foster a top down ethical culture which rewards (by promotion) ethical behaviour and, conversely, punishes (by demotion or dismissal) unethical behaviour;
  2. act prudently, in *good faith* in the best interest of the organisation, taking into account *inter alia* the interests of its employees, owners, clients and other stakeholders;
  3. avoid conflicts of interest and where this is unavoidable, encourages full disclosure at the earliest opportunity and *recusal* in decision-making;
  4. act ethically beyond mere legal compliance, bearing in mind that it is impractical to legislate for ethical conduct;
  5. assume collective responsibility for governing body decision-making;
  6. be willing to account for all actions taken in the execution of its collective responsibility including delegated decision-making;
  7. be transparent in the discharge of their responsibilities;
  8. act fairly and decisively;
  9. promote diversity in recruitment and promotion including (but not limited to) making appointments and promotions based on experience, academic qualifications, technical expertise, seniority, relevant industry knowledge and, conversely, to not discriminate on the basis of race, age, gender, political affiliation, sexual orientation, educational background and religion;
  10. where there are no applicable laws, regulations or policies, comply with international best practice;
  11. disclose remuneration for the governing body members and executive management including performance related benefits;
  12. disclose its policies and performance in connection with environmental and social responsibilities and the impact of this policy on the organisation’s sustainability;
  13. disclose attendance at governing body and committee meetings and the frequency of and procedures adopted at these meetings;
  14. disclose conflicts of interest in registers accessible to stakeholders and how the conflicts were resolved (if at all); and
  15. identify material issues regarding stakeholders and environmental and social stewardship in accordance with governance best practices which encourages additional disclosures (outside regulatory requirements) as corporate regulation and performance may require recognition of broader interests.
      + - 1. The governing body should encourage, as part of this ethical culture, that its leaders and all members of the organization:-
  16. behave consistently in accordance with generally accepted moral values of what is right or good;
  17. be accountable for and take personal responsibility for decisions;
  18. be transparent in the treatment of and engagement with stakeholders; and
  19. act with integrity.
      + - 1. The governing body should cause to be prepared and implemented, until such time as appropriate legislation is proclaimed:-
      1. whistleblower policies which encourage anonymous (or highly confidential) reporting of fraudulent, dishonest or improper institutional conduct and provides protection and immunity from suit for whistle-blowers and which punishes wrong doers;
      2. procurement policies which promote fair and transparent procurement decision-making;
      3. policies which discourage workplace sexual harassment and violence; and
      4. dispute resolution strategies which encourage workplace discussion and, if necessary, mediation.
         + 1. The governing body should, therefore, oversee organisational performance by assessing:-

1. whether the defined ethical principles are effectively guiding the organisation’s culture (and not the other way around);
2. whether the key performance indicators for employee performance, include financial and non-financial metrics which foster an ethical organisational culture;
3. the organisation’s level of engagement with its stakeholders; and
4. financial performance and reporting to ensure that the organisation remains profitable and sustainable.

**D-3(d) Integrity Through leadership**

1. The governing body should lead the organisation effectively by ensuring ethical leadership throughout the organization and by:-
2. setting expectations for itself and fulfilling these expectations;
3. punishing those who breach these expectations; and
4. assessing strategic/business outcomes, whether positive or negative, in order to determine whether expectations are met/fulfilled.

**D-3(e) Ethical Leadership Dimension**

1. The governing body should ensure that:-
2. the members of the governing body behave in a manner consistent with the organization’s ethical values;
3. the organisation conducts itself in a manner consistent with its ethical values; and
4. the organisation treats its stakeholders in a manner consistent with its ethical values.

(ii) The governing body should ensure that its actions and decisions incorporate the following ethical leadership values:-

1. accountability;
2. probity and integrity;
3. fairness and transparency;
4. emotional intelligence and competence; and
5. respect for diversity.
6. The governing body is required to develop and maintain an ethical culture such that the organisation is likely to derive the following benefits:-
   1. a collective sense of belonging from shared values of ethics and integrity;
   2. reconciling strategic dilemmas by creating organisational alignment through shared values;
   3. holding internal stakeholders accountable for maintaining ethical organisational culture;
   4. providing competitive differentiation for stakeholders by providing clarity in assessing the organisation’s behaviour and performance; and
   5. providing increased transparency, which creates value for the organisation in the eyes of its stakeholders.

(iii) The governing body, therefore, in managing strategic trade-offs, should consider:-

1. balancing short-term imperatives with long-term resilience;
2. competing stakeholder priorities;
3. the behavioural consequences of stakeholder interests; and
4. materiality and transparency of its reporting and public disclosures.
5. The governing body should ensure that the framework for resolving trade-offs also considers the following:-
   1. identifying the issues;
   2. understanding and documenting the opposing perspectives;
   3. identifying the advantages and disadvantages of each viewpoint;
   4. reconciling the perspectives;
   5. documenting the action plan; and
   6. a commitment to resolve disputes/conflicts in an ethical and effective manner and using alternative dispute resolution mechanisms where reasonably practicable.
6. The governing body, in adopting a Code of Conduct and Ethics for the organization, must ensure that it is underpinned by the highest standards of business ethics to create an organizational culture which promotes governance through shared values of integrity, honesty, full disclosure and good faith.
7. The Code of Conduct and Ethics should relate (but not be limited to) the following matters (subject to any existing legislation):-
   1. related party transactions;
   2. conflicts of interest;
   3. procurement;
   4. acceptance of gifts from third parties;
   5. sexual harassment and violence in the workplace;
   6. whistle blower policies;
   7. disciplinary proceedings;
   8. political patronage;
   9. lobbying;
   10. unauthorised disclosures; and
   11. breaches of confidentiality.

**D-4 Expected Outcomes**

Having applied the recommendations stated here in accordance with the size, sector and complexity of the organizations, it is expected that organizations will achieve the following key outcomes:

1. Reduced organizational risk;
2. Improved institutional trust and confidence; and
3. More effective use of resources.

**THE END**

1. licensed to the Caribbean Corporate Governance Institute [↑](#footnote-ref-1)
2. Garratt, Bob. (2017) *Stop the Rot: Reframing Governance for Directors and Politicians pp. 30-33* [↑](#footnote-ref-2)
3. Tricker, Bob (2015) *Corporate Governance: Principles, Policies and Practices pp. 4-5* [↑](#footnote-ref-3)
4. The Cadbury Committee (1992) *Report of the Committee on the Financial Aspects of Corporate Governance* [↑](#footnote-ref-4)
5. OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, https://doi.org/10.1787/ed750b30-en. [↑](#footnote-ref-5)
6. Berle Jnr., Adolf A and Means, Gardiner C. 1932. The Modern Corporation and Private Property [↑](#footnote-ref-6)