Governance Principles for Corporate Secretaries

CSIA
Corporate Secretaries
International Association

About Corporate Secretaries International Association

The Corporate Secretaries International Association (CSIA) is a Geneva-registered global organisation whose mission is '*to develop and grow the study and practice of Secretaryship, to improve professional standards, the quality of governance practice and organisational performance*'.

CSIA was established in 2010 as a not-for-profit organisation committed to improving the recognition and understanding of the practice of corporate secretaryship and the role of the corporate secretary. Its structure as an international federation of professional bodies enables it to effectively represent those practitioners who work at the frontline of governance.

CSIA is an inclusive, global organisation with eighteen national organisation members representing some 70,000+ corporate secretaries and governance professionals in more than 70 countries. Its ranks are collectively responsible for delivering a wide range of governance-related roles, which include corporate secretarial issues, governance structures, process and advice, advice on legal and commercial issues, compliance, risk management and professional administration.

CSIA's vision is to be *The Global Voice of Corporate Secretaries and Governance Professionals*. Its intent is to be heard and respected by the international business community as well as key government agencies and policy makers such as the World Trade Organisation (WTO), United Nations (UN), International Labour Organisation (ILO), Organisation for Economic Co-operation and Development (OECD), International Finance Corporation (IFC), World Bank and many others.

Letter from the President

It is my pleasure to introduce Corporate Secretaries International Association's *Governance Principles for Corporate Secretaries*.

These principles are part of CSIA's commitment to improve governance standards by encouraging the adoption and application of good governance principles on a global basis.

In March 2010, CSIA published a report entitled *20 Practical Steps to Good Governance* authored by world-renowned corporate governance expert, Dr Robert Tricker. This publication provided guidance to board directors and was designed to improve their company's governance frameworks.

In this second publication, *Governance Principles for Corporate Secretaries*, CSIA aims to guide corporate secretaries across all countries, jurisdictions and cultures on how they can influence the implementation of good governance in their organisations. As the senior governance practitioner in most organisations, the corporate secretary is in a unique position to guide the board and senior management to adopt high standards of behaviour and embrace high standards of good governance.

CSIA is of the view that good governance does not need to be unduly complex or burdensome. Quite the contrary, good governance principles and processes should be practical in their application, cost-effective and most importantly, a business enabler, which facilitates the achievement of overall business strategy and not 'governance for the sake of governance'.

I urge you to consider these principles, and the practical guidance that accompanies them, when reflecting on how you as a corporate secretary can assist your organisation to implement good governance.

Kind regards

Peter Turnbull FGIA FCIS
President
Corporate Secretaries International Association

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The history of the Principles — the Shanghai and New York Roundtables

In September 2011, CSIA convened a global corporate governance conference in Shanghai in conjunction with the Shanghai Stock Exchange. The conference drew experts from around the world who examined whether eastern and western models of governance were moving toward convergence or divergence.

The outcomes from the first day of the conference included the following conclusions:

- **Different governance models** — both eastern and western models of governance have their advantages and potential disadvantages when viewed in a global context
- **Fundamental good governance principles** — there was a consensus on the fundamental principles underlying good governance. They are both a necessity and have a very real possibility of being widely accepted, but getting to that point will require a genuinely global and inclusive look at the governance challenges facing countries around the world
- **Universal governance principles** — any search for a single and rigid set of universal global governance practices is likely to fail. Instead, the focus should be on establishing a set of universal high-level principles which can be applied across multiple jurisdictions around the world to enhance governance standards.

A Roundtable discussion was convened on the second day of the Shanghai conference to identify those high-level principles and to provide some guidance on their implementation. The Roundtable discussion led to a draft set of universal corporate governance principles. As the name suggests the basis is a principles-based approach which acknowledges that although some organisations may lack the resources to develop detailed governance processes and policies, nonetheless they are able to move to recognise and instil the key principles and then develop them over time as resources permit.

The outcome of the Shanghai Roundtable was then put before a second Roundtable in New York in October 2012. The New York Roundtable had the benefit of leading North American academics and practitioners as well as input from governance experts from numerous countries.

The New York Roundtable led to a reorientation of the focus of the principles so that they reflected what a corporate secretary could implement, or recommend to be implemented, within their own organisation.

CSIA recognises that there are many bodies and organisations around the world that promulgate governance guidelines, for example the International Organization of Securities Commissions and the Organization for Economic Co-operation and Development. It became clear at the New York Roundtable that corporate secretaries have a pivotal role to play in implementing good governance in their organisation. Accordingly, CSIA's Governance Principles for Corporate Secretaries complement these existing guidelines by providing guidance to the corporate secretary so that they can encourage a good governance framework in their organisation.

The Principles

CSIA's *Governance Principles for Corporate Secretaries* are core principles that should be present in any good governance framework. They have been developed so that they can be applied across most countries and jurisdictions with appropriate adjustments being made for local needs and conditions. The necessary local adjustments will likely include having regard to the following issues:

- cultural differences
- the type of business or operations undertaken
- the overall size of the organisation to which the principles are being applied
- the human and financial resources available to the organisation
- the commercial and other risks associated with the organisation.

CSIA's *Governance Principles for the Corporate Secretary* are:

1. Integrity
2. Accountability
3. Stewardship
4. Transparency
5. Separation of board and management
6. Corporate responsibility to society and the environment

Integrity

Principles	Practical Guidance
• Integrity is the most important principle • The need to act with absolute integrity is at the core of all governance structures and processes • Integrity has a universal meaning and includes acting with honesty, fairness, ethics, and moral character. These qualities should be the underlying basis on which any organisation functions • Integrity is not a relative concept — people and organisations either have integrity or they do not. Good governance frameworks require underlying integrity at all times • Integrity is about values and behaviour and transcends the detail of codes of ethics and other governance standards • A failure to act with honesty, fairness, ethics and moral character would, in all countries, be seen as a failure to meet good governance standards	The corporate secretary can promote and ensure that: • all of their organisation's undertakings are conducted with integrity both internally and externally • public and internal statements are made with integrity — this is a core benchmark by which the organisation functions and judges itself • appropriate systems and processes, such as values frameworks or codes of conduct, are put in place to act as a guide to behaviours • the actions of the board and senior management reflect the espoused values of the organisation by ensuring adequate induction and training of directors and all staff, including senior managers, with a particular emphasises that high integrity in all corporate actions is a non-negotiable aspect of the organisation's values • acting with integrity is a key performance indicator for senior management and other staff

Accountability

Principles	Practical Guidance
• As an organisation generally exists to benefit its members/shareholders in a material way, whilst taking into account the needs of a wider group of stakeholders, there should be a direct line of accountability for performance and for achieving the outcomes for which the entity was created • The primary responsibility of a board is to its members/shareholders but cultural and geographic differences exist across the world in terms of whether companies and organisations and their boards should be accountable to their shareholders alone or a wider group of interested stakeholders (such as employees, the local community, the general public, unions, regulators and others), who can be affected by what the company or organisation does. Judgments as to appropriate channels of accountability can only be made at the local level, although it is contended that an inclusive stakeholder approach is the correct one to enable sustainable and responsible businesses • A core element of accountability is the fact that there will usually be negative consequences for failing to be accountable or as a result of not achieving agreed corporate, financial, cultural or social aims. Such consequences could be financial, non-financial, or reputational • The ability to be accountable will require good listening and communication skills — listening skills in the sense of understanding stakeholder expectations, and communication skills in the sense of communicating to those stakeholders about what the organisation is doing, why it is doing it, how it is doing it and what it has achieved	• The corporate secretary can promote and ensure that: • their organisation's view of its responsibility to be accountable to members/shareholders or a wider group of stakeholders is communicated internally and externally • their organisation ensures it reports at least annually, and ideally half-yearly, on financial performance to its members/shareholders and stakeholders, preferably through its website • the organisation seeks to engage with its members/shareholders at least annually in a public forum, providing members/shareholders with the opportunity to question the governing body on its decision making • the organisation establishes communication channels whereby it can receive feedback from its members/shareholders and other stakeholders and ensures mechanisms are in place to review the effectiveness of the communication • the board of directors or governing body conducts a performance review of itself annually and discloses to its members/shareholders that such a process is in place

Stewardship

Principles	Practical Guidance
• Appropriate stewardship by governance professionals is a fundamental element of achieving good governance outcomes • Stewardship can be defined as an ethic that embodies responsible planning and management of resources with a long-term perspective • Stewardship is the responsibility to manage something on behalf of someone else and with appropriate care and skill • Stewardship involves sustainable performance of an organisation whilst operating within stakeholder expectations. In a legal sense, it involves a fiduciary duty • There is a close connection between the goals of accountability to stakeholders and stewardship. Both concepts require a longer-term view and vision, and ongoing effort to achieve • Stewardship is not a project-by-project or issue-by-issue concept but rather is an ongoing state of mind	The corporate secretary can promote and ensure that: • the board and senior management work cooperatively with the organisation's stakeholders and constituent groups to achieve mutually beneficial outcomes • every opportunity is taken to ensure communication between the organisation and stakeholders is maximised and that stakeholder concerns are taken into consideration • the board and senior management focus on relevant topics and issues, by influencing the structure of the board agenda, through the adoption of best practices and by ensuring key issues emerging from stakeholders are elevated to board level as appropriate • the decisions of those with stewardship responsibilities are communicated to stakeholders so that they understand the key goals of the organisation • their board has an annual calendar of important decisions, procedures for the effective flow of information from management to the board, formal agendas and minutes and effective follow-up mechanisms • there is an effective nomination process in place for new directors as well as an effective induction program • there is a periodic evaluation of the governing board's performance and also their development programmes. The governance function also entails ensuring succession planning for key positions is in place • the organisation has in place internal controls to ensure that all decisions benefit the organisation and its stakeholders and that conflicts of interest are registered, managed and minimised

Transparency

Principles	Practical Guidance
• Transparency means that the actions of the organisation, its board, management and employees can be seen, reviewed and understood • Transparency fosters trust in all relationships. A lack of transparency prevents this, which is precisely why transparency is important • Transparency develops trust by ensuring all stakeholders know what the rules are and whether they are being followed • Transparency is not only an external concept in terms of information flows to stakeholders. It is also an internal concept where sufficiently detailed and open flows of information should be in place between the board, management and employees • All relevant and material information is released whether positive and negative in nature.	The corporate secretary can promote and ensure that: • all relevant and material information, be it to members or other stakeholders, is published in a timely, accurate and complete fashion • all relevant information, be it to members or other stakeholders, is published in a form in which it can be easily understood — in 'plain English'. The information published should be practical, clear and concise, easily understood by the target audience and not ambiguous • information is released digitally at every opportunity to ensure that it is timely and readily available but requests to receive hardcopy information are met, particularly any requests in relation to financial statements and annual reports • their organisation's values, policies and governance benchmarks are readily available on the organisation's website

Separation of board and management

Principles	Practical Guidance
• The role of the board is to govern an organisation and the role of the executives is to manage it. A key part of the board's governing role is to audit and assess the performance and outcomes of management against the organisation's goals and plans • Optimal governance outcomes are produced when there is a clear separation of the key oversight functions of the governing body from the (operational) management functions within an organisation. When these functions are properly separated it creates transparency and avoids confusion in the decision making and oversight process, providing clarity as to responsibilities • While this is accepted in Western economies, this principle is less clear in other economies where family and collective interests can play a significant and very important role in the affairs of companies and organisations • For the purposes of defining a globally useful principle it can be argued that the key issue here is as much about the clarity of the decision-making process and the division of responsibilities as it is about the separation of key functions — if there is clarity then there is generally understanding and certainty	The corporate secretary can promote and ensure that: • the supervisory and oversight functions of the board or governing body are set out in a charter or similar document • the board of directors or governing body set out clear delegations of authority, both financial and non-financial, to clarify the business execution functions of management • the governing body or board of directors has authority to appoint and terminate the chief executive officer or managing director • where these functions cannot be clearly separated due to cultural and local factors, processes are put in place to clarify 'which hat the individual is wearing' to provide for accountability in decision making • where these functions cannot be clearly separated due to cultural and local factors, or due to exigencies in the business, such as where the board needs to take responsibility for the day-to-day management of the business for a period of time, the decision as to the non-separation of these functions is clearly communicated to members/shareholders and other stakeholders, including the reasons why this is in their best interests • the board determines the risk appetite and risk tolerance for the organisation • where appropriate, a supervisory board may be installed to oversee the operation of the board of directors in order to create a further level of governance focusing on the performance of the board

Corporate responsibility to society and the environment

Principles	Practical Guidance
• A company or organisation owes a duty to society in general to operate in a sustainable, ethical and responsible manner. This is not necessarily a duty prescribed in a legal sense but a concept that investors and the society in general have come to expect — a social licence to operate • Corporate responsibility is sometimes referred to as 'corporate citizenship' or 'responsible business' and involves reporting not only on financial and commercial outcomes but on how the achievement of those outcomes may create social and environmental risks and how those risks are being managed to ensure the organisation is performing responsibly. • the key purpose of corporate responsibility is for organisations to embrace publicly responsibility for their actions. By doing so the goal is to create sustainable value for its members/shareholders through activities that are responsible in their social and environmental impact and outcomes. These could benefit some or all of the organisation's stakeholders which may include members/shareholders, employees, the local and regional community, customers and many others • Corporate responsibility should be viewed as a longer-term process which needs to be considered in the context of the management of material business risks	The corporate secretary can promote and ensure that: • their organisation implements and monitors its active compliance with the spirit as well as the letter of the law, ethical standards, international norms and stakeholder expectations • their organisation, whilst recognising cultural and resourcing constraints, embraces corporate responsibility fully by seeking to implement: – integrated decision-making into the organisation's strategic plan and business planning processes – agreement of a set of corporate responsibility-related goals that are embedded in key performance indicators for senior management – the development of a communication plan in relation to the organisation's corporate responsibility activities to ensure that relevant stakeholders are aware of the efforts being made and the outcomes being achieved and wherever possible to seek feedback on those activities to assist with continuous improvement – an integration of sustainability and financial reporting, so that members/shareholders and other stakeholders can assess the organisation's management of its material business risks

Full members of the CSIA

Australia	Governance Institute of Australia	www.governance institute.com.au
Bangladesh	Institute of Chartered Secretaries of Bangladesh (ICSB)	www.icsb.edu.bd
Hong Kong	The Hong Kong Institute of Chartered Secretaries (HKICS)	www.hkics.org.hk
India	The Institute of Company Secretaries of India (ICSI)	www.icsi.edu
Kenya	The Institute of Certified Public Secretaries of Kenya (ICPSK)	www.icpsk.com
Malaysia	The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)	www.maicsa.org.my
Nigeria	Institute of Chartered Secretaries & Administrators of Nigeria (ICSAN)	www.icsan.org
Pakistan	The Institute of Corporate Secretaries of Pakistan (ICSP)	www.icsp.org.pk
Singapore	The Singapore Association of The Institute of Chartered Secretaries and Administrators (SAICSA)	www.saicsa.org.sg
Southern Africa	Chartered Secretaries Southern Africa (CSSA)	www.icsa.co.za
United Kingdom	The Institute of Chartered Secretaries and Administrators-UK (ICSA)	www.icsaglobal.com
United States of America	Society of Corporate Secretaries and Governance Professionals, Inc. (SCSGP)	www.governance professionals.org
Zimbabwe	The Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ)	www.icsaz.co.zw

Affiliate members of the CSIA

Canada	Canadian Society of Corporate Secretaries (CSCS)	www.cscs.org
Indonesia	Indonesian Corporate Secretary Association	www.icsa-indonesia.org
Mongolia	Corporate Governance Development Centre (CGDC)	
New Zealand	Chartered Secretaries New Zealand Inc. (CSNZ)	www.csnz.org
Sri Lanka	Institute of Chartered Corporate Secretaries of Sri Lanka (ICCS)	

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