CORPORATE GOVERNANCE -BOARDS OF PARTNERSHIPS AND STATE OWNED ENTITIES IN MINERALS, OIL AND GAS INDUSTRIES "A PERSONAL PERSPECTIVE BY SHEILA KHAMA"

# Chapter 6: Strengthening Corporate Governance – Role of Sub-Committees

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In the previous chapter I shared my views on the challenges of corporate governance that face SOEs and partnerships between the State and private investors. Many of my insights draw from my time as an executive of De Beers and Anglo American Corporation, advisor of multi-national corporations and as a policy advisor at the African Development Bank and the World Bank. During the latter I benefitted from advising and observing some governments grapple with many of the policy choices I discussed. In this, chapter I use the same experience to suggest ways to increase board effectiveness as relates to the two type of companies. I discuss drivers of board effectiveness and the contribution of committees in some detail.

### 6.1. Effectiveness of Partnerships Boards

***Shareholders Alignment****:* Lack of alignment between shareholders in the boardroom is toxic. The problem can permeate into all aspects of the company and undermine performance. The firm Water Street Partners articulates this very well.[1] Partnerships between private investors and governments that are born of a legal requirement are vulnerable to this risk and differ from commercially driven partnerships. The latter is typically an outcome of a pre-meditated strategic alliance based on the value proposition of each partner. It is also based on perception of synergy and a clear understanding of the value each party brings to the company. The former on the other hand is purely prescriptive and perhaps even counter-intuitive, given the inherently divergent aims of the two shareholders. This is not an insurmountable problem as such. But to succeed in leading such a company, the inherent tension that results from this divergence must be acknowledged and proactively managed upfront. A deliberate effort must be made to achieve coherence of values and strategic goals. This requires a structured process by which the shareholders share information, articulate their respective expectations and align aspirations. The process can also shed light on major areas of difference that are not self-evident but progressively undermine corporate interests or create an environment in which the partnership does not meet business goals. Some of the important strategic and relationship management issues that need to be addressed include a common partnership philosophy and values for doing business with each other and third parties. Another is mutual understanding and empathy for the respective organizational cultures and their potential impacts on the company. This understanding is a good foundation for instituting the necessary interventions for the shareholders to be able to speak with one voice, especially in times of crisis. Under Case 3, I illustrated how the shareholders of the Debswana partnership formally structured and administered a shareholders forum aimed at continuously increasing convergence of views.

***Managing the Complexity of the Maturity Curve****:* The corporate environment changes all the time and effective boards understand, anticipate and manage the change proactively. This is one of the most important lessons I learnt from observing the evolution of the companies I have been affiliated with over two decades. It is one thing to be into the first year of the relationship but it is entirely another to cross the first decade and then the half century mark. A board that is sensitive to the impact of the maturity curve on the partnership philosophies and values, the expectations of each partner, among other factors, is more likely to successfully reinvent itself and give the partnership a new strategic direction. Apparently, most assume it is business as usual and therefore reinforce the organizational dysfunctionality. Not surprisingly, studies show that most partnerships do not pass the 10-year mark. Continuously monitoring the changes and reorienting directors and representatives of partnership is essential for board effectiveness. A structured process supported by the board is essential for managing this evolution.

***Board Stewardship****:* In partnerships, most non-executive directors work into the boardroom wearing the hat of the partner that nominated them to the board. For decisions to be made in unison, however, director need to replace these hats with that of the company itself. An experienced convener is critical for rallying the directors around this single cause. The convener can also be a voice of reason between partners during times of tension. A measured and conciliatory convener of the board is worth her or his money in gold. Anyone who has served on boards or committees of partnerships knows this. But apart from the need for unity, experience teaches us that in



[1] The Essential Role of a Partnership Review, WaterStreet Partners, Washignton DC, 2010.

the end people are human. As such, they are vulnerable to moods, egos and other sentiments that can lead to erratic behaviour. Not only creating space for people to vent but doing it in a way that promotes teamwork without indulging immaturity, can be difficult. It requires a delicate balance, to ensure healthy interpersonal relations and is necessary to avoid a disruptive board environment.

### 6.2. Effectiveness of SOEs Boards

***Mindset Change****:* It is crucial that SOEs are not treated as political capital for those in power. SOEs are unlikely to successfully manage resources wealth as long as governments do not break rank with this tradition. This includes but is not limited to attracting the right talent into the boardroom and raising project finance. This is the fundamental difference between SOEs like Codelco in Chile and ZCCM-IH in Zambia. For instance, while Zambia relies on development finance institutions for bail outs and IMF to support the treasury function, one of the world's largest copper producers Codelco is financially independent of the State and development institutions. According to a report from Codelco, in January 2020 the company issued a US$ 2 billion bond to secure funding for its multibillion-dollar upgrade project and to refinance debt. The State-owned copper giant sold US$1 billion in 10-year bonds. It also obtained a further US$1 billion in 30-year bonds, issued last year as part of a fresh funding strategy that includes taking out loans and selling non-structural assets.[2] Given a business model, in which SOEs' board functions are informed by principles of corporate governance and not political agenda, there is no reason why other SOEs cannot achieve similar levels of financial independence.

Board effectiveness can also be enhanced by conducting periodic training on regulatory and market-related issues. This helps keep the board up to speed with trends. Where necessary, directors must use external experts to explain and walk them through complex technical and financial matters. It is the legal responsibility of the company to finance such costs. Progressive company leadership facilitates this in recognition of the need for directors to keep abreast of the ever-changing market and regulatory environment. Many emerging markets SOEs can benefit from this practice.

### 6.3. Why Committees?

Committees of the board are an essential part of effective boards for several reasons, and those of boards of SOEs and partnerships are no exception. Committees enable the board to pay greater attention to specific operational and compliance requirements. This gives comfort to the rest of the board by addressing issues selected for their importance to the company and the diversity of stakeholders that typifies partnerships and SOEs. Through in-depth scrutiny of the company's operations and by delving into matters to a level of detail greater than is possible through routine board deliberations, committees improve oversight while offering practical guidance to the executive. Through committees, the board is able to deploy specialist skills of individual directors. Some committees perform functions that are stipulated in law, while others are created in line with the company's constitution. Some are a permanent feature of the corporate structure and work streams of the board and some are created on an ad-hoc basis for a specific purpose and duration. Whatever the purpose, committees are inextricably linked to board effectiveness of partnerships and SOEs.

Different committees can potentially improve corporate governance but, for reasons I shall discuss, in minerals, oil and gas industries four are particularly important, namely *audit*, *health*, *safety* and *environment*, *corporate social responsibility* as well as *nomination* committees. They occupy a special place in the governance framework. In my view they go to the heart of sustainable development of non-renewable wealth. This is necessitated by the diversity of stakeholders, including environmentalists, human rights activists, advocates for rights of communities, institutional investors, trade unions and anti-corruption watchdogs, financiers and shareholders, all of whom take a very keen interest in SOEs and partnerships alike. The need for effective committees emanates from the recognition of the contribution that competent and credible committees can make by regularly

[2] https://www.mining.com/chiles-codelco-issues-10-year-bonds-amid-mines-overhaul/

addressing internal and external stakeholders views and corporate governance requirements. I discuss each of the four committees below.

### 6.3.1. Audit and Risk Committee

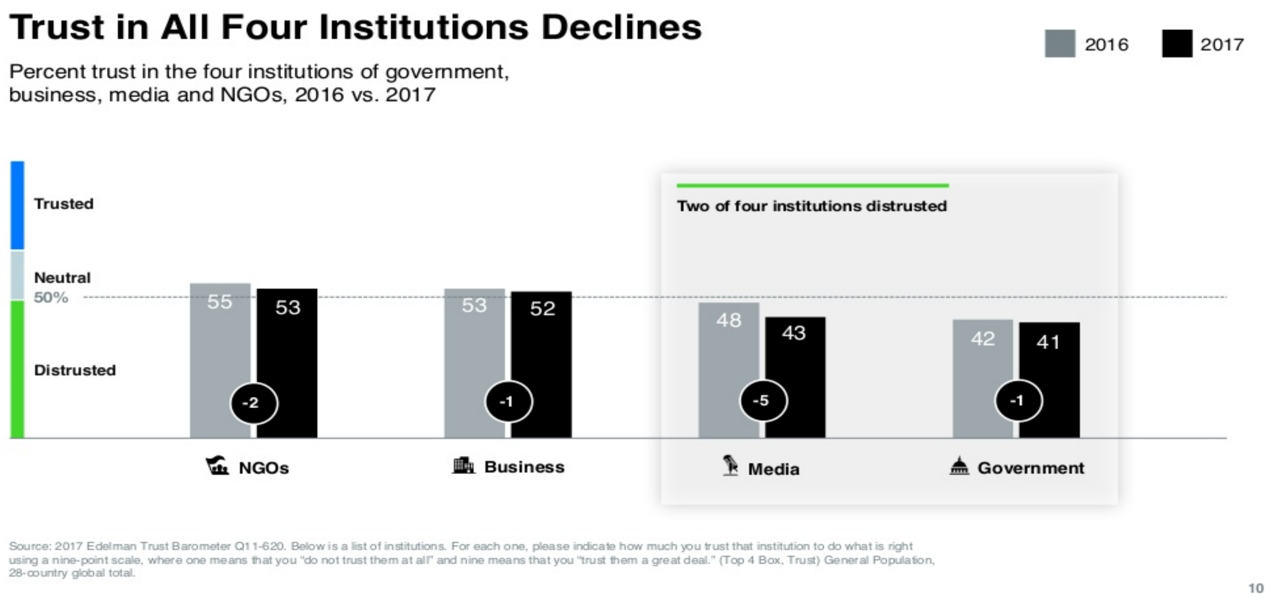
It is worth stating upfront that an audit committee of minerals, oil and gas companies are not just vehicles for risk containment and financial oversight. In the industries in question, the committee is a vital source of third-party assurance to stakeholders who are not in a position to validate reports by the companies. But a primary requirement for effectiveness is that its members have unfettered access to internal and external auditors. As shown below, in the industries in question, in addition to conventional work, an audit committee can ensure *transparency*, *meaningful financial reporting* and, if necessary, introduce *new reporting formats* in line with stakeholder information needs. This is one of the reasons why innovation should not be confined to technical issues.

***Transparency****:* Audit committees can increase confidence and reduce corruption by identifying opaque transactions and proposing measures to hold culprits accountable. Lack of disclosure of such information is one of the reasons companies are under pressure to include details of beneficial owners of shares and recipients of dividend payments by the companies. By the same token, in partnerships, the public must be assured that inter-company trading between the private shareholder and its subsidiary entities elsewhere in the world is legitimate and not a means to deprive the partnership and the State of valuable revenue. Given the governance needs of the industries it is desirable that information made available by audit committees in these industries be continuously expanded by accommodating public knowledge gaps. This would be in line with changing public expectations and potentially increase stakeholder confidence.

***Formats for Financial Reports****:* Audit committees of minerals, oil and gas companies, and especially SOEs and state partnerships have a critical role to play in contributing towards greater transparency and accountability. By adapting corporate reporting standards and formats to respond to information needs of civil society, parliamentarians, global watchdogs and governments, the committees would reach an important stakeholder engagement threshold. Current corporate internal processes, financial reporting and auditing standards are based on international accounting reporting norms. This role of an audit committee remains essential. However, it is inadequate to meet emerging governance requirements and stakeholder expectations. For instance, current standard financial reports are understood only by financial geeks and leave the ordinary person none the wiser. As such, though compliant, conventional auditing and financial reporting standards may no longer be sufficient to meet modern day stakeholder expectations and need reconsideration.

***Scope of Financial Reports****:* In addition to rethinking the format, it is worth including information that addresses transparency requirements and expectations of communities, advocacy groups and civil society organizations. From a business perspective, by widening the mandate beyond conventional accounting methods, minerals, oil and gas companies would demonstrate openness to new ideas. One reporting system that has improved the reporting is the Global Reporting Initiative (GRI). However, to date the GRI reports are deemed secondary and exist in parallel to but are not integral to conventional financial reporting. This is a missed opportunity by the industries to influence trends and restore a progressively diminishing level of public trust, as is illustrated in Diagram 6. Considerations should be given to mainstream such reporting. This speaks directly to my views on the need for innovation in the boardroom. Together, these improvements would strengthen corporate governance of minerals, oil and gas industries. If carried out in consultations with custodians of traditional reporting methods, regulators, civil society organizations and host governments, it would enhance knowledge and address the trust deficit. As custodians of national wealth, SOEs and their private investor partners should lead.

***Diagram 6: Trust in All Four Institutions Declines***




### 6.3.2. Safety, Health and Environment Committee (SHE)

The evolving nature of health, safety and environmental debates warrants a constant vigil on the part of all companies in the mineral oil and gas industries.The scope and mandate of a Safety, Health and Environment Committee (SHE - sometimes called Sustainability Committee) is diverse in nature but for some time now, it has been part of the culture of the industries in some form other. Its purpose has been described differently by different companies. The Halliburton Group describes it as "to assist the Board of Directors in fulfilling its responsibilities to provide global oversight and support of the implementation and effectiveness of the Company's health, safety, environmental and sustainable development risk-management procedures, policies, programs and initiatives".[3] The differences in how companies define the concept and its place in the company is not as important as recognizing that it is dynamic in nature. Consider that for a long time the definition of the environment was confined to the physical environment. However, it has now been expanded to cover social aspects. This is not only indicative of the recognition of the interrelated nature of safety, health and the physical and social environments, but it is also indicative of the broadening nature of the scope of the sustainability issues that require constant management. It is accepted that minerals, oil and gas operations adversely impact the environment and stakeholders now demand that companies put measures in place to minimize negative effects on *the environment and human life*. For their part, *financiers and shareholders* on the other hand recognize that failure to comply can have adverse impacts on the *finances and market position of a company*. Hence the emergence of ESG ratings. Companies comply out of enlightened self-interest based on a desire to have *healthy relations* with rating agencies, analysts and the public.

***Global Warming***: Public outcry over global warming, especially as relates to carbon emissions from the extraction and processing of fossil fuels and the carbon footprint of mining, has put this matter centre stage in the minds of corporate leaders. Pressure from investors, employees, advocacy groups and regulators has pushed environmental stewardship to the top of the agenda of SHE committees. Contributing factors are a convergence of views on the magnitude of the environmental damage and relentless advocacy work. In the industries in question, the environment and safety standards by the "International Standard Organization" (ISO) Certifications and "International Labour Standards on Occupational Safety and Health Administration" (OSHA) are good examples of global standards setting. The outcome is stricter regulations, more scrutiny from pre- to post-development

[3] https://www.halliburton.com/en-US/about-us/hse-

project stages. By embedding environment management throughout the life cycle of the projects, regulators have compelled companies to keep an eye on minerals, oil and gas operations. More recently, ESG ratings, as alluded to previously, have added a new twist. ESG ratings have turned environment compliance into a business value proposition. In addition to penalties by regulators, companies now stand to gain by being seen to outperform the competition on environmental, social and governance matters. This is just one more reason why SHE committees of partnerships and SOEs cannot afford to ignore this call.

***Risk* To *Human Life*:** In general, the operating environment of mineral, oil and gas projects is safe. That said accidents do and have occurred leading to loss of human life in some cases. An important role of SHE committees is to ensure management guards against this. Therefore, one of the hallmarks of reputable mining, oil and gas companies is the integration of SHE philosophy into corporate strategy, values and operating standards. As with other entities, partnerships and SOEs in minerals, oil and gas industries face the same operational risks on a daily basis. In the few cases in which an accident occurs, the cost to human life can be astronomical, as was the case in Vale's Brazilian mines. Vale is one of the world's leading iron ore producers and was originally an SOE of the Brazilian state, which retains a major stake to this day. In 2015, a man-made mudslide accident at the company operations in Brazil at the Mariana Dam led to the deaths of 19 people. Only two years later, in January 2019 during lunchtime, the Brumadinho Dam collapsed releasing a mudflow that ravaged the mine's offices, a cafeteria, houses and other infrastructure in its path. In the end, 259 people were pronounced dead.[4] SOEs boards cannot be exempt from containment of such risks.

***Financial Risk***: Rigorous internal controls supported by regular, third party operational assurance audits ensure asset integrity and can reduce the risk of costly accidents because, in addition to loss of human life and environmental damage, the financial cost of such accidents to the State and shareholders is potentially huge. This includes penalties and clean-ups, plant repair work, reduction in taxable revenue, forfeiture of dividends and, for listed companies, a drop in share price. For instance, according to media sources, following the oil spill in the Gulf of Mexico in 2010, the stock of BP plc fell to its lowest in 6 years The shareholder value loss was apparently up to 55%. In addition, the US Federal Government imposed a fine of US$ 20.8billion on the company[5] (also *see details in Case 1 above).*

***The Social Environment***: Regarding health and safety, many companies recognize two things. First, that a healthy workforce is a happy and productive workforce. Second, that employee health cannot be separated from the health of a family and the whole community. As evidenced by health epidemics such as Ebola, HIV/AIDS and COVID-19, public health outbreaks seem to be on an upward trend. This has increased the role of SHE committees, that are expected to lead strategies, systems and process for containing the spread of infectious diseases and reduce negative impacts on the business. In keeping with the concept of the triple bottom line, companies extend benefits to families and communities in the vicinity of their operations. Therefore, in addition to protecting human life, companies undertake these measures in recognition of the financial risks to the operations caused by shutdowns and loss of investment in human capital. However, such initiatives are costly and require a strong business case and the approval of a board. They also require strategically-selected national, local and international partners because the expertise necessary to manage such initiatives goes beyond the core business of minerals, oil and gas companies. In this regard, partnerships and SOEs are well placed to design interventions, as they require State outreach, national infrastructure and project management competencies necessary to deal with public health challenges. The role of the State as the provider of health and welfare services and the capacity of private companies to deliver projects efficiently makes public health delivery one of the most important modern justifications of Public Private Partnerships (PPPs). This places SHE committees of partnerships and SOEs in a potentially crucial leadership position.

[4] https://www.bbc.com/news/world-latin-america-47031583
[5] https://theconversation.com/bp-paid-a-steep-price

There are good examples of the positive impact that collaboration between governments and private companies have had in public health provision to employees and communities. In the diamond industry, HIV and AIDS programs in Southern Africa in the 1990s are a case in point. In West Africa, the response by mining companies to Ebola in 2014 and around the same time in gold mines to reduce Malaria and TB infections are other examples. I was associated with the Botswana HIV/AIDS programs as a director of Debswana. For five years, I was the Chairperson of the Board of a malaria program in Ghana that I have used in Case 4 below. Decisions to invest in such programs are a function of progressive boards. The boards recognize that the initiatives are part of the social environment that cannot be divorced from business goals. Such initiatives are increasingly becoming the "new normal" and relegate mere compliance with health and safety regulations to the status of "old school".

***Relations with Regulators:*** The single most important asset in the books of minerals, oil and gas companies is licence to access the resource. In legal terms, it is secured through a concession with the owner. In social environmental terms, it is secured through what is known as 'the licence to operate", which is essentially goodwill secured through healthy relationships with communities based on trust and a belief the project meets standards for economic justice. Failure to comply with regulatory requirements or to meet social expectations can deprive companies of access to resources. While the former might be less risky for SOEs, the latter is imminent even in case of partnerships with the State. In 2008, Rio Tinto lost mineral rights to part of a high-grade iron ore deposit in Guinea on account of the regulator's conclusion that the company had not complied with terms and conditions of the licence. The opportunity cost of that is incalculable. To retain rights for the remaining area, Rio paid the State US$700million.[6]

Perception of lack of economic justice based on disproportionate benefits between companies and communities is a more elusive phenomenon. It is less tangible because among others it is driven by the community perceptions, public expectations and prevailing public discourse. As such companies need to be astound, empathetic and ahead of its evolving nature. Committees need to be mindful of the ever changing tone of public discourse, its impacts on community expectations and perception of an economically just corporate and political world. Many believe that investors and governments are in cahoots. In my experience, perceived economic injustice and the global warming debate are the Achille's heel of mineral, oil and gas industries and the most difficult strategic questions facing boards today.

### *6.3.3 Corporate Social Responsibility (CSR) Committees*

CSR committees are a recent phenomenon. Historically, the activities were embedded into donations and charitable programs in a public relations function. That said, over time, not only has the practice taken root across most industries, but it continues to change. Recent attempts by reputable organizations to define CSR testify to the relatively novel and evolving nature of the concept. Below are three examples.

**The Financial Times –** "CSR is a business approach that contributes to *sustainable development* by delivering *economic*, *social* and *environmental* benefits for all stakeholders". The FT adds that "CSR addresses many and various topics such as *human rights*, *corporate governance, health* and *safety, environmental effects, working conditions* and *contribution to economic development*". [7]

**The World Business Council for Sustainable Development (WBCSD) –** defines CSR as "the continuing commitment by business to behave *ethically* and *contribute to economic development* while *improving the quality of life of the workforce* and *their families* as well as of the *local community and society at large*".[8]

**United Nations Industrial Development Organization (UNIDO) –** defines CSR as "a management concept whereby companies integrate *social* and *environmental* concerns in their business operations and interactions with

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[6] https://www.miningweekly.com/article/rio-tinto-

[7] https://www.forbes.com/sites/danpontefract/2017/11/18/stop-confusing-csr-with-purpose/?

[8] https://www.gaea.bg/about-GAEA/corporate-social-responsibility.html

*their stakeholders*".[9] Interestingly, UNIDO insists on drawing a distinction between CSR as a strategic concept and a charity undertaking and emphasizes that, correctly applied, CSR speaks to the former. It is the latter context, as defined by UNIDO, that I too discuss CSR committees in this book.

It is clear from the three definitions that the jury is still out on what constitutes CSR. Nevertheless, the three also illustrate acceptance that CSR is both a strategic and sustainable development tool. Therefore, its increasing importance and the need for companies to integrate it in resources development governance is not in dispute. While minerals, oil and gas companies were frontrunners in implementing CSR projects, the original goal of being charitable has long been deemed inadequate. CSR projects moved on to be brand drivers, tangible and meaningful ways to engage communities in the vicinity of resources projects. But even then the scope was narrow. CSR was a way of meeting modest expectations of stakeholders and demonstrating responsible corporate citizenship through donations, citizen economic empowerment and environmental protection initiatives. However, progressive CSR committees have now been elevated to strategic level and in some cases it is one of the permanent committees of the board. The main driver is the recognition that CSR committees are part and parcel of a company's pursuit of the 'licence to operate.' In many companies, the CSR committee has been replaced with a "Sustainability Committee", but the principle is rooted in the original concept. Interestingly, SOEs are usually given a pass but partnerships are not. In some cases, CSR initiatives in partnerships are funded by the private partner and executed through the partnership. I have not found information that that explains the phenomenon. Perhaps governments are deemed as already adequately socially responsible and/or charitable.

#### 6.3.4 *Nomination and Succession Committee*

As previously noted, SOEs boards are vulnerable to cronyism. Therefore, a transparent and objective framework for selecting members and facilitating succession plans reduce chances of nominees whose candidature is rooted in nepotism. Succession planning is particularly important in case of representatives of governments on SOEs and partnerships. This not only ensures preparedness, but it reduces political interference. Systematic oversight processes of the nomination and succession planning frameworks is an important responsibility of the chairperson and his or her committee colleagues.

***Case: 4 SHE Committee and Community and Employee Welfare Program: AngloGold Ashanti Malaria Program in Ghana.***

In 2005, the board of AngloGold Ashanti, (the world's third largest gold producer at the time), approved funding of a SHE program in one of its Ghanaian operations. The program is now accepted as one of the sector's best examples of corporate commitment to sustainability. The integrated malaria control program applied a multi-pronged approach that included vector control, diagnosis, surveillance, environmental management and community sensitization. It was a comprehensive initiative to reduce malaria infection among employees and communities near the company's mines. The board broke rank with corporate tradition because, unlike traditional CSR programs, in its approval of the initial US$ 1.7m investment and an annual budget allocation of US$ 1.5m from 2005 -2016, the board was clear that this was not a charitable gesture. It was a business case driven by several factors, namely the need to increase productivity through a healthy workforce, reduce financial loss caused by absenteeism and improve community and government relations.

Apparently, employees infected with malaria were absent from work for an average of three days a month. This equated to a loss of 7 500 man hours and an estimated monthly medication budget of US$55 000. The local government hospital treated about 12 000 outpatients for malaria every month. For its part, the mine hospital treated 6 800, of which 2 500 were

[9] https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr.

employees of the company. At the time, the target was to reduce infection by about 50%.

However, due to successful program implementation, by 2008 cases of malaria infection and employee absenteeism had dropped to 75% and 90% respectively. There was also a noticeable improvement in elementary school attendance and a decline in the infant child mortality rate in the community. On the economic side, 2 200 jobs were created in the community through employment of teams responsible for conducting the door-to-door insecticide residual spray.

Speaking to the Financial Times, the former program coordinator, Steve Knowles said, “A malaria control program is the best example of a sustainable corporate social responsibility program for a company operating in a malaria-endemic area, with a win-win for company and community.” Not surprisingly, the program won several awards globally and became an example of the emerging trends on sustainability strategy. Several studies have documented on the program and its impact. These include a case study by the African Development Bank, the Global Business Coalition on HIV and AIDS, TB and Malaria on corporate best practice and the Global Fund report on model PPP for partnering with the private investors in the health sector.

The program was initially confined to the mining community in the town of Abuasi but, because of its success, it attracted the attention of the Government of Ghana, the World Health Organization (WHO) and the Global Fund (GF), leading to significant expansion. According to the GF, which funds malaria, HIV and AIDS and TB reduction programs globally, the Government of Ghana approached it for funding, primarily to benefit from the company’s expertise and experience.

The national health authority included the company as a partner in a proposal to the GF to fund public health programs, including the expansion of the malaria program. The application was successful and AngloGold Ashanti was selected as the “Principal Recipient” of a US$30-million GF grant for an initial two years. One of the Global Fund’s conditions was that a separate corporate non-profit vehicle be set up to manage the PPP under the oversight of the mining company using its tried and tested program delivery methods. Clearly, the GF and its implementing partners - the Ghanaian Government and WHO - wanted to leverage the mining company’s corporate management capabilities. The initial GF contribution of US$30-million was subsequently increased, with an additional pledge of a US$130-million under the same terms and conditions.

In 2011, I joined company’s Sustainability Advisory Panel, advising the CEO and its board of directors on sustainability strategies. Through my association with the parent company, I was invited to serve as chairperson of the special purpose PPP vehicle, responsible for program oversight from 2012 to 2017. Through this work, I witness first-hand the impact of the program on the community and the commitment of the parent company executive management and board to leverage the company’s capabilities to strengthen the capacity of the PPP. I was particularly struck by the difference that the company’s non-financial contribution made to program delivery under less than optimal social and physical infrastructure conditions.

Essentially, the company made senior management available to the program to provide the necessary expertise as part of the staff’s day-to-day responsibilities. Staff included project managers, health professionals, internal auditors, environmental scientists, HR managers and financial managers, all supporting a much smaller dedicated program administrative team.

On reflection, I am convinced that, second only to the original program concept and trials, this contribution was in the end the difference between program success and program failure. Importantly, to implement the program, the company developed several tools and processes to overcome poor infrastructure, inadequate regional planning and other resources necessary to deliver social services. I noticed too how easily the processes could be replicated, adapted and institutionalized for use to deliver health and other community services in places with no infrastructure, demographic or other household statistical data.

Specifically, the company did the following:

- designed maps to determine physical location of each and every household and recorded statistics on occupants;
- developed processes for consulting and reaching agreement with community leaders on ways to operate in towns and villages without disrupting the lives of the residents or offending cultural norms. (This was essential to build community trust and enable teams spraying the insecticides to gain access to private homes);
- designed systems for tracking movement of individuals at six-monthly intervals, including demographic profiles. (This was necessary to monitor pre- and post-spray levels infections at household and community levels);
- entered into collaborative arrangements with research institutions and conducted clinical trials on the mosquitos' drug resistance behaviour. (This naturally added to national scientific knowledge);
- collated data on mosquito resistance drug patterns and shared the results with international drug manufacturers to inform future product development (an invaluable contribution to global pharmaceutical trends and science);
- monitored and managed potential environmental hazards in mosquito breeding grounds that were also being sprayed with insecticides to reduce the mosquito population. (A potential unintended consequence of the residual spray program was environmental hazards arising from the drugs),
- deployed company generic management expertise in finance, human resources, internal audit, projects execution, health environment and community outreach as an integral part of the project team and absorbed significant costs that would otherwise have been prohibitive. (the inability of community projects to retain such expertise is a major prohibiting factor for governments, donors and the private sector).

These innovative measures were necessary to succeed and to overcome project implementation challenges that are prevalent in many developing countries. The impact was so great that the company replicated the program at its operations in Guinea and Tanzania. Most unusually, the company was approached by its competitors who faced similar challenges in other parts of Africa to to share details of the tried and tested methods.

This level of commitment to support the program was possible only through a forward-looking board of directors with an understanding of the inextricably linked nature of corporate success, employee health and community wellbeing. The program was cited by the Global Business Coalition as one of the world's global best practices and interventions for tackling public health challenges through private sector partnerships. At a time when the world is susceptive to public health threats, a project of this nature offers invaluable intellectual property for responding to future threats. It speaks directly to the sustainable development goal of 'good health and well-being. But it requires some innovative thinking on the part of a board and a commitment to go beyond business as usual. I was privileged to witness its impacts first-hand and benefitted immensely from the support of my colleagues on its board.

### *6.3.5* Sustainability Advisory Panels

There are other more recent developments to the matrix of governance structures in minerals, oil and gas industries. This is due to the growing importance of the subject of sustainable development but the trend is also demonstrable of the enormity of the challenges. In the past the issues were found at the bottom of the agenda of board meetings of minerals, oil and gas companies. However, today they occupy centre stage and receive the full attention of leaders at all levels of the corporate hierarchy. Increasingly, boards and executive management teams recognize the value of scrutiny of their operations by experienced and knowledgeable third parties with no business relationship with the company and therefore no motivation for pandering to the leadership. In recognition of the contribution that friendly critics can make to strategy, many companies have taken an additional step to strengthen governance and stakeholder engagement by establishing what are called "Sustainability Panels" of independent advisors. The panel of advisors are external critics who provide feedback to the executive on the robustness of the company corporate strategy, particularly as relates to sustainability. The panel augments the work of SHE, CSR and Audit Committees and typically receives no material rewards.

The panellists systematically subject corporate strategy design and implementation to tests of effectiveness, resilience, relevance, innovativeness and thought leadership by applying the sustainable development principle of "triple bottom line". They use these principles of sustainability to assess effectiveness and provide feedback to the board and executive team. The board and executive team use this information to evaluate the robustness of the strategy in meeting sustainable development standards. If necessary, companies use the outcomes from the assessment to recalibrate corporate strategy in line with the feedback from panellists.

Sustainability panels also scrutinize stakeholder engagement strategies for effectively mapping and engaging views so as to design impactful corporate interventions. Executed effectively, alignment of corporate strategy with stakeholders can give the company an edge over its competitors through enhancement of the social licence to operate. As such, it can be a powerful and progressive tool for assisting boards and committees of minerals, oil and gas companies to respond to the views and expectations of diverse and ever-changing groups of stakeholders. This approach elevates the relationship between corporates and stakeholders from a paternalistic position to one of partners pursuing mutually beneficial goals. It is a departure from short-term public relations and philanthropic models of the past to a more comprehensive one based on the desire to balance the social, environmental with economic impacts. In the context of partnerships and SOEs, it can be a powerful tool for systematically tracking ever-changing public sentiment.

Therefore, having come from the behind, so to speak, "sustainability" principle-based committees of the board, such as CSR and SHE, have quickly become an overarching point of reference for best practice. From a corporate governance perspective, among others the panels enable boards to deploy a myriad of subject experts as a sounding board at little to know cost. This is very helpful, given the complex environments of governance of minerals, oil and gas industries. From my experience as a member of the Sustainability Panel of Advisors to the executive team of Lafarge (and its successor LafargeHolcim) and AngloGold Ashanti, I witnessed how the companies were able to implement very robust social engagements programs in Brazil, India, Morocco, the United States and Zambia under diverse and very challenging conditions. I believe that SOEs and partnerships can benefit from similar third party insights.
**END**