



CORPORATE GOVERNANCE THE ROLE OF DIRECTORS PART 2

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All for one and one for all - Is an aphorism that best describes the expectations of collective responsibility and to also act individually, applying the necessary knowledge, skills and experience.

The board must:

- Ensure that management follows the set policies of the company
- Insist that management report to it in a transparent and complete manner
- Exercise leadership and proper judgment in all matters

When the board makes a decision, it must ensure that it is in the best interest of the company, applying the set procedures and processes. This is why it is important for individual members of the board to not follow the herd i.e. make a decision simply because other board members have voted for it.

They must also act independently. Acting independently and in the interest of the company has sparked some debate as to whether the board should blindly follow procedures. If the implementation of a certain process or procedure in the company, seems archaic or to no longer serve the best interest of the company – should a director simply comply with it?

Naturally one would be inclined to just follow, but the principle of independence requires one to assess whether to elect to “comply-or-else” or “comply or explain”. If the board is informed by the principle to “comply or explain”, they can elect not to follow a set procedure if there is a justification for not doing so. Whatever the justification is, it must be in the best interest of the company.

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