

Syllabus Outline Applied Governance

NQF8

Prescribed text: Applied Governance (in preparation)

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King IV Code of Corporate Governance (download from the www.iodsa.co.za website)

Disclaimer: Please note the following:

- A prescribed textbook may not necessarily cover every aspect of a syllabus. The Institute examines the syllabus and any omissions should be researched personally or be provided by your tuition provider.
- ISBN numbers may have changed since the publication of this list. Our policy is that you should always use the latest edition of the textbook.
- Many publishers are no longer publishing hard copies and have switched to e-books.
- Some modules require prescribed readings which can be downloaded for personal use from the internet or the CSSA student portal.

The aim of the module is to instil advanced knowledge and key skills necessary for the Chartered Secretary or Governance Professional to act as chief adviser to the board or governing body and other stakeholders on best practice in corporate governance, and as the facilitator for systematic application across a wide range of organisations.

Syllabus topics	Syllabus detailed content	Applied Governance (CSSA)
Learning Outcome 1: Research and critically apply the growing global, regional and local information sources on corporate governance.		
Overview of the general principles of corporate governance	<ul style="list-style-type: none"> • Definitions of corporate governance – including well- known ones, such as from Cadbury report, OECD principles and King Report, as well as local variations and according to organisation type • The nature of corporate governance and purpose of good corporate governance • Separation of ownership and control • Agency theory and corporate governance • Stakeholder theory and corporate governance • Principles of good corporate governance • Local codes and reference to other codes such Cadbury report, OECD principles and the King Report • Key issues in corporate governance <ul style="list-style-type: none"> ○ leadership and effectiveness of the board, accountability, risk management and internal control, remuneration of directors and senior executives, relations with shareholders and other stakeholders, sustainability • Framework of corporate governance • Legal framework • Rules-based and principles based approaches • Codes of corporate governance and their application • Concepts of ‘comply or else’, ‘comply or explain’, ‘apply or explain’ 	Chapter 1 King IV

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	<ul style="list-style-type: none"> • Governance • Potential consequences of poor corporate governance • Ethics • Codes of ethics 	
Learning Outcome 2: Justify and promote awareness of, and be responsible for continuing self and personnel development on corporate governance themes.		
The board of directors and leadership	<ul style="list-style-type: none"> • Role of the board • Division of responsibilities on the board • Matters reserved for the board • Delegation to management • Role and responsibilities of the board chairman, role and responsibilities of the Chief Executive Officer, role and responsibilities of non-executive directors • Independence and non-executive directors • Role of the Senior Independent Director • Duties of directors: fiduciary, statutory, common law • Conflict of interest, related party and rules on dealing in shares by directors: insider dealing; Model Code • Liability of directors: directors' and officers' liability insurance • Unitary and two-tier boards • Effectiveness of the board of directors • Role of the company secretary in governance • Size, structure and composition of the board: board balance and diversity • Board committees: objectives, role & functions • Appointments to the board: role of the Nomination Committee; succession planning and board refreshment • Induction and development of directors • Information and support for board members • Performance evaluation of the board, its committees and individual directors • Re-election of board members 	Chapter 2
Learning Outcome 3: Provide justification in applying the concepts of corporate social responsibility and ethical standards in governance.		
Governance and accountability	<ul style="list-style-type: none"> • Financial and business reporting and corporate governance • The need for accountability and transparency • The need for reliable financial reporting: true and fair view, going concern statement • Responsibility for the financial statements and discovery of fraud • Role of the external auditors • Auditor independence; threats to auditor independence; auditors and 	Chapter 3a

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	<p>non-audit work</p> <ul style="list-style-type: none"> • The Audit Committee: roles, responsibilities, composition; guidance from regulators, including FRC • Reporting on non-financial issues: narrative reporting; strategic report 	
<p>Learning Outcome 4: Critically appraise and apply corporate governance principles and best practice in the employing or client organisation.</p>		
<p>Role of the board in risk management and internal control</p>	<ul style="list-style-type: none"> • Risk management as a primary responsibility of the board • The difference between 'business risk' and 'governance risk' (internal control risk) • Internal control risks: financial, operational and compliance risks • Elements of an internal control system: Turnbull and other guidance • Opportunity risk governance • Risk and return; identifying, monitoring and reporting key risk areas; risk appetite and risk tolerance • Responsibilities for risk management and internal control: board of directors, executive management, audit committee, internal and external auditors • Risk committees of the board • Role of internal audit with an internal control system • Whistleblowing policy & implementation • Reputation risk: placing a value on reputation, identification and management • Disaster recovery plans • Conflict prevention and resolution Compliance and enforcement Governance of information • Reviewing and reporting on the effectiveness of the risk management and internal control systems • Role of the company secretary as adviser to the board on risk, and having responsibilities with implementation of policies and compliance 	<p>Chapter 4 Chapter 5</p>
<p>Learning Outcome 5: Exercise appropriate judgement in the use of professional knowledge and skills to the resolution of practical issues and problems in the proper governance of the employing or client organisation.</p>		
<p>Relations with shareholders</p>	<ul style="list-style-type: none"> • The equitable treatment of shareholders; protection for minority shareholders • Rights and powers of shareholders • Dialogue and communications with institutional shareholders (companies) or major stakeholders • Role and relevance of institutional investor organisations (or major stakeholders); UK Stewardship Code and other investment codes 	<p>Chapter 6</p>

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	<ul style="list-style-type: none"> • Constructive use of the annual general meeting • Shareholder activism <p>Candidates will be required to have an awareness of the benefits of electronic communications between companies and their shareholders, but will not be required to know the detailed law and regulations on electronic communications.</p>	
<p>Corporate social responsibility and sustainability</p>	<ul style="list-style-type: none"> • The nature of sustainability • The nature of corporate responsibility and corporate citizenship • Corporate responsibility and stakeholders • Internal and external stakeholders Elements of corporate social responsibility: employees, the environment, human rights, communities and social welfare, social investment, ethical conduct • Formulating and implementing a policy for corporate social responsibility • Reporting to stakeholders on sustainability and corporate social responsibility issues <ul style="list-style-type: none"> ○ Voluntary social and environmental reporting ○ Sustainability reporting, triple bottom line, GRI Guidelines • Integrated reporting 	<p>Chapter 7</p>
<p>Remuneration of directors and senior executives</p>	<ul style="list-style-type: none"> • Principles of remuneration structure: elements of remuneration • Remuneration policy • Elements of a remuneration package and the design of performance-related remuneration. Candidates will not be required to discuss performance targets in detail, but need to be aware of short-term incentives (e.g. cash bonuses) and longer-term bonuses (share grants, share options). They also need to be able to discuss the difficulties of designing a suitable remuneration structure • Role of the Remuneration Committee • Compensation for loss of office • Disclosures of directors' remuneration - candidates will be expected to show an awareness of issues relating to the disclosure of directors' remuneration in the annual report and accounts, but not the detail (e.g. not the detail of the directors' remuneration report) • Shareholder approval of incentive schemes and voting rights with regard to remuneration • The recommendations or guidelines of institutional investor groups and corporate governance codes on matters relating to directors' remuneration 	<p>Chapter 8 Readings</p>

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Other governance issues	<p>International aspects of corporate governance:</p> <ul style="list-style-type: none"> • Other models including US, Germany, Japan, China etc. • Classification of corporate governance systems, or different approaches – for example, Scandinavian, German • Are corporate governance systems converging or diverging? • Effect of global financial crisis • The transplanted of corporate governance practices <p>Other issues; introduction to the following topics -</p> <ul style="list-style-type: none"> • Governance problems for large global groups of companies • Corporate governance: unquoted companies and small quoted companies • Governance in the public sector • Governance in the not-for-profit sector • Family-controlled companies 	Chapters 9-11 King IV
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Practical work

- Provide stakeholders with an analysis of a corporate governance problem and solutions and advice as to how the problem might be resolved according to best practice
- Ensure compliance with the provisions of the Companies Act and Companies Regulations, other statutes and the King Report on Corporate Governance
- Ensure good information flows within the board or governing body and its committees and between senior management and non-executive directors
- Communicate using appropriate methods with institutional shareholders (companies) or major stakeholders
- Ensure that business of the company is conducted in accordance with its objects as contained in its MOI
- Formulate and implement a policy for corporate social responsibility
- Compile reports for stakeholders on sustainability and corporate social responsibility issues
- From the perspective of a company secretary or governance professional, provide authoritative and professional advice on matters of corporate governance within a specific corporate context

Additional readings:

- Integrated reporting
 - <http://integratedreportingsa.org/ircsa/wp-content/uploads/2017/05/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf>
 - <http://integratedreporting.org/wp-content/uploads/2015/12/Creating-Value-Integrated-Reporting-and-investor-benefits.pdf>
 - http://integratedreporting.org/wp-content/uploads/2015/11/1315_MaterialityinIR_Doc_4a_Interactive.pdf
 - <http://integratedreportingsa.org/faq-using-the-six-capitals-in-the-integrated-report/>
- Remuneration: <https://www.pwc.co.za/en/assets/pdf/2018-executive-directors-report.pdf> (updated annually)

Online resources:

- Sustainability: GRI podcasts: <https://www.globalreporting.org/information/media/Pages/GRI-Podcasts.aspx>