

Responsible Leadership

**Exploring the Relationship
between Good Corporate
Governance, Corporate
Citizenship and Responsible
Leadership**

Jane Valls

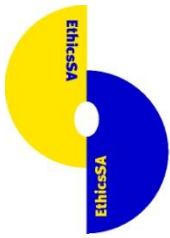
Chief Executive

VISION

To be the preferred professional organisation for directors and aspiring directors as well as business leaders and young professionals providing a forum to learn, share and develop.

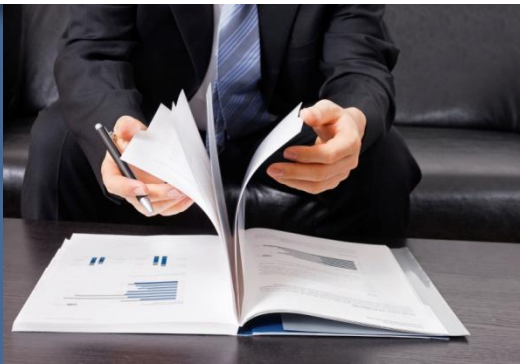
MISSION

To champion best business practices and effective corporate governance, supporting Mauritius as a regional leader; and to be the voice of Directors, through training and certification programmes, workshops and networking events, advocacy, research and thought leadership, reaching out to both private and public sector enterprises.



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The Responsibility of Business

- The world's biggest problems need multi-stakeholder solutions:
 - Corruption
 - Environmental sustainability
 - Poverty
- These problems cannot be resolved without the contribution of Business
- Recognized in:
 - Millennium Development Goals
 - United Nations Global Compact

Business and Society

- The “***social contract***”:
 - ***Society*** gives business access to
 - Natural resources
 - Human capital
 - Markets
 - Government protections
 - ***Business*** commits to being good corporate citizens
 - Meaningful contribution to society
 - Respectful treatment of internal stakeholders
 - Responsibility towards external stakeholders



“LICENCE TO OPERATE”

Responsible Leadership

- Corporate Citizenship
- The extent to which businesses are responsible for meeting legal, ethical, social and economic responsibilities
- Ultimate aim is prosperity and sustainability of all stakeholders

~~THE BUSINESS OF
BUSINESS
IS BUSINESS?~~

- ENRON
- WORLDCOM
- PARMALAT
- MAXWELL
- BARINGS
- BCCI
- VIVENDI
- SATYAM
- LEHMAN



Drivers of Change

- High speed IT and social media
- Higher levels of scrutiny
- Highly connected world
- Regulation and specifically in the area of CG
- After the last financial crisis, greater emphasis on enterprise risk management
- Integrated Reporting
- Corporate Values

Convergence

- Corporate Governance
- CSR or Corporate Citizenship
- Sustainability
- Integrated Reporting
- Business Ethics- Corporate Values



Corporate
Governance



Mo Ibrahim
FOUNDATION

Ibrahim Index of African Governance

TOP 10 RANKINGS

- 01 Mauritius
- 02 Seychelles
- 03 Botswana
- 04 Cape Verde
- 05 South Africa
- 06 Namibia
- 07 Ghana
- 08 Tunisia
- 09 Lesotho
- 10 Egypt

VIEW ALL SCORES
AND RANKINGS



Mauritius Code of Corporate Governance 2003

- Chapter on Integrated Sustainability Reporting
- « it is in the long term economic interest of a company to conduct itself as a responsible corporate citizen »

According to the King 3 Corporate Governance Report in South Africa in 2009. Corporate Governance is about:

- Leadership
- Sustainability
- Corporate Citizenship

People



Planet



Profit

SUSTAINABILITY

- climate change
- global poverty
- food security
- environment
- social trends

As a result, CSR is increasingly becoming a factor in risk and opportunity management, and therefore, business strategy.

Corporate Governance is gradually incorporating such concepts as:

- non-financial accountability
- ethical codes and standards of conduct
- socially driven investment
- board diversity
- stakeholder engagement
- sustainability reporting
- socially responsible business strategies.

Risk Management

- Risk management is a critical governance issue
- Board diversity
- Accountability
- Transparency
- Reputation
- Compensation systems

**CSR drives a changing basis of accountability
within a business**

Corporate Social Responsibility requires paying much closer attention:

- shareholder activism
- board and committee composition
- fiduciary duties
- high risk operations
- disclosure policies
- board chair and CEO statements
- auditing and external verification

Corporate Citizenship

Increasingly Corporate Citizenship is coming to be understood as the space where business accountability boundaries are being renegotiated.

Moving from CSR to CSV

« Creating Shared Value is a fundamental part of Nestlé's way of doing business that focuses on specific areas of the Company's core business activities – namely *water, nutrition, and rural development* – where value can best be created both for society and shareholders »

Nestle CSV Report 2009.

Business Case

- Nielsen Global Survey on Corporate Social Responsibility polled more than 29,000 Internet respondents in 58 countries in 2013.
- 50% global consumers willing to pay more for goods and services from companies that have implemented programmes to give back to society
- The % of consumers increased across all age groups
- Respondents <30yrs most likely
- Consumers 40-44yrs +38% increase in 2 years

Business Case

- **Wal-Mart** is saving upwards of US\$25 million in fuel costs by introducing efficiency standards in its truck fleet
- **GE** has saved US\$100 million by introducing energy management measures; **BP** saved US\$650 million over three years by reducing GHG emissions
- **SAP's** sustainability strategy produced 90 million euros of direct savings to the company in the first year of the program
- **Apple's** iTunes has sold over 8.5 billion songs, the equivalent of 85 million CDs that would have been made, shipped, and someday discarded in landfills
- 9% of the last World Cup teams sponsored by **Nike** wore jersey's made entirely from 13 million plastic bottles saved from going to landfills, sharing its intellectual property openly to accelerate sustainability practices.

Business Case

- Institutional investors
- Increase shareholder value
- CSR as a strategic tool
- Employees
- Reputation and trust
- Globalisation
- Customers
- Improved credit ratings

So what is the Boards role in this?

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"I really wish you guys would knock that off."



— *at the* —
TONE TOP

It is the role of the Board

- “Culture exists regardless. If left to its own devices, it shapes itself, with the inherent risk that behaviours will not be those desired”
- “The board sets the tone from the top of the organisation, and must carry ultimate responsibility for its values, culture and business practices. With the benefit of hindsight, we believe that the Barclays Board did not give sufficient attention to this area. “
- Salz Report on Barclays after Libor Scandal

Boards now need to ask themselves

- Is Corporate Citizenship one of the company's core corporate principles or business objectives?
- Is Corporate Citizenship embedded in our corporate strategy?
- How is our company responding to stakeholders' social and environmental concerns?
- What sort of Corporate Citizen do we want to be?

So how do you embed Corporate Governance and Corporate Citizenship into the organisation

- build strong value systems founded on clear ethical guidelines and practices
- reconcile and realign incentives and corporate governance frameworks
- a practical system thinking approach
- clear focus on sustainability and responsible leadership
- triple bottom line reporting (PPP)
- Communication, communication, communication

Responsible Leadership

- Better Directors and more Director education
- More diversity and openness
- Greater transparency and accountability
- Directors need to understand the coalface – can't just meet 4 times per annum
- More corporate collaboration eg with SMEs, NGOs
- Long term vision – not just a quick buck

Corporate Values

- Good governance is primarily about values rather than rules. If good governance flows from values, it is important to state them and live them.
- Corporate Citizenship is an external expression of those values.
- Governance must have an ethical backbone
- That requires Responsible Leaders

Conclusion

- Corporate Governance, Corporate Citizenship and Responsible Leadership are today mainstream business issues, intimately linked
- They are key performance indicators
- The 3 together are essential for sustainable business

Thank
you

Questions

