



# Company Secretaries Forum

11 July 2019

**afm** association  
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mutuals

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## Today's agenda

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Introduction by Today's Chair

Implementing AFM's Corporate Governance Code,  
*Martin Shaw, AFM*

How to find a Company Secretary,  
*Gerhardt Ekermans, MetFriendly*

Open Q&A on topical issues for Company Secretaries

Closing remarks



SKOOL's OUT



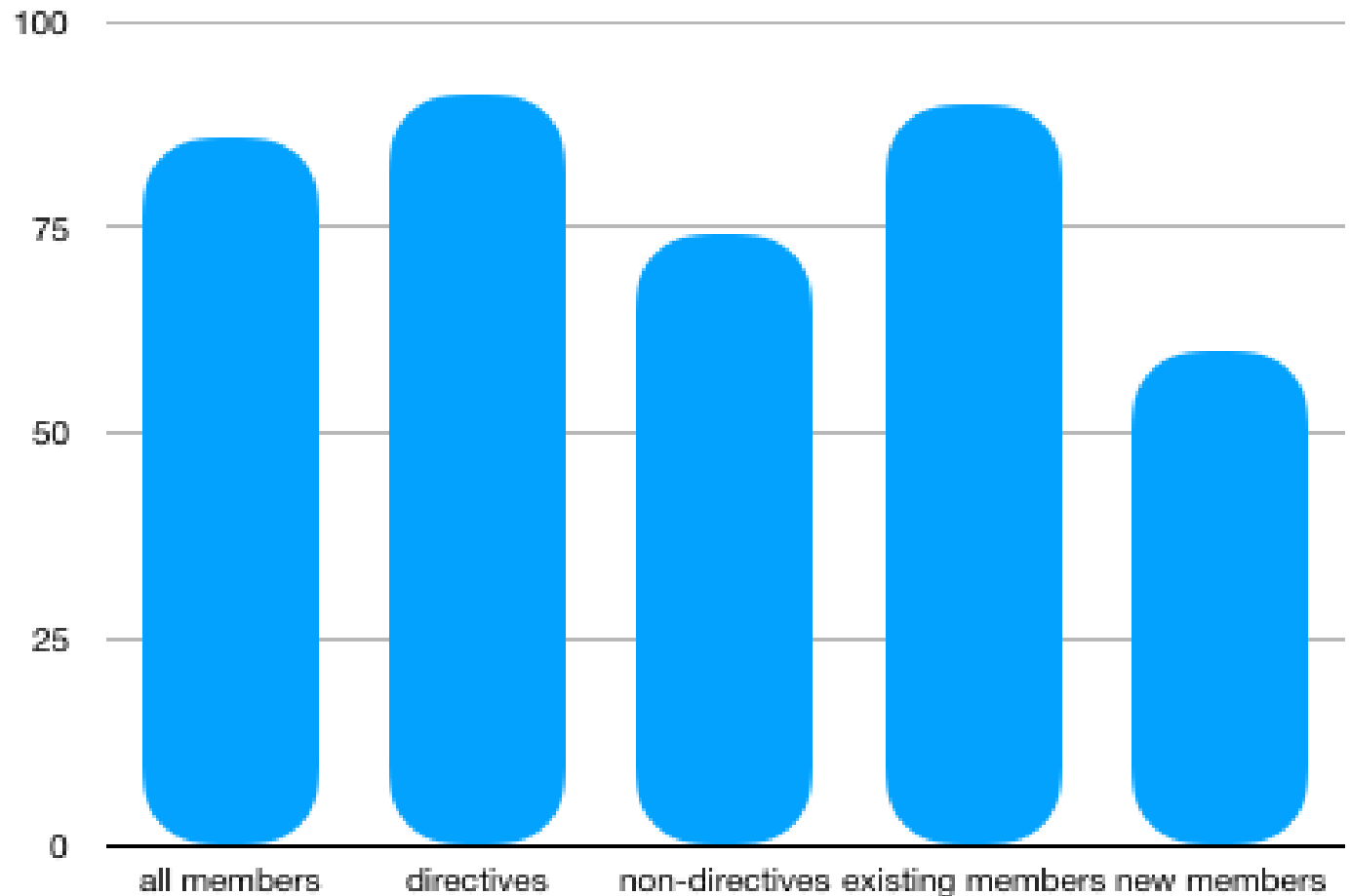
# AKA...IMPLEMENTING THE NEW AFM CORPORATE GOVERNANCE CODE

MARTIN SHAW, AFM

COMPANY SECRETARIES FORUM, JULY 2019

- Since 2007 we have maintained an annotated version of the code for listed companies.
- In 2017, members on average complied with 86% of the 54 Code provisions
- Current exercise ran to 30 June: compiling results now.

## WHERE ARE WE NOW?



# OBJECTIVES OF THE NEW AFM CODE

- Learn from and adopt good practice in corporate governance elsewhere;
- Ensure we do not place undue barriers on compliance, or conflict with regulatory or statutory requirements;
- Ensure new standards for our members are proportionate to their size;
- Create an approach which helps demonstrate how members deliver good outcomes for customers; and
- Reflect the range of business models we support, in a way that is relevant for all our members.

# THE DESIGN OF THE NEW AFM CODE IS AMBITIOUS

Sources reviewed and reflected in the final Code include:

- PRA statement on Board Responsibilities
- UK company law, including new section 172 requirements
- Audit Directive requirements for Public Interest Entities
- FRC Code for listed companies
- FRC principles for large private companies
- AFM's experiences of support for Code compliance for over ten years
- Stakeholder approach adopted in 'The Loyal Company'

## Corporate Governance ....

1. Is the system by which companies are directed and controlled.
2. Is about establishing an organisational framework of processes and attitudes that focuses on long-term continuity and success to add value to the business and build its reputation.
3. Involves the boards and management of regulated firms to run the business prudently, consistent with the firm's own safety and soundness and the continuing stability of the financial system.
4. Defines the way in which the organisation is constituted, directed and controlled by its governing body, the Board.



## Systems of Governance

Comply or else

Comply or explain

Apply or explain = Compliance

Apply and explain = Compliance

# GENESIS OF THE CODE

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## 1. Comply or else

- All types of legislation

## 2. Comply or Explain

- UK Code of Corporate Governance (FRC) 2018

## 3. Apply or Explain = Compliance

- King II Code of Corporate Governance (IoD South Africa) 2002
- Tabaksblat Dutch Code of Corporate Governance (CGC) 2004

## 4. Apply and Explain = Compliance

- Mauritian Code of Corporate Governance (NCCG) 2016
- King IV Code of Corporate Governance (IoD Southern Africa) 2017
- The Wates Corporate Governance Principles for Large Private Companies (FRC) 2018
- The Nigerian Code of Corporate Governance (FRC) 2018
- **The AFM Corporate Governance Code (AFM) 2019**
- Proposal in the new German Code of Corporate Governance (Government Commission) 2019

# THE NEW AFM CODE IS FOCUSED ON SIX PRINCIPLES



Purpose &  
Leadership



Board Composition



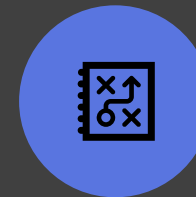
Director  
Responsibilities



Opportunity and  
Risk



Remuneration



Stakeholder  
Relationships and  
Engagement

The Code Principles need to be applied passionately and faithfully across the Financial Mutuals' Community.

They are not:

- A bureaucratic requirement
- A box ticking exercise
- Simply “Nice to have” – they make good business sense.

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## APPLY AND EXPLAIN

- Members should demonstrate how they apply each of the six principles.
- Provide a supporting statement for each principle in the directors' report within their report and accounts and/or online.
- Written in a way designed to appeal to the interests of all key stakeholders (customers, members, employees, suppliers, wider community).
- The guidance in the Code gives non-exhaustive reference for points that should be covered in the statement.



## APPLY AND EXPLAIN

Example:

### **‘Purpose and Leadership’**

An effective board promotes the purpose of an organisation, and ensures that its values, strategy and culture align with that purpose.

Eight guidance paragraphs, on:

- A well-defined purpose
- Tone from the top
- Dialogue with employees around purpose
- Behaviours of employees
- Strategy and business model
- Healthy corporate culture
- The ways we monitor culture
- Strategy to facilitate long-term sustainable value
- Managing conflicts of interest





# DEMONSTRATING APPLICATION

## 2018/19

- Based on 2016 annotated Code
- AFM compliance questionnaire issued based on 54 provisions
- Comply or explain statement in report and accounts
- Audit: part of Directors' report, nine provisions for formal review
- AFM summary report

## 2019/20

- Based on new AFM Code
- Firm-based approach based on six principles
- Apply and explain statement in report and accounts
- Audit: as part of Directors' report, and as agreed with firm
- AFM supporting review



# LEARNING FROM ELSEWHERE

- South Africa first country to introduce Apply and Explain
- Mauritius introduced its corporate governance code for all companies in 2016
- FRC adopted format for privately owned companies in the UK in 2018 (Wates' Principles)

- Option for short statement in accounts with full compliance on website
- Directors' assessment
- Auditor to review explanations for any non-compliance
- Importance of evidence/ KPIs
- More in NED Conference, 19/6



# 6. STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

**I Agree**

But ....

How are you going to provide **evidence** that the board is effectively managing risk?

# Standardised statements of compliance

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## Standardised statement of compliance with the Code by **the Board:**

- “Throughout the year ended [date] to the best of the Board’s knowledge the organisation has complied with the AFM Corporate Governance Code (2019). The organisation has applied all of the principles set out in the Code and explained how these principles have been applied.”

## Standardised statement of compliance with the Code by **the external auditor:**

- “The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the AFM Corporate Governance Code as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code. In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.”

# SUSTAINABILITY REPORTING



# Topical issues for Company Secretaries

- Submitting authorisations / Reporting on SM&CR
- Member engagement
- Year-end reporting
- Training requirements for a Company Secretary
- Outputs from the AFM NED Conference



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