

# CSIA-All the answers

**Q Why form CSIA now?**

A Corporate governance is undergoing much questioning as the consensus grows that there were failings in corporate governance that contributed to the financial crisis. We are creating a global professional organization – one building on the strengths of national associations that represent the practitioners, the corporate secretaries who are on the front line in helping companies implement best practice corporate governance. Governance is as much about people, as it is about procedures. Corporate secretaries are part of the solution. CSIA represents more than 70,000 governance professionals who can now express a global voice in shaping corporate governance best practices based on their experiences, expertise, and insights. To make governance work, you need input from those who design and put it into action corporate governance standards and programs.

This is particularly important at times of economic downturn when most companies tend to focus on the short-term financial gains and performance instead of the long-term sustainability of the business.

The corporate secretary can be broadly split into four roles: Compliance, advice, support, and administration.

- i. Compliance: Listing rules, regulations (e.g. Securities and Exchange Commission in the US, Financial Services Authority in the UK, Securities and Futures Commission in HK, China Securities Regulatory Commission in China), and other legal, environmental, Corporate Social Responsibility, financial, contractual matters.
- ii. Advice: Servicing and advising the chairman, board, and its committees (e.g. audit, governance, and remuneration, etc.), corporate governance, stock exchange requirements, communications channel for non-executive and independent non-executive directors and shareholders, organisation of the annual general meeting, and overall responsibility for the annual report.
- iii. Support: Legal structures of the company, group/company transactions (e.g. acquisitions – connected and otherwise).
- iv. Administration: Share options, insurance, pension arrangements, risk management.

Different companies and different cultures emphasize different aspects of the corporate secretary's responsibilities. In some companies the advisory role may be dominant, while at others the compliance responsibility may be the most important. Ultimately, as the accounting firm Deloitte notes, "*an effective corporate secretary leads to further growth of confidence from potential investors.*"

In France, for example, at the financial institution Société Générale, "the mission of the Corporate Secretary unit is to ensure the legal and tax security of the Group's activities. It is responsible for the Group's compliance function. It oversees

and manages the Group's insurance contract. Furthermore, it ensures the development of Société Générale Group's Sustainable Development and Innovation approach.

The Corporate Secretary unit is formed of the Legal function, the Tax Department, the Insurance Department, the Compliance Department, the Innovation Sustainable Development Department and the General Inspection." (Source: <http://careers.socgen.com/groupe/en/knowning/our-industries/corporate-secretary.html>.)

**Q. Do you have a profile of the practitioner: Age, gender, training, years of experience?**

A They differ greatly, depending on the country. In Asia, they tend to be younger and the likelihood of a corporate secretary being a woman is higher than in the US, UK, and Australia. For example, in Hong Kong, 63% of the members and students of HKICS are female compared with 30% of the members in the UK; that said, in the UK, 50% of the students are female.

**Q The global financial crisis puts into question the role of corporate governance and those who were responsible for its effectiveness. What role did corporate secretaries play?**

A The financial crisis and the weaknesses that the crisis exposed in corporate governance were major reasons behind the formation of CSIA. We are at the front line. We are part of the solution. We believe that governance best practices must be at the core of all sound, ethical business decisions. We're the governance professionals. Through CSIA, corporate secretaries and governance professionals will have a global voice.

As you note, Dr. Shann Turnbull states that the real reason for the sub-prime crisis, the trigger for the global financial meltdown, was a failure in corporate governance.

Before and during the financial crisis, corporate secretaries were providing advice to their boards and senior management. They were and are leading efforts to review a company's corporate governance practices and adherence to both the letter and the spirit of best practices.

The UK combined code, for example, stipulates that every director must have access to the advice and services of the company secretary – advice we would encourage all companies everywhere to adhere to.

That said we shouldn't run away with the idea that there has been a massive failure of governance across the whole corporate community. That isn't so. While there are isolated cases of non-bank and financial institutions getting into serious difficulty (in some cases through fraud, as opposed to incompetence), by and large the corporate failings in 2008 and 2009 occurred primarily in the banking and financial services sector – and the reasons are now fairly clear; boards failing to understand the risks their companies were taking or



the complex financial products in which they were investing; inappropriate remuneration structures which encouraged a climate of recklessness; overly dominant CEO's who were not sufficiently challenged by non-executive directors; and failure of regulatory oversight. No doubt there were other reasons too. The important point, however, is that the mechanisms supporting good governance, including corporate secretaries, by and large worked well and we shouldn't imply that the failings in the banking sector affecting the whole corporate community. If there is one area in which most companies could be found wanting, it was, perhaps, that they did not anticipate the liquidity crisis that unfolded in the light of the banking failures, which thus impaired their access to capital. The consequence has been some corporate collapse (particularly in small and medium sized enterprises).

It should be remembered that corporate governance is a journey, not a destination. Our profession has been taking a dedicated role to enhance corporate governance and we will continue to do so.

**Q How can CSIA make a difference?**

A CSIA represents corporate governance practitioners, those at the front line of governance/the gatekeepers of governance. We bring a different perspective to the boardroom. Corporate secretaries have a far broader brief and access to a tremendous amount of information about the company and corporate

governance best practice. This gives them a unique vantage point when assessing risk, advising the chairman/board on matters of governance and compliance. The CFO tends to focus on finances, legal counsel on legal matters, whereas the corporate secretary takes these plus the opinions/likely reaction of shareholder and other stakeholders as well as NEDS and INEDS, listing and securities regulations, structural impact and a host of other factors that other officers and management simply don't have information about. That makes corporate secretaries unique. For example, chartered secretaries, many of whom are company secretaries in large listed companies, are qualified in law, finance, accounting, business ethics, regulatory management, corporate secretaryship and governance.

We're part of the answer in helping the global economy recover from the financial crisis. As a profession, we see the need for our greater involvement in ensuring that corporate governance best practices are adhered to worldwide. That is why we are joining together as a worldwide organization, pooling our expertise and experience and providing that to the global standards setters for corporate governance. The objective is to ensure that these organizations, such as the OECD, have the best information and insights available to inform their recommendations.

The research report released at the official launch of CSIA, *20 practical steps to better corporate governance* – is one example of

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how we are doing that. CSIA will work with the (Global Corporate Governance) Forum to produce a Corporate Secretaries Toolkit, which will help establish the role and profession of corporate/company/board secretaries in targeted countries.

We will also lobby governments who are the major players in the WTO trade talks and work with the WTO to introduce a separate Head in the Services Sectorial Classification list for governance, that of compliance, secretarial advisory professionals (GCSAP). This is a multi-billion dollar business sector yet it isn't officially recognised by governments. As a consequence, bi-lateral and multi-lateral trade agreements such as the NAFTA, CEPA, etc. don't include this sector. This stifles trade which, in turn, slows the global economic recovery. For example, the Closer Economic Partnership Agreement (CEPA) between Hong Kong and China follows the WTO classifications, thus excluding GCSAP. There is a massive demand for these types of services in the mainland as its economy opens up and mainland companies list both on the mainland and in Hong Kong. Firms providing such services find it very difficult to establish a presence there other than under the ambiguous banner of consultants. Inclusion of GCSAP in CEPA would create a surge in new investment and job opportunities for professionals. These trade barriers also slow the spread of governance standards and practices, which leaves the business world more vulnerable to another economic downturn. This is why another of CSIA's aims is to promote general principles of governance while deepening the recognition of the role corporate secretaries play in helping companies to adopt corporate governance best practices.

We understand that different cultures and countries have their own approaches and laws and regulations on corporate governance. But that said, there are general principles behind good corporate governance practices, those espoused by the OECD are good example. CSIA's approach will be from the practitioner's perspective which we hope will provide a practical element to governance, the importance of which companies sometimes fail to grasp when faced with general governance principles issued by regulators and government related bodies.

### **Q How does CSIA define governance?**

A Governance consists of the principles and structures put in place to support companies in their drive to create sustained value. It's more than a series of regulations and codes. It's a company's culture. It's a system by which a company is directed and managed; how the company's objectives are established and achieved; how risk is monitored and assessed; and, how performance is optimised in sustainable ways - ways that take into consideration stakeholders' interests.

At the core of governance are people. Professionally trained people who put integrity and ethics, not short term gain, at the centre of business. One of the core elements of

integrity is independence. A good corporate secretary should be the 'wise counsel' of the chairman and non-executive directors, and a source of advice and support to the whole board in discharging the company's objective of producing sustainable performance in the interests of shareholders and the wider stakeholder community

### **Q How will CSIA address diversity issues? In particular, women in boardrooms is a big issue in Europe.**

A In France, they represent only 9% of board members and a law was passed in January to increase that proportion.

### **Q Do you think women can play a role in good governance? Are you in favour of quotas to ensure diversity in the boardroom?**

A Quotas aren't the answer; education and skills are the important factors. The appointment of women to board should be encouraged, but the primary criterion for appointment to the board should be that the proposed appointee possesses the relevant skills to perform the role.

### **Q How can CSIA present a united front when countries have such different regulations on corporate secretaries/corporate governance?**

A There is a common thread that binds us all: the desire for better governance. There are the OECD principles, which are widely accepted. The drive for better governance is what is driving the formation of CSIA, the reason why governance professionals throughout the world have come together.

### **Q Which countries have laws that promote good corporate governance? Which types of companies have set examples?**

A Many countries – from emerging markets, developing countries, to developed countries - have in place, or are preparing, policies and practices to achieve better governance. What is missing is the professionals – the people - to put things into practice. Part of CSIA's mission is to develop and grow the study and practice of secretaryship to improve professional standards and the quality of governance practice. We will also assist in the creation of professional governance-type bodies in countries where they don't exist. Professional bodies are a key element in lifting governance standards. They train, qualify and maintain members' standards. Without professionals you can't implement good governance practices. It always comes back to people.

### **Q The financial crisis has created a huge "trust issue" regarding the corporate world, for shareholders, employees, trade unions and the general public. How can corporate secretaries help to increase the level of trust? Will members of CSIA sign on to an ethics code? If standards are set, how will you make sure they are enforced? Will there be some type of certification system for professionals?**

A CSIA is an international body whose membership consists of national bodies, professional bodies. We have no plans to be a standards-setting organisation. We work through and with local bodies.