

# Module 5: Corporate Governance (CG)

**Attracting  
capital**

**Building a  
resilient enterprise**

## MODULE STRUCTURE

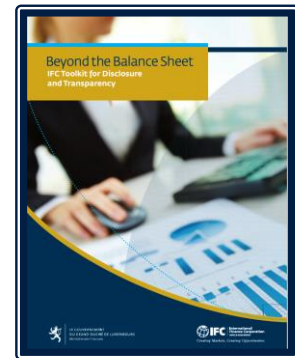
**Unit 1: Leadership, Culture Commitment to ESG**

**Unit 2: Board Structure and Functioning**

**Unit 3: Control Environment**

**Unit 4: Treatment of Minority Shareholders**

**Unit 5: Governance of Stakeholder Engagement**



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Federal Department of Economic Affairs,  
Education and Research EAER  
State Secretariat for Economic Affairs SECO

# Why is transparent reporting on corporate governance important?

Transparent reporting on corporate governance increases investor and other stakeholder confidence by providing insights into the company's...



**Leadership, Culture,  
Commitment to ESG**



**Board Structure  
& Functioning**



**Control  
Environment**



**Treatment of  
Minority Shareholders**



**Governance of  
Stakeholder Engagement**



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# Module 5: Corporate Governance

## OBJECTIVES



1. Describe the company's **leadership and culture**, including its commitment to sound corporate governance, crisis response, and the management of environmental and social issues.



2. Understand key disclosure elements of reporting on **board structure** and **functioning**.



3. Appreciate how the **control environment** should be disclosed and the linkages between risk management and control systems.



4. Understand how to disclose **shareholder rights**, including minority shareholder protections.



5. Be able to report on the **governance of stakeholder engagement**.



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# Module 5:

## Corporate Governance

### Unit 1

#### Leadership, Culture and Commitment to ESG

Why is reporting on leadership and culture important?

- **Enhances reputation and brand**
- **Helps to recruit & retain “best” employees**
- **Builds investor trust & confidence**



#### 2.1 Leadership and Culture: Commitment to ESG

## VALUES AND CULTURE

IV

Governance is supported by the tone at the top, and the board and management strive to lead by example. We regularly review our tone and ethical culture in the context of our strategy, the new world of work and digital transformation of financial services. Group Exco is driving and enabling the new leadership mindset and capabilities required to manage and thrive in an agile, digital, innovative, fast-paced, client-centred and competitive environment.

**Source:** Nedbank Corporate Governance Report 2019.  
(Nedbank is the fourth largest bank in Africa)



**Company culture is the single biggest driver of ethical behaviour and misconduct risk.**

Company culture determines the consistent practice of ethical behaviours - or the amount of misconduct that will take place.

Source: OECD papers on Convention regarding Bribery and Corruption and confirmed in studies by NYU Stern 2016-17

# Reporting on Company Culture in Time of Crisis

## What do stakeholders and investors want to know?

The company has a **flexible and resilient company culture** under **well-organized leadership** that is prepared to seize opportunities and manage risks.

The company is under control, **able to navigate through turbulence**, and **financially viable** in the short, medium and long term.

That the company has a sustainable business model, a strategy for crisis response, and **a long-term future** in the face of an uncertain business environment

**They want to be able to TRUST the company, its leadership and its activities.**



## CG in Time of Crisis

# Communicating Responsibly and with Integrity

### STARTING POINT

**Continuous reporting** of ALL MATERIAL matters that may affect the investment decisions or company operations.

**Communication with shareholders** is timely, with fair access to all information that is material to their investment decisions. Information is presented in a balanced, comparable manner.

**Financial reporting** – Information on the financial performance is objective, reliable and clear.

**Non-financial reporting to shareholders, stakeholders and markets** – Communicating on the governance and sustainability of the company and on relevant social and environmental impacts.

Anne Molyneux

*“Not more reporting, but **better reporting.**”*

# Role of Corporate Governance

## Increasing Resilience and Building Trust during COVID-19

In periods of uncertainty, it is absolutely critical for businesses to **communicate with investors and key stakeholders** about how they are managing a crisis.



Structures



Processes

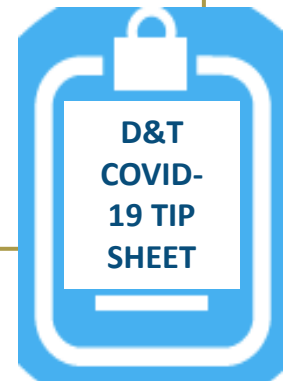


Ethics

How do the company's **governance structures** oversee and monitor management's responses to the crisis – and its impact on stakeholders?

How has the company **adapted its safety systems and protocols** to **protect the health** of employees, contractors and customers ?

**How responsibly is the business mitigating** new and pressing sustainability issues such the health crisis, food security and climate change?



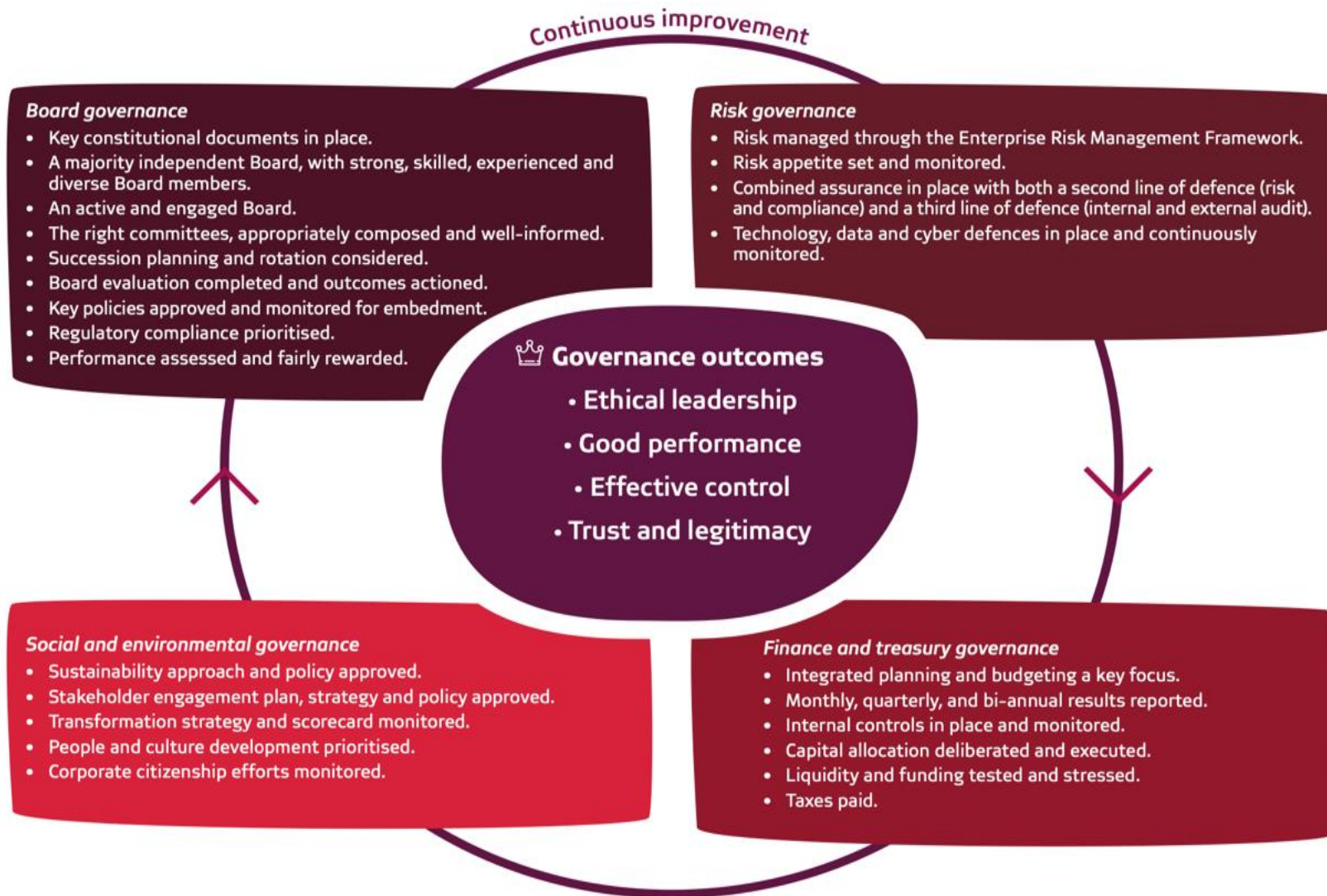


# Reporting on Leadership, Culture and ESG

**ABSA (formerly Barclays Bank of South Africa)** reports on **governance activities and outcomes**.



# Source: ABSA Group Ltd Annual Integrated Report 2019



# QUESTIONS

- 1. Have ESG Risks and Opportunities Played a Greater Role in Investment Decisions During the Last 12 Months?**
- 2. What Do You Think is the Most Effective Way for Investors to Influence Board Policies and Decisions?**
- 3. In Addition to Poor Financial Performance, What Factors Might Lead You to Support An Activist (Either a Corporate Activist or An ESG-Driven Civil Society Activist)?**



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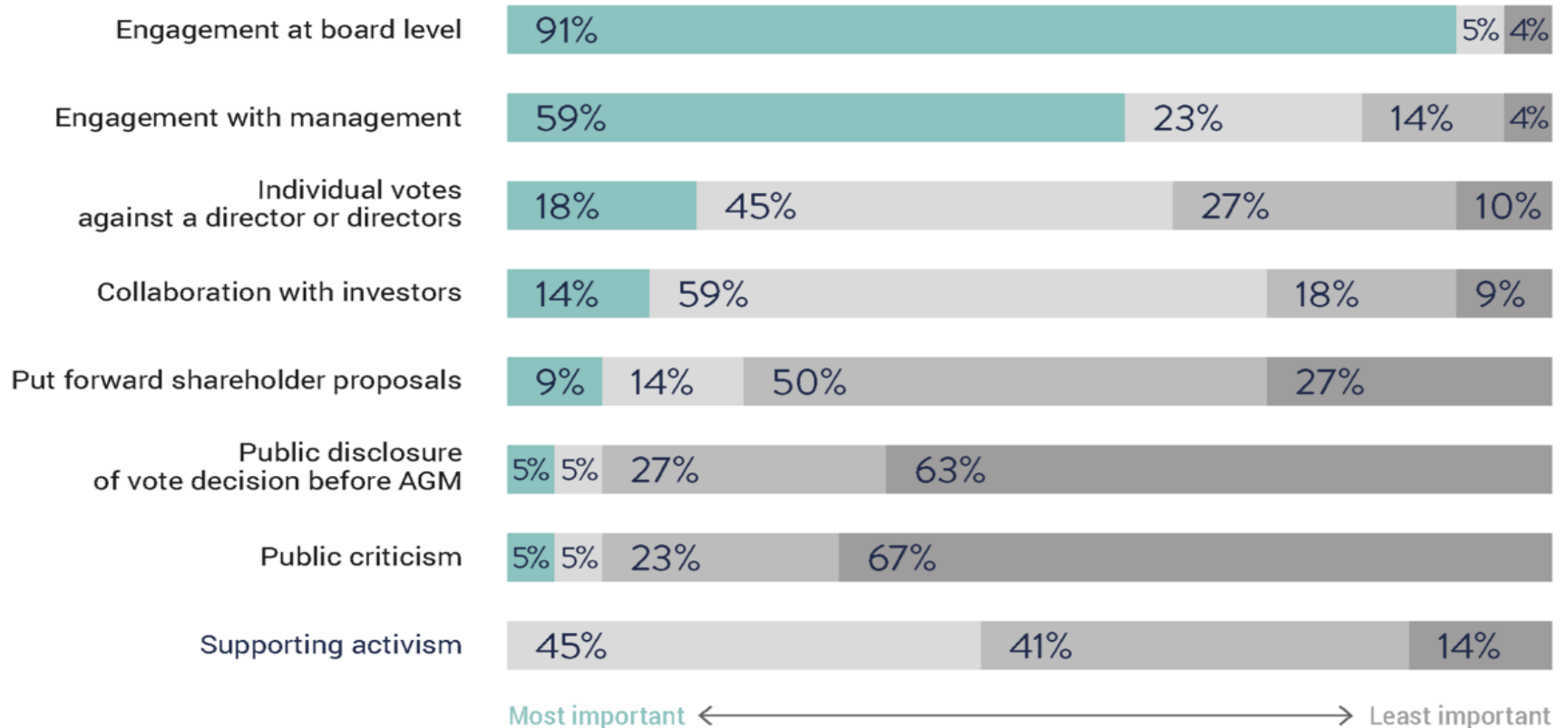
Federal Department of Economic Affairs,  
Education and Research EAER  
State Secretariat for Economic Affairs SECO

# 1. Have ESG Risks and Opportunities Played a Greater Role in Investment Decisions During the Last 12 Months?

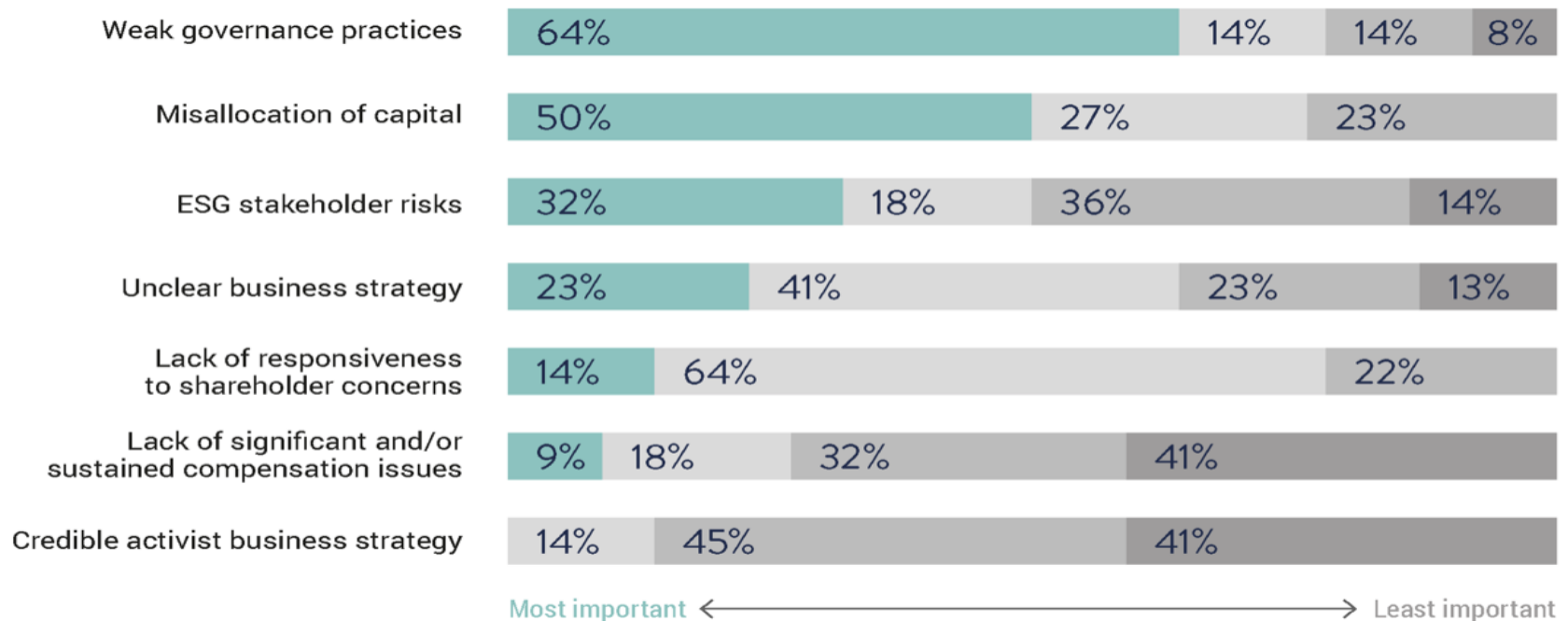


..... Most significant impact areas were climate change and reputational risk

## 2 What Do You Think is the Most Effective Way for Investors to Influence Board Policies and Decisions



### 3. In Addition to Poor Financial Performance, What Factors Might Lead You to Support An Activist (Either a Corporate Activist or An ESG-Driven Civil Society Activist)?



# Sustainability: The New Standard for Investing

BlackRock, a global investment manager with \$7.4 trillion in client assets, has announced that sustainability is the new standard for corporate investing.

BlackRock is attentive to crises such as the global COVID-19 pandemic and to long-term risks such as climate change as investment risks, noting that: “...in a global company, a climate emergency might upend global business sooner than many expect.”

“All investors – and particularly the millions of our clients who are saving for long-term goals like retirement – must seriously consider sustainability in their investments.”

BlackRock CEO Larry Fink (2020)



**VIDEO: 2 min**

***Interview with Larry Fink, CEO BlackRock Oct 13, 2020***



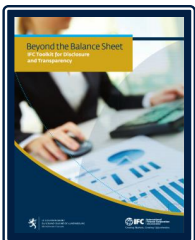
# Module 5: Corporate Governance

## Unit 2

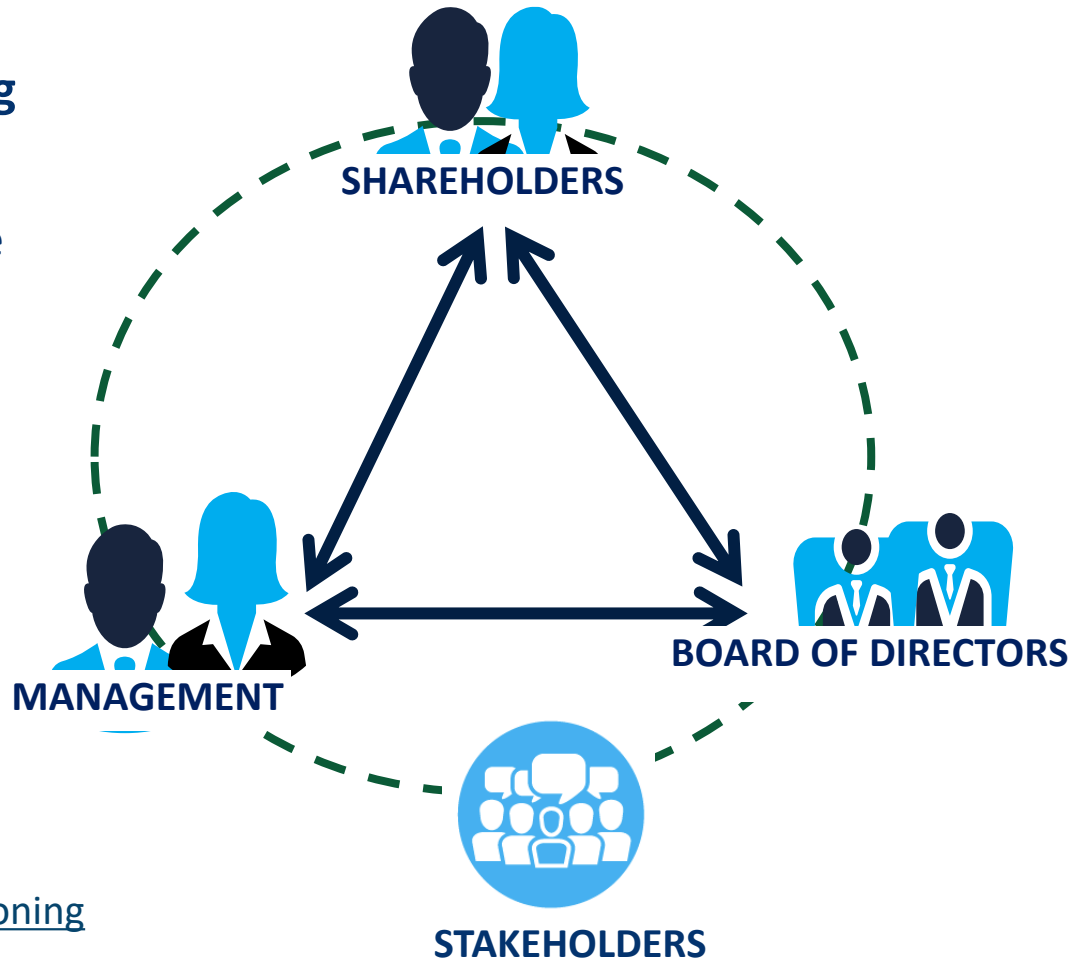
### Board Structure and Functioning

What are the key aspects of board structure and functioning to include in disclosure?

- **Effective governance structure**
- **Board and management roles**
- **Board composition & diversity**
- **Board evaluation**
- **Director nominations**



#### 2.2 Structure and Functioning of the Board of Directors



# Reporting on Board and Management Roles

BOARD STRUCTURE AND ROLES

PURPOSE & VALUES

STRATEGY

CONTROLS

## THE FRESNILLO BOARD

NON-INDEPENDENT  
NON-EXECUTIVE  
DIRECTORS

INDEPENDENT  
NON-EXECUTIVE  
DIRECTORS

SETS THE TONE  
FROM THE TOP

SETS STRATEGY  
AND MONITORS  
PROGRESS

SETS POLICIES  
AND MONITORS  
PERFORMANCE

EXECUTIVE COMMITTEE  
**Management**

LEADS BY  
EXAMPLE AND  
PROMOTES  
CULTURE

IMPLEMENTS  
STRATEGY AND  
COMMUNICATES  
PROGRESS

MONITORS RISKS  
AND IMPLEMENTS  
CONTROLS

# Effective Governance Structure



# Board Composition: Balanced and Competent

## BOARD EXPERTISE

- Academia/Education
- Business ethics
- Administration
- Operations
- Corporate Governance
- ESG/ Sustainability
- Capital Allocation
- Financial Literacy
- Financial Services
- Government Policy
- Insurance Industry
- International
- Investments
- Marketing /Sales
- Real Estate
- Risk Management
- Talent Management
- IT / Technology Systems

## Summary of Director Qualifications and Experience

**ACADEMIA/EDUCATION** experience is important because it brings perspective regarding organizational management and academic research relevant to our business and strategy.

**BUSINESS ETHICS** experience is important given the critical role that ethics plays in the success of our businesses.

**BUSINESS HEAD/ADMINISTRATION** experience is important since directors with administration experience typically possess strong leadership qualities and the ability to identify and develop those qualities in others.

**BUSINESS OPERATIONS** experience gives directors a practical understanding of developing, implementing and assessing our operating plan and business strategy.

**CORPORATE GOVERNANCE** experience supports our goals of strong Board and management accountability, transparency and protection of shareholder interests.

**ENVIRONMENTAL/SUSTAINABILITY/CORPORATE RESPONSIBILITY** experience strengthens the Board's oversight and assures that strategic business imperatives and long-term value creation for shareholders are achieved within a responsible, sustainable business model.

**FINANCE/CAPITAL ALLOCATION** experience is important in evaluating our financial statements and capital structure.

**FINANCIAL EXPERTISE/LITERACY** is important because it assists our directors in understanding and overseeing our financial reporting and internal controls.

**FINANCIAL SERVICES INDUSTRY** experience is important in understanding and reviewing our business and strategy.

**GOVERNMENT/PUBLIC POLICY** experience is relevant to the Company as it operates in a heavily regulated industry that is directly affected by governmental actions.

**INSURANCE INDUSTRY** experience is important in understanding and reviewing our business and strategy.

**INTERNATIONAL** experience is important in understanding and reviewing our business and strategy.

**INVESTMENTS** experience is important in evaluating our financial statements and investment strategy.

**MARKETING/SALES** experience is relevant to the Company as it seeks to identify and develop new markets for its financial products and services.

**REAL ESTATE** experience is important in understanding and reviewing our business and strategy.

**RISK MANAGEMENT** experience is critical to the Board's role in overseeing the risks facing the Company.

**TALENT MANAGEMENT** experience is valuable in helping us attract, motivate and retain top candidates for positions at the Company.

**TECHNOLOGY/SYSTEMS** experience is relevant to the Company as it looks for ways to enhance the customer experience and internal operations.

Ballinore, Thomas L., Jr.	Casellas, Gilbert F.	Cullen, James G.	Giles, Mark B.	Hood-Morley, Martina	Koppek, Karl J.	Lights, Peter C.	Paz, George	Pisano, Sandra	Peen, Christine A.	Schweiner, Douglas A.	Shanghild, John R.	Todman, Michael A.
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Source: Prudential Proxy Statement 2020, p.17

# Reporting on Board Evaluation – Fresnillo plc Annual Report 2019

## BOARD PERFORMANCE EVALUATION

In order to evaluate its own effectiveness, the Board undertakes annual appraisals using a combination of externally facilitated and internally-run evaluations over a three-year cycle. The cycle of the Board's evaluations is summarised as follows:

### YEAR 1

---

Externally facilitated Board evaluation using questionnaires and/or interviews.



### YEAR 2

---

Follow-up on action plan prepared in response to Year 1 evaluation using internally-facilitated questionnaires.



### YEAR 3

---

Focus on outstanding and emerging issues arising from the action plan using internally-facilitated questionnaires.



## ACTIVITY: Reporting on Director Nominations

### DIRECTOR NOMINATION PROCESS

#### ACTIVITY

#### IN-DEPTH REVIEW PROCESS

After screening candidates, what is **the last step** in the review process?

- A. Interview potential candidates
- B. Examine overall Board composition and balance
- C. Consider diversity, including gender balance
- D. Review applications for independence & potential conflicts

ANSWER

A

IFC Nominee Director  
Support Center

# Reporting on Diversity Objectives and Performance

	Diversity Objectives	Outcomes as at 31 December 2019
1.	<b>Increase the representation of women in senior leadership roles to 40% by December 2020</b>	<p>Female senior leadership representation was 37.4%.</p> <p>We remain committed to our December 2020 target of 40% female representation, with each business area embedding a focus on gender diversity within their people strategy and business performance objectives.</p>
2.	<b>Eliminate gender-based pay differences on a like-for-like job level basis</b>	<p>We have continued to manage our gender-based pay differential at a negligible rate of 0.4 in favour of males on a like-for-like role basis. This compares to a reduction when compared to 1.08% in 2018.</p> <p>Our former MD &amp; CEO was a Pay Equity Ambassador for the Workplace Gender Equality Agency, demonstrating his commitment to eliminating gender-based pay differences.</p>
3.	<b>Build long-term Indigenous employment market capability</b>	<p>The number of employees identifying as Aboriginal and/or Torres Strait Islander was 203 representing 2.66% of Caltex's Australian workforce. This compares to 147 employees (2.23%) at the end of 2018.</p> <p>Caltex continues to support the CareerTrackers Indigenous Internship and has done so throughout 2019. In early 2020, we will develop our second RAP.</p>
4.	<b>Implement initiatives to drive inclusiveness and flexibility</b>	<p>The results of our 2019 Employee Engagement survey (with a participation rate of 71%) showed that 77% of Caltex employees utilised a flexible work arrangement, either on an ad-hoc or regular basis. This compares to 67% of employees in 2018.</p> <p>To celebrate and provide support to families, Caltex also hosted a number of 'Bring Your Kids to Work' days at 2Market and a highly successful 'Family Fun Day' at Sydney's Luna Park in 2019. Caltex also made changes to its <b>Parental Leave Policy</b>, increasing paid partner (nonprimary carer) leave from one to two weeks.</p> <p>A new employee working group was formed in 2019 – the LGBTIQ+ group which actively focuses on promoting and supporting the LGBTIQ+ community at Caltex.</p> <p>Caltex continued its support for events such as R U OK day, Mental Health Awareness Week, Harmony day, International Women's day, Close the Gap, National Reconciliation Week and NAIDOC week. Many of these events were employee led and run by our "Women in the Fuels Industry" (WIFI) and "Indigenous Trailblazers" employee groups.</p> <p>Caltex has also continued its support for veteran employment in 2019 and has participated in veteran employment fairs, raised funds and provided office space for the non-profit organisation, SoliderOn.</p>

Source: Caltex Australia Ltd,  
2020 Corporate Governance  
Statement, p.16



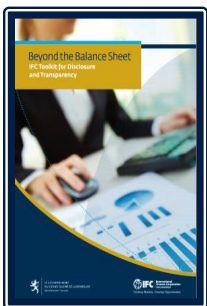
# Module 5: Corporate Governance

## Unit 3 Control Environment

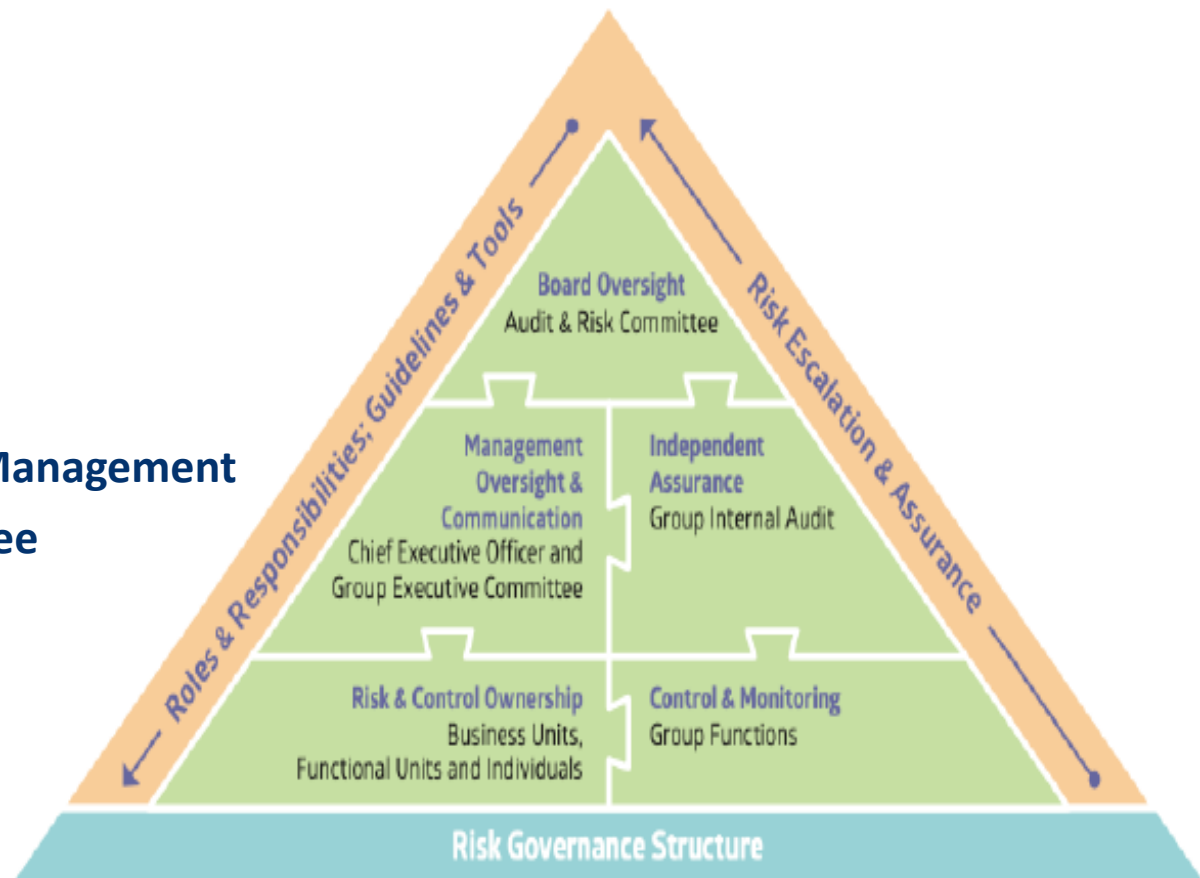
How is the company's control environment structured, and internal control and risk management interconnected?

This unit addresses:

- Internal Control and Risk Management
- Role of the Audit Committee
- Role of Internal Audit
- Role of External Audit

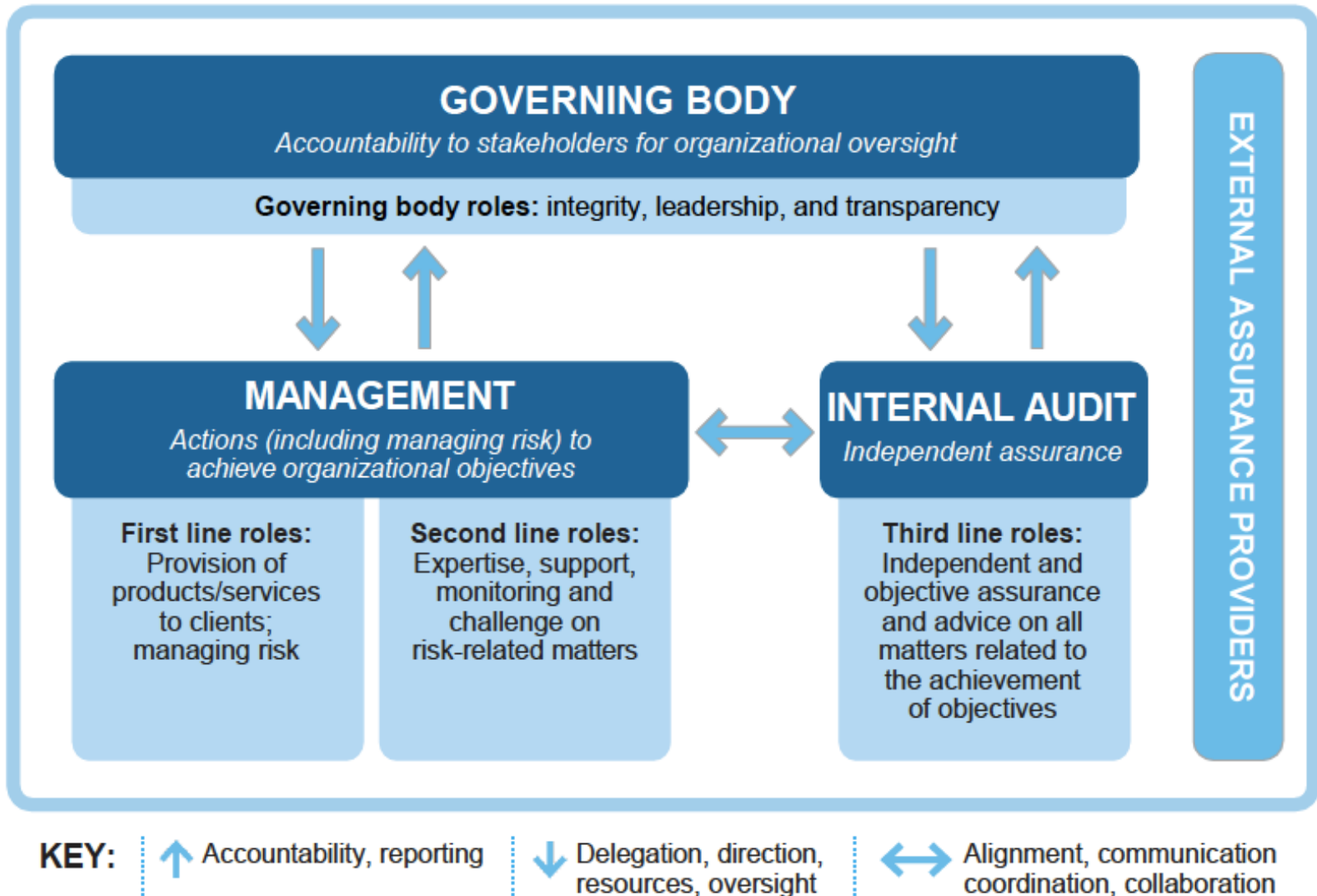


### 2.3 Control Environment



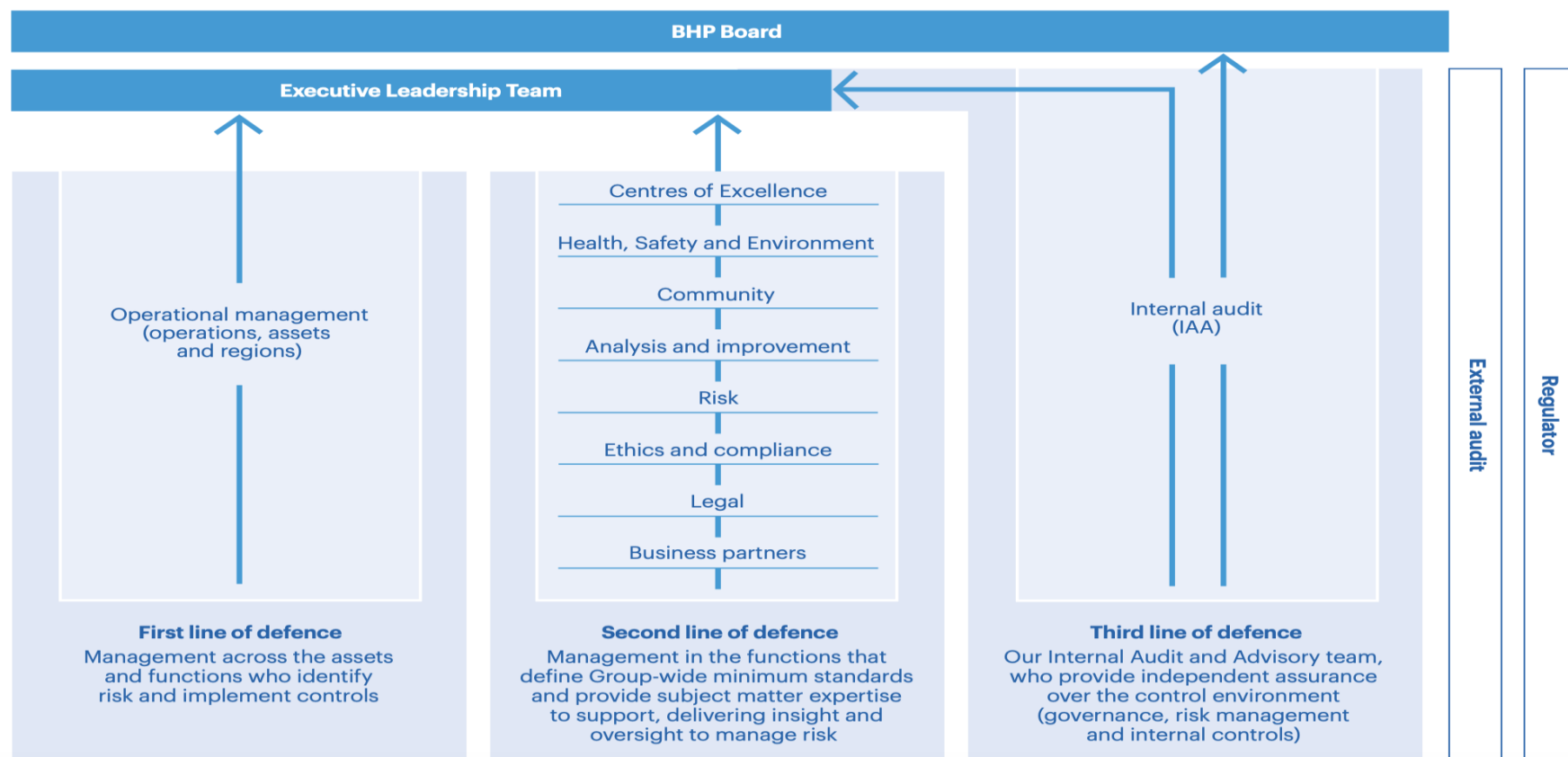
**Risk Governance Structure**  
**CLP Holdings 2019 Annual Report**

# The IIA's Three Lines Model



# Reporting on Risk Management and Control

BHP uses the 'three lines of defence' model of risk governance and management to define the relationships and clarify the role of different teams across the organisation in managing risk. This approach is illustrated in the diagram below and integrates risk management, control definition, control improvement, governance and assurance frameworks into one governance model.



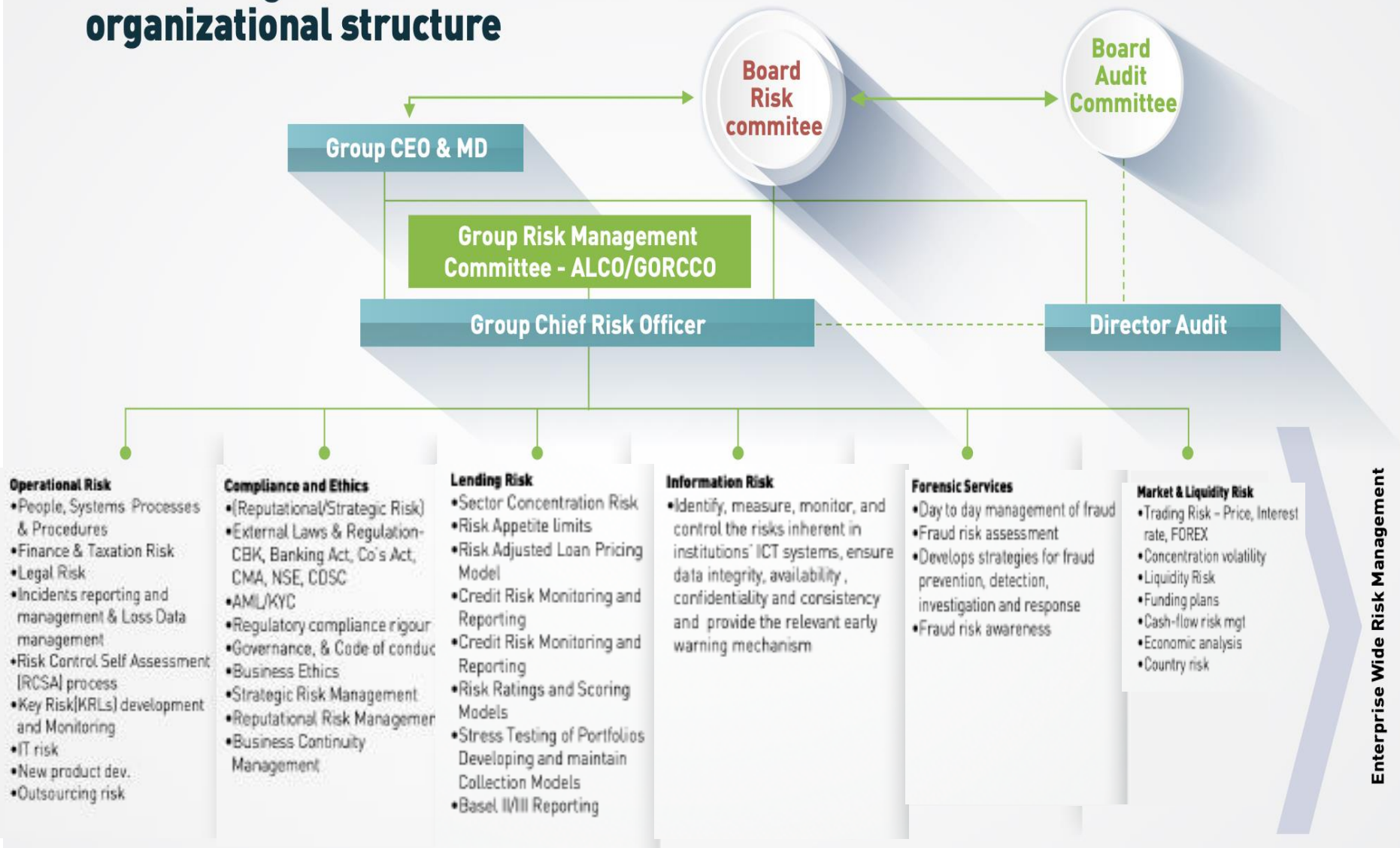
Adapted from Institute of Internal Audit Position Paper: The three lines of defence in effective risk management and control.

**What is Internal Audit?**



Source: BHP 2020 Annual Report

# Risk management organizational structure



**Group Internal Audit**

**Subsidiary Head of Risk - Tanzania, Uganda, South Sudan, Burundi, Rwanda, KCB Foundation & KCB Capital**

# Role of Audit Committee

- Fundamental to CG
- Under clear charter with mandated role
- Composed of independent and competent individuals
- Oversight of financial reporting and accounting and financial management of the entity
- Select and recommend external auditor
- Oversight of risk and control
- Oversight of internal audit and internal auditor and external audit



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Creating Markets, Creating Opportunities

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# Audit Committee – An Organized and Busy Schedule

The following table shows the key topics the Committee considered at its meetings held during the Period:

	2019						2020	
	Jan	Feb	Apr	Jun	Jul	Oct	Jan	Feb
<b>Risk Management, Internal Control and Compliance</b>								
Quarterly risk management report		○	○		○	○		○
In depth briefing on high risks and processes								
▪ health and safety	○						○	
▪ cyber security				○		○		
▪ CLP India land acquisition process					○			
▪ EnergyAustralia payroll function and system						○		
Internal control review update		○		○		○		○
Management's general representation letter		○			○			○
Outstanding internal audit issues		○	○	○	○	○		○
Legal and regulatory compliance		○			○			○
<b>Interim and Annual Financial Reports</b>								
Annual and interim financial statements and reports		○			○			○
Assessment of critical accounting and judgemental issues	○	○		○	○		○	○
Sustainability Report data assurance review		○				○		○
<b>Internal and External Auditing</b>								
Internal audit results and audit issues		○	○	○	○	○		○
Internal audit administered policies and practices				○				
Ethical and controls commitment surveys			○					
PwC's audit report, audit plan and audit progress	○	○	○	○	○	○	○	○
Audit fees and non-audit engagements by auditors		○			○			○
<b>Corporate Governance</b>								
Corporate governance trends, developments and related policies						○		
Code of Conduct and whistleblowing cases		○	○	○	○	○		○
Continuing connected transactions		○						○

Samples from  
CLP Group 2019



# Reporting on the Audit Committee's Role

Source: Aggreko plc, 2019  
Annual Report, p 58

The Audit Committee ensures the integrity of financial and sustainability reporting by overseeing systems for internal control and risk management.

## Risk management framework – roles and responsibilities

The Board has implemented a risk management framework that is summarised in the diagram below.

### Ultimate responsibility

**Board of Directors**

#### → Ultimate responsibility for risk and internal control

- Approves the risk management framework
- Approves risk appetite and monitors compliance
- Approves the Group Register of Principal Risks
- Approves the viability statement

### Oversight

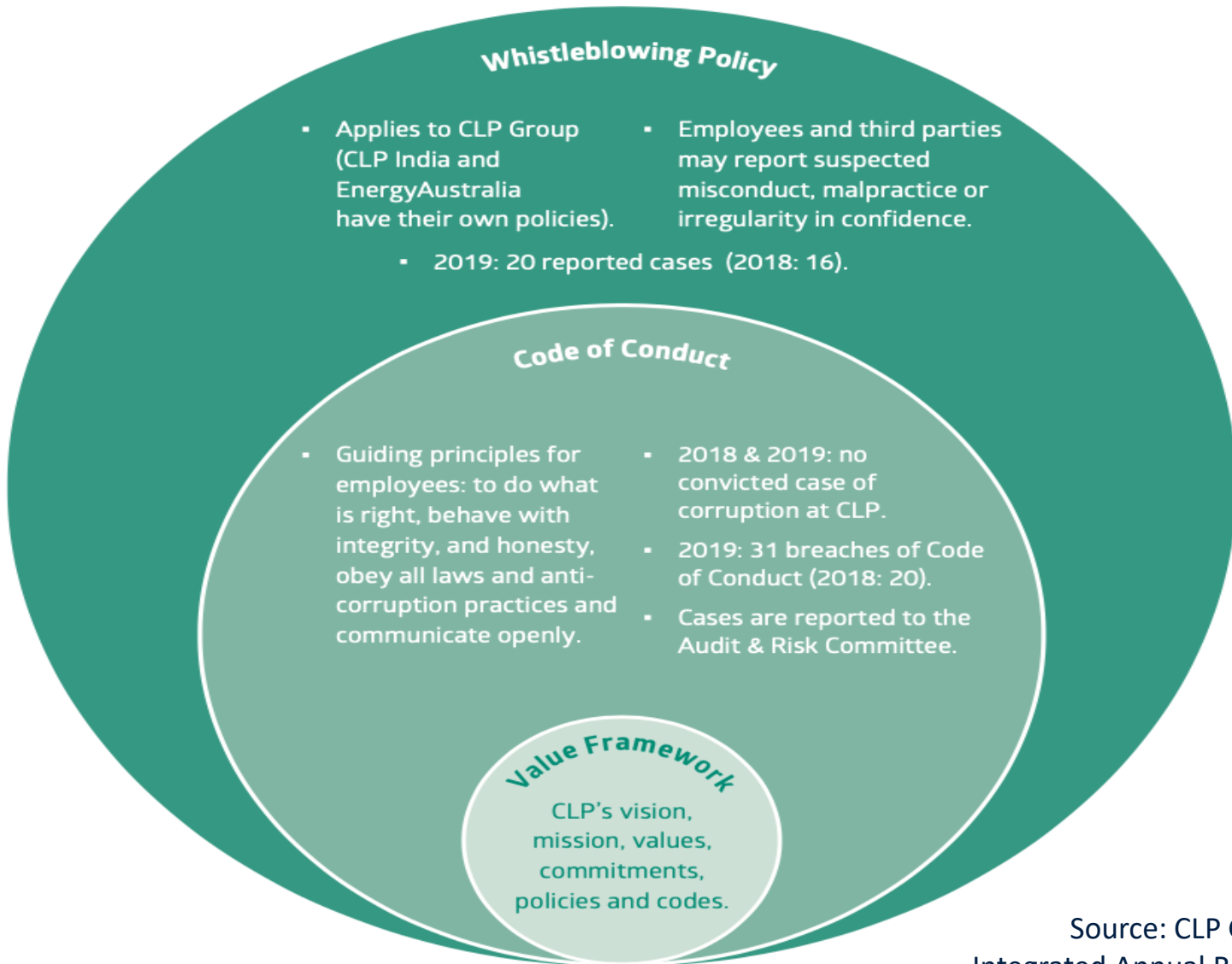
**Audit Committee makes recommendations to the Board**

- Responsible for reviewing the effectiveness of the Group's systems for internal control and risk management
- Reviews and challenges the risk management framework
- Reviews the effectiveness of the control environment
- Reviews the effectiveness of and approves the approach for the viability statement



# Audit Committee - Oversight of Whistleblowing

Management and staff adhere to various Group policies that reflect the values and corporate culture of CLP.



Source: CLP Group, 2019  
Integrated Annual Report, p 132

# Module 5:

## Corporate Governance

### Unit 5

### Governance of Stakeholder Engagement

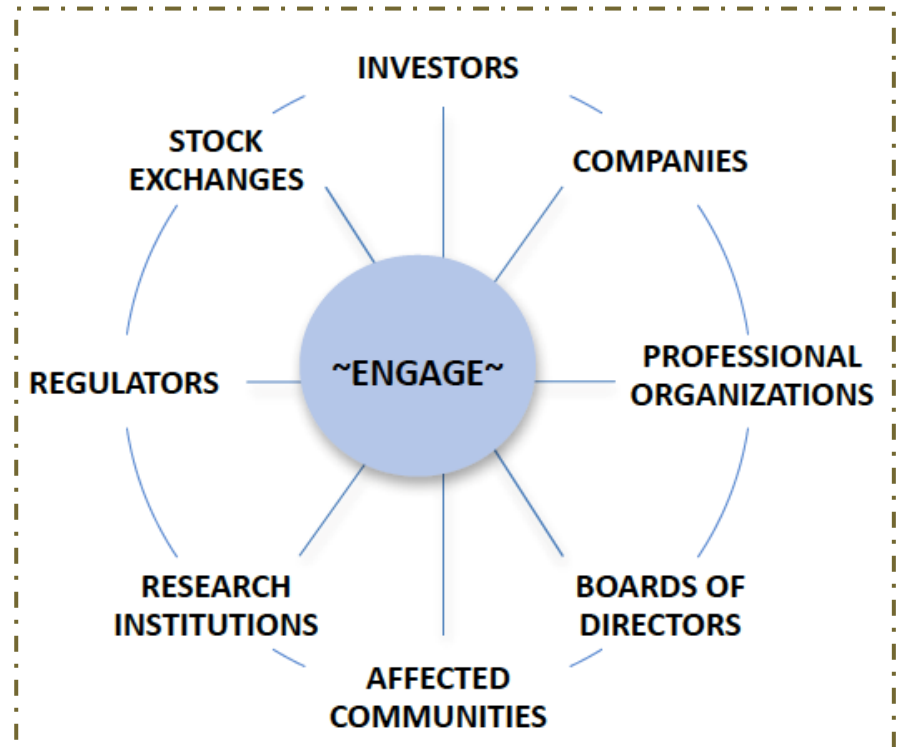
How to report on the governance of relations with key stakeholders?

Topics include:

- **Stakeholder Groups and Issues**
- **Systems for Stakeholder Engagement**
- **Material Topics Reported**
- **Grievance mechanisms**



#### 2.5 Governance of Stakeholder Engagement



# Reporting on Stakeholder Groups

Key Stakeholders with significant engagement with GEC's operation are categorized into 5 main Groups:

## 1 State Agency and Local Authority

- The Government, MOIT, Ministry of Natural Resources and Environment, Ministry of Agriculture and Rural Development
- Provincial People's Councils and People's Committees
- Department of Industry and Trade, Department of Planning and Investment, Department of Natural Resources and Environment, Department of Agriculture and Rural Development, Forest Protection Sub-Department
- Department of Culture, Sports and Tourism, Military Agencies (Provincial level), Public Security (Environmental Police)
- District Committees, District People's Committees and Departments
- Communal People's Councils and People's Committees
- Local communities

## 2 Electricity trading partners

- Electricity and Renewable Energy Authority
- Vietnam Electricity (EVN)
- Electricity Power Trading Company (EPTC)
- Load Dispatch Centers A0, A1, A2, A3
- Electricity Regulatory Authority of Vietnam (ERAV)
- Northern, Central and Southern Power Corporations

## 3 Power projects contractors

- EPC construction companies
- Consultancy firms
- Equipment and tools suppliers

## 4 Shareholders and potential Investors

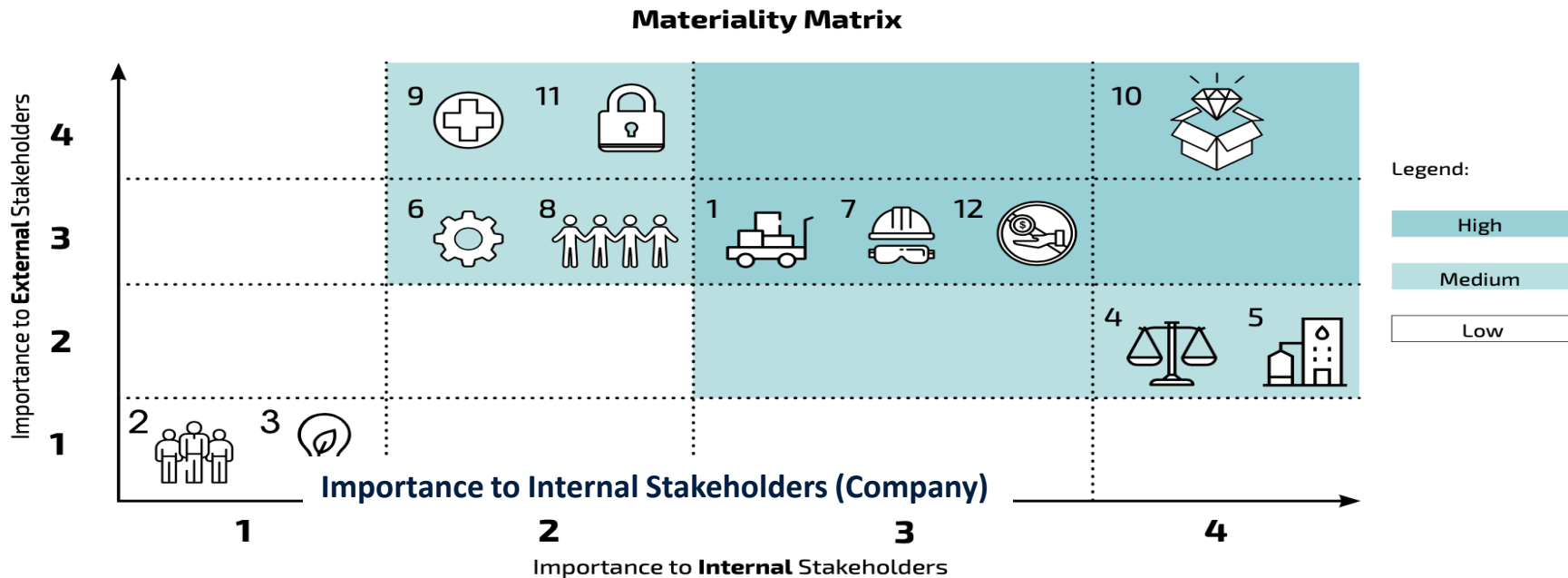
- Local and international major Shareholders
- Existing Shareholders
- Local and international potential Investors
- Investors on the stock market

## 5 Employees

- Executive Board
- Full time staff

# Stakeholder Materiality Assessment

Importance to External Stakeholders



## ESG Topics That Were Considered

### ECONOMIC



1. Procurement Practices
2. Community Investment

### ENVIRONMENTAL



3. Energy Efficiency
4. Environmental Compliance
5. Waste & Effluents

### SOCIAL



6. Supply Chain
7. Labour Practices
8. Diversity
9. Health & Safety
10. Product Excellence
11. Data Privacy






### GOVERNANCE



12. Anti-Bribery, Corruption / Anti-Money Laundering

# Strategies for Stakeholder Engagement - IFC

**TABLE 3** Strategies for working with key stakeholders

Area	Authorities	Local leaders	Surveillance committees	The media
<b>Access to information</b> 	<ul style="list-style-type: none"> <li>▶ Perception survey results</li> <li>▶ MIM Bulletin</li> </ul>	<ul style="list-style-type: none"> <li>▶ MIM Bulletin</li> <li>▶ Citizen report cards</li> <li>▶ Findings (factsheets)</li> </ul>	<ul style="list-style-type: none"> <li>▶ MIM Bulletin</li> <li>▶ Educational soundbites</li> <li>▶ Educational "capsules" (handouts)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Findings (factsheets)</li> <li>▶ MIM Bulletin</li> <li>▶ Citizen report cards</li> <li>▶ Participatory budget booklet</li> <li>▶ Social accountability index</li> </ul>
<b>Capacity Building</b> 	<ul style="list-style-type: none"> <li>▶ Training guides</li> </ul>	<ul style="list-style-type: none"> <li>▶ Training workshops</li> <li>▶ MIM toolkit</li> <li>▶ Training guides</li> </ul>	<ul style="list-style-type: none"> <li>▶ Training workshops and training guides</li> </ul>	<ul style="list-style-type: none"> <li>▶ Training workshops</li> </ul>
<b>Advocacy</b> 		<ul style="list-style-type: none"> <li>▶ Participation in radio programs</li> <li>▶ Visits by project team</li> </ul>	<ul style="list-style-type: none"> <li>▶ Participation in radio programs</li> </ul>	
<b>Motivation</b> 	<ul style="list-style-type: none"> <li>▶ Studies</li> <li>▶ Perception survey results</li> </ul>	<ul style="list-style-type: none"> <li>▶ Monitoring Municipal Investment Contest</li> </ul>		<ul style="list-style-type: none"> <li>▶ Annual competition on municipal service provision</li> </ul>
<b>Network</b> 			<ul style="list-style-type: none"> <li>▶ Training workshops</li> <li>▶ Guidelines</li> <li>▶ Technical support</li> </ul>	

# Stakeholder Engagement

Stakeholder group	Expectations	Key topics	How we engage them
Youth	To be relevant in the future, young people deem it important that a company as Vopak acts responsible in	<ul style="list-style-type: none"><li>• Air quality: VOC and other air emissions</li><li>• Greenhouse gas emissions</li></ul>	<ul style="list-style-type: none"><li>• Vopak WeConnect projects</li><li>• Face-to-face meetings</li></ul>



We strive to be transparent and report relevant and balanced information.

This section contains an explanation of our societal, environmental and economic impacts, our ambitions, how we want to achieve these and presents the developments and performance in 2019 based on topics identified as material for Vopak.


# DISCUSSION OR QUESTIONS



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State Secretariat for Economic Affairs SECO