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## **THE COMPANY SECRETARY: FROM COMPANY ADMINISTRATOR TO GOVERNANCE LEADER**

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The role of a company secretary is broad and onerous to say the least and, if this post is not occupied by a competent person who has the appropriate knowledge and skills; the consequences can be the cause of significant organisational friction. The requirements and reporting lines of the position -- by their very nature -- give rise to potential conflict situations, and it is for this reason in particular, that the person appointed to the position must have the necessary maturity, experience and independence to properly carry out their duties and responsibilities, while being objective, impartial and independent.

### **The role of company secretary has evolved well beyond a mere minute-taker**

The role of a company secretary within a modern organisation comprises two main elements. The first element requires the company secretary to ensure the smooth running of the board's functions, and this covers the more "traditional" secretariat role, such as attending board, board committee, shareholder and trustee meetings, and preparing the relevant documentation before and after these meetings.

This first element is what gives the company secretary rather unique insights into the organisation, which not many other employees will have at their respective levels within the organisation. Not only is the company secretary intimately aware of *what* will be discussed at the meetings of the board and other top-level committees (this being as a result that they are required to prepare the respective agendas and relevant documentation to be tabled at the meetings which is typically done in consultation with the Chairman of the board), but they will also have access to the same sensitive board pack information provided to the board. The company secretary will also then be present at the meeting, where the contents of certain reports, proposals and strategies will be discussed, and will be required -- among other things -- to minute the meeting and follow up on the outcomes of the discussions and actions proposed at the meetings.

*"In recent years the company secretary has become an important and powerful individual within the company. This role is enforced by the [Companies] Act [2008] and King IV™."*

**Source: Duties of Directors Deloitte (2017)**

With these unusually deep insights into the workings of the organisation's board, it is no wonder that the company secretary is often referred to as the "keeper of secrets". In fact, the word "secretary" comes from the Latin word *sēcrētus* which means something that is "confided only to a few" or "secret".

The second element of the company secretary's role involves ensuring -- from a good governance point of view -- that directors are adequately informed and protected in the heightened regulatory environment in which modern organisations operate...and this is no mean feat.

### **Staying ahead and being adequately informed**

In considering the concept of a board being kept 'adequately informed' by a company secretary; the latter will themselves be required to first have a thorough grasp of relevant legislation, regulation and other governance instruments, structures and mechanisms prior to them passing such information to the board. Indeed, a competent company secretary must be able to discern various levels of information which is required to be 'filtered' across various board and executive levels. They also need to be up-to-date on relevant industry trends and knowledge before passing such information to the board who is ultimately accountable to the organisation's stakeholders for the organisation's long-term success. In addition to providing the board with this type of important information, the company secretary is also responsible for proactively ensuring that the organisation's legal and regulatory governance structures and operations are in place, and they are also typically required to ensure that there are proper communication channels in place to communicate the necessary information to the organisation's stakeholders.

Given the second element of the company secretary's massive tasks of keeping the board, including the organisation's executive management and key stakeholders informed of a wide array of important matters (and the associated actions), a more systematic and co-ordinated approach is generally used by experienced company secretaries to ensure that they address all of the pertinent and often critical issues. To assist company secretaries -- and by association the members of the board and executive -- a digitised Corporate Governance Framework® significantly changes the nature of their role within the organisation. With the assistance of such a framework, the company secretary is able, at any point in time, to know, assess and report on the status of any one of the organisation's governance elements (i.e. operational performance, key legislation, regulation, key policies, integrated reporting, IT governance and business continuity management, to name a few of the thirty-two governance elements found in most organisations).

*"The role the Company Secretary play in managing legal entity governance has changed dramatically in recent years and perhaps a more befitting title for the role is now Governance Director or Leader. In today's regulatory environment, the Company Secretary plays a more strategic enabling role, making sure directors are protected and proactively ensuring legal and regulatory governance compliance, throughout a group."*

**Source: Report - Subsidiary governance: An unappreciated risk (April 2013)**

**PricewaterhouseCoopers**

Since the company secretary is usually swamped with back-to-back meetings and large volumes of administrative work against tight time-deadlines, the quasi-real time information and evidence extracted from a digitised Corporate Governance Framework® provides a seamless filter of critical information. This allows the company secretary to timeously pass critical and relevant information on directly to the board so that the board, together with the organisation's executives, can properly manage the organisation's current and potential risks on an informed and proactive basis. With this in mind, it's no wonder that the role of the

company secretary has changed dramatically in recent years such where it is increasingly managing the organisation's governance, often acting as the organisation's custodian in these matters and therefore being regarded as the most senior administrative officer of the organisation.

If the old adage "*knowledge is power*" holds true; the company secretary is indeed a very powerful person within the organisation and they hold a critical post. With the combination of their insights into the meetings of the board, coupled with their understanding of the relevant governance framework in which the organisation operates -- as well as their intimate knowledge of the actual operations of the organisation -- there are few that rival this position.

As proposed in Principle 10 of the King IV Code on Corporate Governance for South Africa, 2016™ (King IV™), the company secretary must report functionally to the board, but administratively to a designated member of the executive management. In practice, this "designated member" is usually the organisation's Chief Executive Officer or Chief Financial Officer (who will not necessarily be members of the organisation's board), and as such it becomes clear how an easily swayed or impressionable company secretary may find it extremely difficult to be the "keeper of the board's secrets".

### **What should organisations look for in their company secretary?**

While the position of company secretary has always been important within an organisation, especially from an administrative point of view, it is clear that the role's scope of responsibility has grown over the years from 'efficient administrator' to 'governance leader'.

Since the function and role of a company secretary hold such importance within an organisation and since the person will play a pivotal role in assisting and supporting the board at both an administrative and guidance level, their appointment should be carried out with great circumspection. A company secretary should have the necessary experience, maturity and gravitas to have the ear of the Chairman of the board and should be someone who is confident in their knowledge, astute and unintimidated by improper influences.

*"The company secretary must also act as the central source of guidance and advice to the board and must provide the board...with appropriate guidance on how their responsibilities may optimally be discharged in the best interests of the company."*

**Source: Corporate Governance - R Naidoo (2016)**

While the requirement that the company secretary pass a "fit and proper" test -- similar to that required of the directors of an organisation -- is not necessarily stated in legislation or contained in the latest corporate governance codes, it is most certainly implied by the caliber of person required to fill the position.

**Why should all organisations appoint a company secretary?**

In most countries, public and state-owned organisations are mandated to appoint a company secretary, while private organisations are not legally required to do so. That being said, the role and responsibilities of a company secretary are so essential to the proper running of an organisation, both at an administrative and governance level, that any private organisation would be hard-pressed to operate efficiently and sustainably without one. The importance of the role of company secretary, as well as the provisions of modern corporate governance codes and indeed best practice, require that an organisation's board should appoint such a person in order to obtain independent and professional guidance on corporate governance matters.

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