GOVERNANCE PRACTITIONER JOURNAL

Volume 1 Issue 2 2024

Layout and Cover design by Tamati Kraido

Produced By:

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Published by:

THE AFRICA RESEARCH CONSORTIUM
www.tarc.africa
info@tarc.africa

Printed in Nairobi, Kenya

ISBN: 978-9914-9702-8-9

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Agoti has previously served as a Manager, Product Development & Uptake, coordinating the conduct of market development and research work, aimed at developing new policies, systems and strategies for the better operation of Kenya's capital markets. He has also previously actively participated in Public–Private Partnership (PPP) engagements as a resource person. Mr. Agoti holds an M.A and B.A degree in Economics from the University of Nairobi. He also has Human Resource Management and Accounting qualifications. In addition, he has Financial Analyst certification as a Capital Markets Securities Analyst (CMSA) from the Corporate Finance Institute (CFI®) and the Institute of Certified Investment and Financial Analysts (ICIFA). Mr. Agoti is a certified negotiator, with a qualification in Negotiation Mastery from Harvard Business School (HBS).

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FCS Nkirote Mworia Njiru is a governance practitioner, certified secretary, and lawyer with a passion for sound governance, policy making, standard setting, capacity building and setting up institutional systems that deliver exceptional value. In over twenty years of governance, legal and people leadership practice, she has worked in both the public and private sectors in East Africa in a wide range of activities involving setting up governance, legal and organization structures; policy and practice code development; supervision and capacity building. She is a fellow of the Institute of Certified Secretaries of Kenya (FCS); a member of the Institute of Human Resource Management (IHRM) and the Law Society of Kenya (LSK); holds a Higher National Diploma in Law and in Human Resource Management; is a Certified Governance Auditor and an AoEC Certified Executive Coach. Nkirote has been the Old Mutual East Africa Group Company Secretary /Legal Counsel and Company Secretary for Faulu Microfinance Bank Limited over the last six (6) years and has recently pivoted to oversee the People Transformation Strategy as the Group Human Capital Executive. Capacity building and empowerment activities are passions she fulfils through engaging in various activities and networks. She sits on three boards as a non-executive director including representing the Institute on the board of the Kenya Accountants and Secretaries National Examination Board (KASNEB) and serves as the Secretary of the Executive Committee of the Upper Hill District Association. Being passionate about women in leadership, Nkirote mentors actively and is a founder of the Women on Boards Network Kenya.

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FCS Mercy Wanjau, the esteemed Secretary to the Cabinet, is a distinguished regulatory and governance professional. She holds an LLB Hons degree from the University of Nairobi, an LLM degree from the University of Cape Town, and has pursued advanced management courses at Strathmore Business School. Mercy has been an influential keynote speaker at various conferences and events, advocating for women-led businesses and board networks, and has actively participated in significant gatherings related to certified secretaries in the country. Prior to her current role, she served as the Acting Director General of the Communications Authority of Kenya (CA), where her transformative leadership significantly impacted the Kenyan economy. Her diverse academic credentials and extensive experience underscore her influential role in promoting governance and regulatory practices in Kenya.

Mr. Hosea Mutwiri Kanyanga is an economist and financial services professional with keen interest and expertise in research, policy, strategy, governance, data analysis, investment, product development, and innovation in the financial sector in Kenya. Currently, he is the Research and Strategy Officer at the Institute of Certified Public Secretaries Kenya (ICPSK). Previously he worked at the Capital Markets Authority (CMA) across three functions for more than three years in Research and Data Analytics, Policy and Regulatory Framework, and Product Development and Uptake. Hosea holds MA (Economics), BSC (Economics & Statistics), Diploma in Financial Markets Operations from University of Reading, UK and, Certified Public Accountants (CPA) and has undertaken the Capital Markets Programme from the Chartered Institute for Securities and Investment (CISI), UK as well as Certificate in Monitoring & Evaluating, Accountability & Learning course. Hosea is currently pursuing a PhD degree in Economics at the University of Nairobi

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The Governance Practitioner Journal emerged from a collaboration between the Institute of Certified Secretaries (ICS) and the University of Nairobi. Its primary objectives are to foster intellectual discourse on corporate governance, cultivate a research and learning culture within the corporate governance domain, and facilitate the success of businesses for economic growth.

The journal operates on the premise that a robust private sector is a key driver of economic development. Over the past two decades, Africa has emerged as the world's fastest-growing economic region, attributing this success to the dynamism of its private sector. The contribution of the private sector and state-owned corporations is crucial to governments' development plans, fostering economic growth, wealth creation, job provision, and services. The effective application of corporate governance practices is central to these outcomes, highlighting the significance of corporate governance in driving economic growth, enhancing living standards, and alleviating poverty.

To sustain Africa's economic growth, policymakers, scholars, and practitioners must formulate sound policies and laws conducive to business growth and corporate resilience. The journal aims to feature articles that contribute to creating a competitive and dynamic business framework. This framework should be responsive to the needs of commerce and industry, streamline business setup procedures, reduce regulatory burdens, establish investor-friendly legal frameworks, protect interests, support small businesses, and promote local industries. Additionally, the journal advocates for user-friendly legislation, simplified decision-making processes, well-regulated securities markets, reinforced gatekeeper roles, equitable treatment of shareholders, efficient enforcement of shareholders' rights, enhanced corporate disclosure, improved audit and accounting standards, and strengthened efficiency of state-owned entities.

Enjoying broad readership among policymakers, corporate executives, and scholars, the journal plays a significant role in knowledge creation and policy advisory. It invites article submissions covering various aspects of corporate governance, including the board of directors, transparency, accountability, risk management, ethical leadership, shareholder rights, stakeholder relationships, sustainability, compliance with laws, governance of state-owned entities, regulatory framework reform, corporate governance during crises, comparative corporate governance, and the theoretical foundations of corporate governance.

The journal accepts article submissions on an ongoing basis and subject to peer review. Authors can submit articles to the ICS Research and Business Development Manager at research@ics.ke, referring to the journal's editorial policy at https://www.ics.ke/downloads-center-2/category/7-governance-journal.

FCS Kenneth Wyne Mutuma, PhD

Editor-in-Chief

A FOREWORD FROM THE ICS CEO

The 27th Annual Conference hosted by the Institute of Certified Secretaries (ICS) was themed "ESG for a Sustainable Future: Aligning People, Planet, and Profit." Held from August 16th to 18th, 2023, at the Sarova Whitesands Beach Resort and Spa in Mombasa, the event emphasized the significance of Environmental, Social, and Governance (ESG) practices in ensuring the sustainability of businesses and organizations.

The conference provided a platform for attendees to delve into various ESG-related topics, sharing insights on effective strategies to harmonize the interests of people, the planet, and profitability. Distinguished keynote speakers from diverse sectors enriched the sessions with valuable perspectives on ESG issues, fostering collaboration and networking among industry leaders.

As part of the conference activities, participants enjoyed an excursion to Haller Park, deepening their understanding of the Environmental Pillar within the ESG framework. Additionally, the Institute demonstrated its commitment to nurturing future leaders by fully sponsoring fifty mentees from the Governance Ethics Mentorship and Internship Programme (GEMIP) to attend the conference. The mentees benefited greatly from engaging in discussions, networking, and gaining practical insights into research and internship opportunities.

The conference also resulted in the publication of a journal featuring articles contributed by various members of the

Institute, aimed at advancing discussions on ESG. Gratitude was extended to sponsors, including notable organizations such as the Energy and Petroleum Regulatory Authority (EPRA), Stima Sacco, and Kenya Accountants and Secretaries National Examinations Board (KASNEB), whose support was instrumental in the success of the event.

Appreciation was expressed to the Chairman, ICS Council Members, Strategy, Research & Capacity Development Committee, and the ICS Secretariat for their tireless efforts in organizing and ensuring the smooth execution of the conference. Special recognition was given to FCS Dr. Wyne Mutuma for her significant support as the conference chair and in reviewing the publication.

In conclusion, it is hoped that the discussions and debates sparked by the conference will contribute to the overarching goal of promoting sustainable business practices aligned with ESG principles.

FCS Jeremiah N. Karanja, MBS

Chief Executive Officer,

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A Critical Lens on ESG and ESG Ratings

CS Gilbert Kiprono & Hosea Mutwiri

Abstract

This article examines the importance of ESG (Environmental, Social, and Governance) and why it matters. Aligned with the theme of the 27th Annual Conference of the Institute of Certified Secretaries (ICS), titled "ESG for a Sustainable Future: Aligning People, Planet, and Profit," the article explores the criticisms of ESG, categorizing them into four main points. These include: the argument that ESG is not desirable, as it can be a distraction; the assertion that ESG is not feasible due to inherent difficulties; the belief that ESG cannot be effectively measured; and the claim that even when ESG can be measured, there is no meaningful correlation with financial performance. The article concludes by examining the relationship between ESG ratings and financial performance. Existing literature presents conflicting findings on various aspects of ESG, including criticisms of ESG itself, as well as the link between ESG ratings and financial performance.

Introduction

ESG, which stands for environmental, social, and governance, has gained significant traction in recent years. The importance of ESG is evident in the increasing number of internet searches and the growing adoption of ESG reporting by companies. Over 90% of S&P 500 companies and 70% of Russell 1000 companies now publish ESG reports[1]. The rise of ESG can also be seen in the investment landscape, with sustainable funds experiencing significant inflows. Global sustainable assets reached $2.5 trillion in mid-2022[2].

In light of the conflict in Ukraine and its far-reaching consequences, critics have raised doubts about the long-term significance of ESG[3]. They argue that attention will shift towards more fundamental elements of societal and economic needs, relegating ESG to a passing trend[4]. Additionally, some contend that ESG's combination of factors is unstable and that the focus should solely be on environmental sustainability[5]. Alongside these concerns, challenges to the integrity of ESG investing have emerged. However, this article focuses on the individual company level, examining whether ESG truly matters to businesses and the strategic rationale behind its adoption.

A critical lens on ESG

Criticisms of ESG are not new. As ESG has gone mainstream and gained support and traction, it has consistently encountered doubt and criticism as well. The main objections fall into four main categories.

1 Sustainability reporting in focus, G&A Institute, 2021.
2 Global Sustainable Fund Flows, 2022
3 Simon Jessop and Patturaja Murugaboopathy, "Demand for sustainable funds wanes as Ukraine war puts focus on oil and gas," Reuters, March 17, 2022; Peggy Hollinger, "Ukraine war prompts investor rethink of ESG and the defence sector," Financial Times, March 9, 2022
4 Bérengère Sim, "Ukraine war 'bankrupts' ESG case, says BlackRock's former sustainable investing boss," Financial News, March 14, 2022.
5 See, for example, "ESG should be boiled down to one simple measure: emissions," Economist, July 21, 2022

1. ESG is not desirable, because it is a distraction

According to critics, one of the main objections to ESG is that it is viewed as a distraction from the core purpose of businesses, which is to maximize profits while adhering to societal rules[6]. They argue that ESG practices are often seen as a public relations move or a way to capitalize on the values of customers, investors, or employees. Critics claim that ESG is not foundational to company strategy and is seen as something "good for the brand" rather than essential[7]. Some critics even label ESG efforts as "greenwashing," "purpose washing," or "woke washing," implying that companies may not genuinely prioritize sustainability, ESG, or diversity, equity, and inclusion (DEI) commitments[8]. A survey by Edelman[9] revealed that nearly three out of four institutional investors do not trust companies to fulfill their sustainability, ESG, or DEI commitments.

2. ESG is not feasible because it is intrinsically too hard

A second critique of ESG is that implementing it in a way that resonates with multiple stakeholders is challenging. The objective of maximizing value for the corporation and shareholders is clear when solving for a financial return. However, when considering broader objectives and complex solutions, trade-offs arise. Managers face the dilemma of deciding where to allocate the incremental ESG dollar; should

6 Milton Friedman, "The social responsibility of business to increase its profits," New York Times Magazine, September 13, 1970

7 Say-on-climate votes are generally nonbinding resolutions submitted to shareholders (similar to "say-on-pay" resolutions), which seek shareholder backing for emissions reductions initiatives. See, for example, John Galloway, "Vanguard insights on evaluating say on climate proposals," Harvard Law School Forum of Corporate Governance, June 14, 2021.

8 Say on climate: Investor distraction or climate action?," blog post by Florian Sommer and Harlan Tufford, MSCI, February 15, 2022.

9 Special report: Institutional investors, Edelman Trust Barometer, 2021.

it go towards lower prices for customers, increased benefits or higher wages for employees, or addressing environmental issues through an internal carbon tax? The optimal choice is often unclear, and even if it existed, companies may lack a clear mandate from shareholders to prioritize ESG.

3. ESG is not measurable, at least to any practicable degree

A third objection raised by critics is the difficulty in accurately measuring ESG, especially when it comes to aggregate ESG scores. While individual dimensions of E, S, and G can be assessed if the required, auditable data is available, critics argue that overall ESG scores lack meaningfulness. This is due to differences in weighting and methodology among ESG ratings and scores providers. For instance, credit scores from S&P and Moody's show a 99% correlation, whereas ESG scores from six prominent providers have an average correlation of only 54%, ranging from 38% to 71%[10]. Additionally, organizations like the GRI and SASB may measure the same phenomenon differently. Different providers, incorporating their own analyses and weightings, naturally result in divergent scores. Major investors often rely on their proprietary methodologies, which include inputs from various sources, including ESG scores, honed over time.

4. Even when ESG can be measured, there is no meaningful relationship with financial performance

According to critics, positive correlations between ESG and outperformance may be explained by other factors and

10 Florian Berg, Julian Kölbel, and Roberto Rigobon, "Aggregate confusion: The divergence of ESG ratings," Review of Finance, forthcoming, updated April 26, 2022.

are not necessarily causative. It would be unreasonable to expect near-identical ESG ratings across different providers, methodologies, and industries to perfectly match company performance. Correlations with performance can be influenced by various factors such as industry trends and may change over time[11]. While most ESG-focused investment funds tend to outperform the broader market, some ESG funds do not, and alternative explanations for outperformance exist[12]. For example, technology and asset-light companies often score higher in ESG ratings due to their lower carbon footprint. Several studies have questioned any causal link between ESG performance and financial performance[13]. However, companies are still making significant decisions and commitments aligned with ESG considerations, indicating their growing importance in decision-making.

ESG ratings

The extent to which ESG, as measured by ratings, can offer meaningful insights about future financial performance is one of the most hotly contested issues surrounding environmental, social, and governance (ESG)—particularly when ratings and scores providers use various, and occasionally conflicting, methodologies. According to several research, there is a link

11 See, for example, James Mackintosh, "Credit Suisse shows flaws of trying to quantify ESG risks," Wall Street Journal, January 17, 2022.

12 See, for example, Chart of the Week, "Does ESG outperform? It's a challenging question to answer," blog post by Raymond Fu, Penn Mutual, September 23, 2021; Gregor Dorfleitner and Gerhard Halbritter, "The wages of social responsibility—where are they? A critical review of ESG investing," Review of Financial Economics, Volume 26, Issue 1, September 2015.

13 See, for example, Chart of the Week, "Does ESG outperform? It's a challenging question to answer," blog post by Raymond Fu, Penn Mutual, September 23, 2021; Gregor Dorfleitner and Gerhard Halbritter, "The wages of social responsibility—where are they? A critical review of ESG investing," Review of Financial Economics, Volume 26, Issue 1, September 2015.

between financial performance and ESG ratings[14]. According to other studies, while achieving high ESG ratings does not result in the destruction of financial value, the connection between ESG ratings at any particular time and value creation at that same time may be contentious or nonexistent[15].

Conclusion

While the relevance of ESG and its impact on financial performance continues to be a subject of debate, there is a growing recognition of the importance of ESG considerations in their strategic and decision-making processes. Companies are facing increasing pressure from various stakeholders to prioritize sustainability, social responsibility, and good governance. Despite the challenges in measuring and assessing ESG factors, companies are making significant commitments aligned with ESG, indicating their recognition of the importance of these considerations in today's business landscape.

14 Florian Berg, Julian Kölbel, and Roberto Rigobon, "Aggregate confusion: The divergence of ESG ratings," Review of Finance, forthcoming, updated April 2022; Ulrich Atz, Casey Clark, and Tensie Whelan, ESG and financial performance: Uncovering the relationship by aggregating evidence from 1,000 plus studies published between 2015–2020, NYU Stern Center for Sustainable Business, 2021

15 2 See Chart of the Week, "Does ESG outperform? It's a challenging question to answer," blog post by Raymond Fu, Penn Mutual, September 23, 2021; Giovanni Bruno, Mikheil Esakia, and Felix Goltz, "'Honey, I shrunk the ESG alpha': Risk-adjusting ESG portfolio returns," Journal of Investing, April 2022.

A Focus on the S in ESG in Media Industry in Kenya; Freedom of Expression vs Social Responsibility

CS Linda Namiinda

Introduction

On the March 21, 2021, Shaffie Weru, a renowned radio presenter, his co-host, Neville Muasya and a popular disc jockey (DJ), Joseph Munoru aka DJ Joe Mfalme reported to work at Homeboyz radio which is one of the radios ran by Radio Africa Group. They were ready for all manner of fun and games in their morning drive show known as "The Lift-Off" as is the norm with most morning radio shows in Kenya. Unfortunately for them, they went a bit too far this time round by making insensitive comments about the fate of one Eunice Wangari Wakimbi who had been pushed from the 12th floor of a building by a man she had met online. The man pushed her after Eunice resisted his sexual advances after having eaten a packet of chips and some liquor on the man's bill. She broke several bones after the fall.

This paper seeks to explore the thin line between the media's freedom of expression that they (the media) have fought so hard for and the social responsibility that they owe their listeners. The paper further examines the social licence of the media in a world where anything goes and yet, anything could be offensive.

ESG

ESG stands for Environmental, Social and Governance. The E represents concern for the environment and Sustainable Development. The G is for good governance in the organization. The S, which is our concern, is to do with the society and the people. The S is concerned with the way the organization treats its employees, suppliers, shareholders, customers and the society in general. The S gives an organization the social licence to operate in a given community.

The S in Media Houses

So what is the social responsibility of media houses considering their insistence on free speech, freedom of expression and independence from state interference and other regulation?[16]

The media in this day and age has become sensationalist and the facts are presented in the most appealing way to maximize on profits. A case in point is the way Media houses try to outsmart each other in the Titles that appear below the screen for different news items.[17] Radio stations have taken it upon themselves to dissect Nairobi[18] and rural[19] relationships for a good laugh on cold mornings. Radio stations are ranked and awarded and the stations thus go out of their way to provide the best entertainment and gain a large following.[20] However,

16 See Article 33 on freedom of expression and Article 34 on freedom of the media in the Constitution of Kenya, 2010.

17 Some of the catchy headlines can be accessed here https://ke.opera.news/ke/en/politics/570269a57c01d3b048f17879fc5aede5 accessed 7th July, 2023.

18 This would be Maina and King'ang'I in the morning on Classic 105

19 Giddy and Ghost morning show on Radio Jambo is famous for this.

20 KUZA awards is an initiative of Communications Authority of Kenya which program recognises top performing radio stations and broadcasters in Kenya

the problem arises when the presenters offend one section of the public.

In an interview after his contract was terminated, Shaffie Weru confessed that he had been unable to gauge the mood of his listeners that morning, something that he had learnt to perfect over twenty (20) years that he had been a radio presenter. Previously, he said, he was able to "move with the flow" and basically just tell the listeners what they wanted to hear. But his luck had come to an end. That day, the listeners were empathetic to the girl, Esther, and did not take it lightly when Shaffie made fun of her. Netizens took to social media and demanded that the big rands dissociate themselves with the show, the comments made and the presenters in general. One of the major brands which quickly dissociated itself from the sentiments made on the morning show was EABL. Seeing that EABL was distancing themselves, Radio Africa Group also distanced themselves from Shaffie Weru and Co leaving the trio in the cold. Shortly thereafter, their employment was terminated and the employment case is yet to be heard to its logical conclusion at the time of publishing this paper.

Freedom of Expression Vs Social Responsibility

Freedom of expression and speech is a limited right as it does not fall under the fundamental rights and freedoms that may not be limited under the Constitution of Kenya.[21] Therefore, the right can only be enjoyed in so far as it does not infringe on the rights of others.

21 See Article 25, Constitution of Kenya, 2010.

In a world where there are constants talks against Gender based violence and gender equality, the media. Shortly before this incidence, a university student had been axed to death by her former lover for receiving funds for her birthday and then breaking off the friendship and moving on to a relationship with another man. The country was still recovering from that shock when Shaffie and his crew made the insensitive comments.

What is the way forward regarding Trainings of Media Stations on ESG?

Other than the Constitution of Kenya, 2010, the media have several laws governing them including the Media Council Act.[22] However, the laws do not outrightly state what can and cannot be said y the media as that would be curtailing the freedom of the media contrary to Article 34 of the Constitution of Kenya. It therefore gives the presenters some leeway which they may misuse.

Ezekiel Mutua while he was the Chief Executive Officer of the Kenya Film and Classification Board has come out strongly to rebuke programs and shows that have flaunted media ethics. A number of time, the public have turned against him for cancelling shows which they thought were exciting and/or appropriate.

From the above, it is evident that the line seems to be very thin between that which is acceptable and that which is offensive and/or unacceptable. The social responsibility demands that the media should aim at acting as a watchdog in society and issues of public interest while maintain its ethical obligations.

22 Number 46 of 2013, Laws of Kenya.

There is therefore the need to sensitize the media on social responsibility and their social licence. With gender-based violence penetrating the ESG considerations, the media act as a positive force in creating awareness on positive social and gender norms.

The Case of ESG & Greenwashing: A Kiss-and-Tell

Festus Kimeli

Introduction

Environmental, Social, and Governance (ESG) refers to the criteria used to evaluate the performance of an organization or company in dealing with and managing its environmental and social impacts effectively.

ESG today

In the contemporary governance era, ESG initiatives have become a strategic imperative for nearly all organizations. There has seen an increased shift of focus and attention by regulators, investors, boards and employees from the traditional thinking to the current school of thought. According to Pensions & Investments (2003), there has been a shift from evaluating ESG factors to practical implementation across the investment universe. By aligning sustainability goals with ESG themes, companies can manage risks while creating growth and investment potential by addressing environmental issues.

Greenwashing

While striving towards sustainability concerning ESG, companies and organizations have gone overboard to be seen as compliant. Some companies and organizations report skewed or misleading information about their sustainable initiatives hence misleading their clients and stakeholders into believing that they are compliant when they are not. For instance, some companies tailor their marketing communication to indicate that their products or services promote sustainability by using vague terminologies like ego friendly, sustainable, natural or locally grown among others. This act of reporting false information on environmental soundness is called "Greenwashing". According to Adam Hayes (2022), companies greenwash by giving unproven claims or using misleading labels, environmental imagery, and hiding trade-offs to hide environmental wrongdoing, or an unpleasant situation which in fact is a poisoned chalice.

Contextualizing Greenwash

Greenwashing is an emerging issue in governance and management with many stakeholders including consumers expressing their discontent. There is a level of sustainability awareness among consumers that may affect how they perceive a company. It is crucial to note that giving misleading information for the sake of deceiving consumers and other stakeholders is unethical.

Case scenarios/study

The United Nations Climate Change Conference (COP26) in Glasgow in November 2021 saw protesters call for greater accountability from big companies' climate promises. The demonstration was mainly informed by the protesters' opposition to greenwashing by companies claiming to be protecting the environment while continuing to harm it (Jenny

Gross, 2021). In December 2015, the Federal Trade Commission (FTC) in the USA filed a complaint against Nordstrom, Bed Bath & Beyond, Backcounty.com and JC companies for mislabeling Rayon textile as made of Bamboo. The companies had to pay a fine of around Kshs. 169 million, this demonstrates the danger of giving misleading information for the sake of deceiving the consumers.

According to BBC, a global McKinsey study indicated that 70% of Gen Z Shoppers preferred to buy products from companies they considered ethical while Nielson's study indicated that 73% of millennials will spend more on products made by sustainable brands. This indicates a level of sustainability awareness among consumers that may affect how they perceive a company.

In Kenya, the issue of greenwashing is no different. In any case, the situation is even worse due to inadequate regulations and limited conversation on greenwashing. (Betterman Simidi M., 2021) Writes that, discussions on greenwashing in Kenya are very limited, even within the civil society movements. He attributes this to the fact that civil society's work on the environment is still growing and the fact that media reporting is still low.

Simidi (2021) in his blog explains greenwashing in Kenya by giving an example of corporations like "Coca-Cola sponsoring what he calls token community cleanups to be seen as doing something about plastic pollution yet they continue to produce millions of plastic bottles which continue to choke the environment." He adds by pointing out greenwashing by organizations like the Kenya Association of Manufacturers which set up structural organizations to reduce the legislation momentum on extended producer responsibilities and that they then engage in lobbying, questionable programs, media campaigns and fake recycling reporting without substantially addressing the root problem of packaging pollution on the environment. Another example given by Simidi (2021) is that in 2019 Petco Kenya and Coca-Cola through an elaborate media campaign announced that they had increased the recycling of plastics bottles in the country to 30% without any verifiable data to back their claims when such recycling globally is less than 10%.

Conclusion

Greenwashing remains a governance vice that we all need to deal with, as it is a threat to consumers and the environment. Consumers and other stakeholders bear the responsibility of reporting false or misleading information while companies need to engage consumers and explain their products and services better.

Recommendations

To avoid greenwashing and the damage it can cause to a company's reputation and trust, companies can adopt the following strategies;

i. Make their messaging clear and easy to understand by including details, specific certifications, and verifiable endorsements from credible third-party eco-organizations.

ii. Be honest about their brand's sustainability practices and plans.

iii. Ensure that they use the same product type when giving a comparative analysis regarding a product's sustainability to a competitor.

iv. Use data that can be verified and credible third-party certification if possible.

v. Avoid using misleading images, such as using the color green or images from nature, to imply that their products or brand are eco-friendly when that's not the case.

vi. Champion public awareness of ESG and the dangers of greenwashing.

vii. Accelerate the discussion on greenwashing among stakeholders.

viii. Seek certification of companies before using terms like ethical.

ix. Disclose environmental credentials alongside financial results.

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ESG Integration: Cultivating a Sustainable Future Through Balancing People, Planet, and Profit With an Ethical Culture-Add Approach for Exponential Growth

CS James Otundo

Introduction

Environmental, Social, and Governance (ESG), has emerged as a powerful framework for building a sustainable future that aligns the interests of people, the planet, and profit. ESG principles recognize that businesses have a responsibility not only to generate financial returns but also to consider their impact on the environment, society, and the broader global community. By integrating ESG into their operations, companies can drive positive change and contribute to a more inclusive, equitable, and environmentally conscious world.

To achieve sustainable growth through ESG, it is crucial to emphasize "culture add" as a focus. In today's rapidly evolving business landscape, organizations are increasingly recognizing the importance of cultivating an ethical culture within their governance structures. Central to this endeavor is the appointment of board members and committee representatives who not only possess the necessary skills and qualifications but also align with the organization's ethical values[1]. However, in order to foster diversity of thought and ensure comprehensive decision-making processes, it is crucial to prioritize culture add rather than culture fit when making these appointments.

This document explores the significance of emphasizing culture add in governance issues, highlighting its benefits and providing recommendations for organizations to adopt this approach.

Understanding Culture Add

Culture add refers to the value an individual brings to an organization by virtue of their unique experiences, perspectives, and skills that complement and enhance the existing culture[2]. It focuses on diversifying the board or committee by incorporating individuals who can contribute fresh insights, challenge conventional thinking, and encourage innovation. By embracing culture add, organizations can build a robust governance structure that effectively addresses complex ethical challenges and drives long-term success.

When organizations prioritize culture add as part of their ESG strategy, they actively seek to create an environment that encourages collaboration, equality, and personal growth. This involves promoting diversity in the workplace, cultivating a culture of inclusion, and providing opportunities for employees to thrive regardless of their gender, race, ethnicity, or other

1 King IV Summary Guide <https://kpmg.com/za/en/home/insights/2016/10/king-iv-summary-guide.html> accessed 23 June 2023

2 'Culture Add: Definition, Process, and Examples - JOIN' (JOIN) <https://join.com/glossary/culture-add> accessed 23 June 2023.

factors. By doing so, companies not only enhance their reputation and attract top talent but also harness the collective power of their workforce to address sustainability challenges and drive positive change.

Additionally, focusing on culture add as a core element of growth aligns with the broader goals of ESG[3]. It acknowledges the interconnectedness between people, the planet, and profit, recognizing that a thriving workforce, a healthy environment, and financial success are not mutually exclusive. Instead, they are intertwined and mutually reinforcing.

While culture fit has traditionally been a key consideration in board and committee appointments, it is not without limitations. Relying solely on culture fit can inadvertently perpetuate homogeneity and groupthink, stifling diversity and impeding ethical decision-making processes. A board or committee comprising individuals who share similar backgrounds and perspectives may overlook critical ethical issues or fail to consider alternative viewpoints. By prioritizing culture fit, organizations risk undermining the diverse range of talents and perspectives necessary to navigate today's complex ethical landscape.

Benefits of Emphasizing Culture Add

Enhancing Ethical Decision-Making: By embracing culture add, organizations can assemble boards and committees that encourage constructive debate, challenge the status quo, and

3 Florian Berg, Julian F Kölbel and Roberto Rigobon, 'Aggregate Confusion: The Divergence of ESG Rating' [2022] Review of Finance <http://dx.doi.org/10.1093/rof/rfac033> accessed 23 June 2023.

promote comprehensive analysis of ethical issues. This approach facilitates a broader consideration of potential risks and ethical dilemmas, leading to more informed decision-making processes.

Fostering Innovation and Adaptability: Culture add injects fresh ideas and perspectives into governance structures, promoting innovation and adaptability. By including individuals with diverse backgrounds, skills, and experiences, organizations can better anticipate emerging ethical challenges, respond effectively to changes in the business environment, and maintain a competitive edge[4].

Building Trust and Accountability: Emphasizing culture add in board and committee appointments sends a strong message about an organization's commitment to diversity, inclusivity, and ethical governance. This transparency builds trust among stakeholders, shareholders, and the wider community, enhancing organizational reputation and fostering accountability.

Recommendations for Organizations

Clearly Define Ethical Values: Organizations should articulate their ethical values and ensure these principles are consistently communicated throughout the organization. This clarity will guide the selection process by identifying the values and attributes that candidates should bring as a culture add.

4 Nicola Cucari, Salvatore Esposito De Falco and Beatrice Orlando, 'Diversity of Board of Directors and Environmental Social Governance: Evidence From Italian Listed Companies' (2017) 25(3) Corporate Social Responsibility and Environmental Management 250 <http://dx.doi.org/10.1002/csr.1452> accessed 23 June 2023.

Prioritize Diversity of Thought: Actively seek candidates who possess diverse backgrounds, expertise, and perspectives[5]. Encourage the nomination of individuals who can challenge the prevailing norms, promote critical thinking, and bring fresh insights to ethical discussions.

Broaden Recruitment Channels: Expand the scope of candidate search beyond traditional networks and platforms. Engage with professional associations, diversity-focused organizations, and educational institutions to identify potential board and committee members who embody the culture add approach.

Provide Ongoing Education and Training: Offer continuous education and training opportunities to board members and committee representatives to promote a deep understanding of ethics, diversity, and inclusive decision-making. This will enhance their ability to contribute effectively to ethical discussions and governance processes.

Conclusion

Incorporating culture add into the governance structure of organizations brings numerous benefits, such as enhanced ethical decision-making, increased innovation, and improved accountability. By prioritizing diversity of thought over culture fit, organizations can foster an ethical culture that embraces fresh perspectives and confronts the complexities of the modern business landscape. It is imperative for organizations

5 Francisco Bravo and Nuria Reguera-Alvarado, 'Sustainable Development Disclosure: Environmental, Social, and Governance Reporting and Gender Diversity in the Audit Committee' [2018] Business Strategy and the Environment <http://dx.doi.org/10.1002/bse.2258> accessed 23 June 2023.

to proactively adopt this approach in their board and committee appointments, leading the way towards a more inclusive, resilient, and ethically sound future.

When corporations embrace nurturing a culture that values ESG principles, they can inspire their employees to become champions of sustainability both within and outside the workplace. This can lead to innovations in products and services that address social and environmental needs, responsible business practices that minimize negative impacts, and ultimately, long-term profitability.

In conclusion, integrating ESG principles into business strategies is vital for achieving a sustainable future. By placing a strong emphasis on culture add, companies can foster an environment that values diversity, inclusivity, and innovation amongst its people. This approach not only drives growth but also ensures that business activities align with the broader goals of ESG, promoting a more sustainable, equitable, and prosperous world for all.

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Corporate Governance and ESG

CS Eric Sambu

Introduction

Corporate governance and ESG (Environmental, Social, and Governance) are two important concepts that are closely related to each other. Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It encompasses the relationships between a company's management, its board of directors, shareholders, and other stakeholders, and the goals for which the corporation is governed. Good corporate governance is important for ensuring that a company is managed in an ethical, transparent, and effective manner, and that it maximizes value for all stakeholders over the long term.

ESG, on the other hand, refers to the three key factors that are used to measure the sustainability and ethical impact of an investment in a company: Environmental, Social, and Governance. Environmental factors include a company's impact on the environment, such as its carbon footprint and resource use. Social factors include a company's impact on society, such as its treatment of employees, customers, and suppliers. Governance factors include a company's management structure, executive compensation, and board composition.

Figure 1: Corporate Governance Framework

ESG is becoming an increasingly important consideration for investors and stakeholders, as they seek to invest in companies that are aligned with their values and have a positive impact on the world. Good corporate governance is a key component of ESG, as it ensures that a company is managed in a responsible and sustainable way, and that it is held accountable for its environmental and social impact. Companies that prioritize ESG factors are more likely to attract and retain investors, customers, and employees, and are better positioned to create long-term value for all stakeholders.

Figure 2: ESG

Contemporary Corporate Governance

Corporate governance is evolving to take into account changing business models, technological advancements, and stakeholder expectations. Here are some key trends in corporate governance:

1. Emphasis on sustainability: Companies are increasingly expected to integrate ESG considerations into their decision-making processes and to report on their sustainability efforts.

This requires a shift in focus from short-term profits to long-term value creation.

2. Board diversity: There is a growing recognition of the importance of board diversity in ensuring effective corporate governance. Companies are expected to have boards that reflect the diversity of their stakeholders and that bring a range of perspectives and skills to the table.

3. Increased stakeholder engagement: Companies are expected to engage with a wider range of stakeholders, including employees, customers, suppliers, and communities. This requires a more inclusive and collaborative approach to decision-making.

4. Technology and innovation: Technology is transforming the way companies operate, and corporate governance needs to evolve to keep pace. Boards need to have the skills and expertise to understand and oversee technological risks and opportunities.

5. Transparency and accountability: There is a growing expectation for companies to be transparent about their governance practices, including executive compensation, board composition, and decision-making processes. Companies are also expected to be accountable for their actions and to have effective systems in place for managing risk.

Overall, corporate governance in the new era is focused on creating long-term value for all stakeholders, rather than just maximizing short-term profits. It requires a more inclusive, collaborative, and transparent approach to decision-making, and a willingness to adapt to changing circumstances and stakeholder expectations. These points bring sustainability to the forefront, but from the perspective of stakeholders. It is increasingly becoming impossible to focus on shareholders only consequently not sustainable. This has propagated concept of ESG being at the centre stage. It is thus imperative the present boards have this on their agenda.

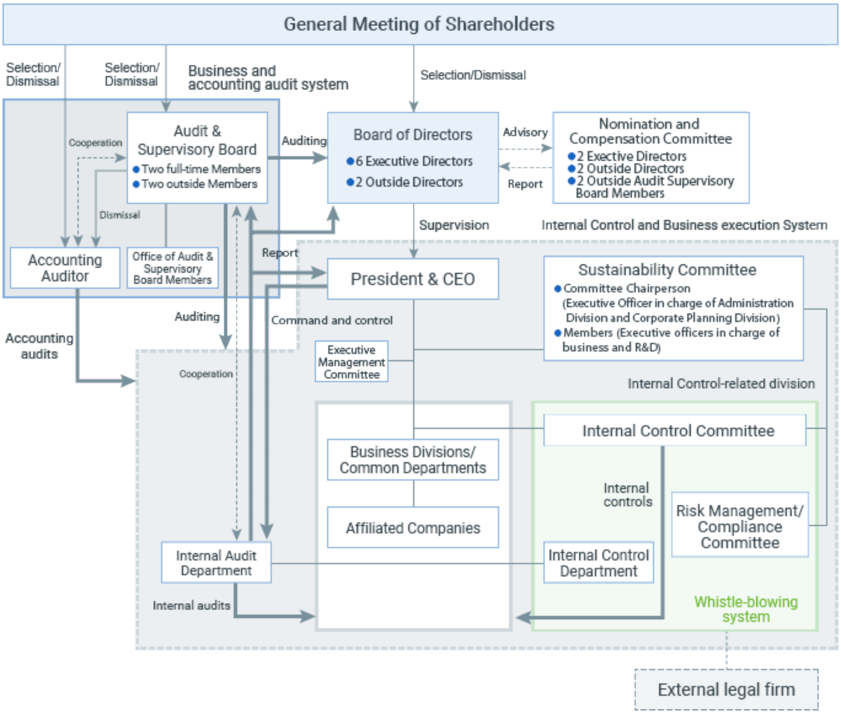

Figure 3: Corporate Governance System incorporating ESG

The Nexus Between Profits and Principles

Corporate Governance and ESG represents what Johnson Lambert referred to as 'the intersection between profits and principles". The awareness in the recent past on the ESG issues has driven companies to review their system of values and ensure that they reflect evolving stakeholder priorities, especially on climate change and social justice. ESG reflects a shift in how companies evaluate the risks that could impact their organisation and how they are evaluated by their stakeholders on how they respond to environmental and social issues.

Companies that proactively embrace ESG may be better positioned in the market. While ESG is deemed costly, it is increasingly becoming a profit too. Investors and business partners are increasingly seeking to work with (and may be willing to pay a premium for) companies that demonstrate a commitment for ESG issues in operational perspective. A company may also position itself as preferred employer, especially for the new generation of employees who prefer to work with companies with values putting environment and social issues at the forefront. Regulation and rating agencies have also placed emphasis on corporate responsibility and ESG from risk and governance perspective.

Whereas ESG can bring competitive advantage amongst diverse stakeholders, it is centered on the quality of leadership. It requires support and accountability from the top leadership and those charged with governance as a prerequisite for success. Companies therefore need to develop a strategy to deliver on ESG programs.

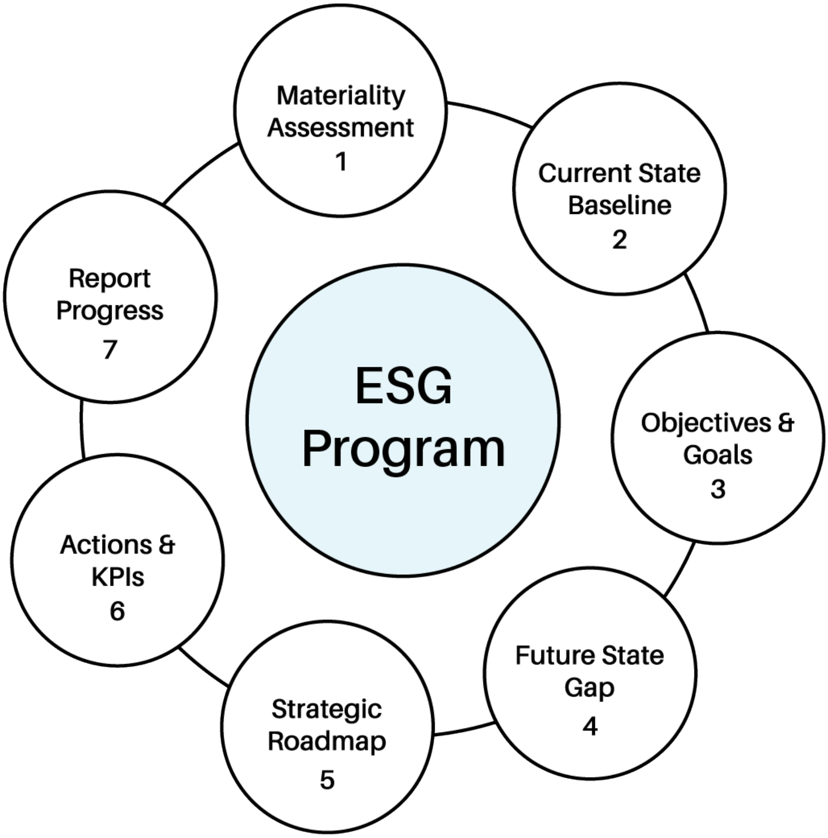

Figure 4: 7 steps to develop and implement ESG Strategy

The starting point for ESG is assessing materiality then the baseline i.e knowing where the organisation is regarding key ESG metrics. It requires an honest assessment of the ESG landscape in the organisation. The big question will then be: Where does the board want the company to be and what incremental steps should it take? This future-state response will result in short- and long-term goals with key accountability checkpoints along the way. The board will set the strategic objectives incorporating these, but the management will provide implementation role, taking short-term incremental steps to take the organisation to where it needs to be as they remain accountable to the board.

The board culture and composition have a key bearing on the success of the sustainability journey. A diverse board improves the dynamics of the organization by offering different perspectives which may make problem-solving easier and can generate innovative ideas and solutions. To maintain an independent and engaged board, best practice includes having clearly defined roles and expectations of board members. Members need to be evaluated for conflict of interest and the board chair needs to be rotated regularly.

Regarding ESG, board members may consider asking the right questions to make an impact on ESG strategy. What are we doing to be a good company and how are we getting better? What are doing to take care of environment, our customers and other stakeholders? How does ESG fit into our organisational structure? By viewing ESG as a strategic objective, leaders can build a common language around the company's values and understanding of what the company wants to achieve and how each person fits into the larger picture.

When a company and its board are committed to ESG, they are upholding their responsibility to evolving stakeholder priorities. Leading by example helps to maintain a good reputation and can actually increase long-term profitability and brand loyalty. However, challenges can and should be expected along the way. The differentiating factor that will impact an organization's success and growth is the organization's response. In a workplace, there may be four different generations with very different values working on the same team. Remaining transparent and setting clear expectations, as well as checking in through every step, may help ease employees through any transitions.

It can also be difficult to carve out time to focus on priorities that may not immediately impact the bottom line and could cost money up front that are for the greater good of the company, the environment and the community. However, every little bit counts, and measuring and tracking your progress is crucial. Organizational change can be measured and shared quantitatively through finance reports, ratios, and ratings. It can be measured qualitatively through engagement via surveys and town hall meetings. When employees feel heard they are more satisfied with their work. When they and other stakeholders understand the values of the company, they are more likely to support them.

No matter how big or small your organizational goals are when it comes to ESG, a thorough self-assessment is always the first step. Once that is complete, it's important to consider the state of your current board, set goals for the organization, explore areas of opportunity and maintain transparency every step of the way. Though the foundational stages may be challenging, a company with an ESG strategy that reflects modern times reassures shareholders, invites coveted talent, and upholds social responsibility for the betterment of everyone.

The Role of Secretary in ESG

CS Dr. Dominic Omboto

Introduction

Globally, new requirements for environmental, social and governance disclosures are being introduced. Voluntary reporting frameworks are rapidly transitioning into mandatory reporting in many parts of the world. According to KPMG International's Survey of Sustainability Reporting 2020, 80% of the world's 250 largest companies now report on sustainability, while sustainability reporting in the Asia Pacific has grown by 6 percentage points since 2017 to 84%. Amidst such a rapidly evolving landscape in the environmental, social, and governance disclosure, the Company Secretary has a role to play. Positioned with a bird's eye view of all organisational and board practices, the Company Secretary can support internal efforts to drive the ESG changes and collaborate with the Board and relevant departments including the Chief Sustainability Officer (CSO) or the ESG function.

ESG is an increasing strategic and regulatory concern for private companies. A successful ESG strategy can help maximize value and strengthen relationships with a company's stakeholders including consumers, employees, existing shareholders and potential investors. While "ESG" covers environmental, social and governance considerations, good governance provides the foundation. Integral to good governance is having internal controls that promote transparency, accountability, and the monitoring of risks to avoid mismanagement and regulatory sanctions. This article explores how company secretaries can effectively support a company's ESG strategy.

The roles of company secretaries in ESG

Although the Companies Act has exempted certain companies from having a company secretary, some have chosen to do so. It is often the case that the role of company secretary is combined with the role of general counsel or across an in-house legal team, and both roles fulfil an important function in advising and supporting the Board. Typical responsibilities include:

- Guiding the board on their responsibilities.
- Sharing information within the board and between senior management and non-executive directors and shareholders' views.
- Developing and overseeing internal systems to ensure compliance with a company's legal requirements.
- Monitoring changes in legislation and relevant regulations.
- Overseeing the day-to-day administration of the company to allow directors to focus on overseeing business strategy and operations.

In view of the above responsibilities bestowed on a company secretary, he/she can support the ESG agenda in the following ways;

- ***Awareness of trends and best practices***

As the custodians of corporate governance within a company, company secretaries must educate the board on governance developments and advise on their impact on a company's business strategy, such as the risks arising from climate change, energy sustainability and wider stakeholder management with customers and suppliers. While non-listed companies are not currently subject to the mandatory ESG reporting requirements, companies should start to focus on building the good governance foundations to be prepared for future regulation. A company secretary should therefore look to build their knowledge of ESG, regularly monitor regulatory and legal changes and research how other (and particularly similar) organizations are approaching the subject. Given the many different parts of a business company secretaries regularly interact with, they can enable an internal joined-up approach to ESG.

- ***Relationship with the board***

A company secretary should ensure that ESG is a standing item on board agendas and that ESG-related responsibilities are integrated into a board's decision making. This could include the introduction of director development programmes such as sustainability-related training and keeping the board informed on shareholders' and other stakeholders' views on ESG. The company secretary should also play a lead role in the implementation of ESG governance, an example of this being the establishment of a dedicated committee of the board to manage a company's ESG objectives, and who can help on setting the terms of reference for the ESG committee.

- ***Disclosure and reporting requirements***

Company secretaries will assist with preparing a company's annual report, including the director's report. As internal and external stakeholders such as investors and consumers are increasingly looking towards annual reports to gain an understanding of a company's ESG strategy, small and medium-sized businesses are focusing on sustainability and energy consumption reporting, alongside how they engage with their employees, business partners and suppliers as part of the directors' report. Those supporting the board can play an important role in monitoring business performance and key events over the course of a financial year to ensure the directors' report reflects the steps the company has taken to engage with its stakeholders.

- ***The corporate strategy***

Company secretaries should consider how ESG is incorporated into their company's long-term strategy. This could include creating an ESG roadmap to set out planned ESG initiatives to be employed by the company. This roadmap would include the governance structures, policies, and procedures to monitor and respond to the ESG related risks and opportunities.

Conclusion

While not all company secretaries will currently regard their role as being strategic within their company, the traditional image of company secretaries as the “Guardians of Governance” or the general counsel as the “Conscience of the Business”, has never been more important. Such individuals are perfectly placed to support and encourage good governance practices, through which a company’s ESG objectives can ultimately be promoted.

In summary, the role of the company secretary in ESG is critical for ensuring that the company operates in a responsible and sustainable manner. By prioritizing ESG considerations and integrating them into decision-making processes, companies can not only meet regulatory requirements but also build trust with stakeholders, improve their reputation, and contribute to a better world.