

CORPORATE GOVERNANCE CONSIDERATIONS DURING COVID - 19

Category: Commercial Law

written by Yashoda Rajoo | May 15, 2020



The Covid-19 pandemic has caused unprecedented business disruption. It has forced companies to respond to new and ever-changing risks and challenges, from employees' health and safety to site closures. During these trying times, appropriate corporate governance is more important than ever. King IV is a voluntary set of principles and leading practices that guides corporate governance toward ethical and effective leadership. You can read up on King IV in our [previous article on King IV compliance](#).

The current crisis threatens the lives and livelihoods of millions South African citizens, and it's important that decisions taken by business leaders are guided by the correct principles and practices. This means re-evaluating crisis management measures, developing new policies and taking urgent and unprecedented action, which demands strong leadership skills.

Boards set the tone for the organisation, and therefore, their actions must align with the emergency legislation and regulations being put in place. For many businesses, the most pressing duties of directors will be to ensure the survival of the business by taking steps to ensure operations and services remain as close to normal as possible.

While boards should consider the key stakeholders of their companies, there has been increasing international emphasis of companies embracing wider societal values, rather than focus only on shareholder value. The Companies Act sets out a director's fiduciary duties to act in good faith and for a proper purpose and the duty to act in the best interests of the company, with reasonable care, skill and diligence. Previously, acting in the best interests of the company meant acting in the interests of the shareholders. However, during this crisis, it's critical for boards to take into account the views of and consequences for key stakeholders in setting policies and making decisions. For example, it may be ethically unacceptable to argue against prioritising the health and job security of employees during this time. Engaging meaningfully and empathetically with employees should be a primary responsibility of boards.

Regular communication with stakeholders about emergency policies and actions are critical, but this stakeholder engagement means a great deal of information gathering for assessment at board meetings. Therefore, it's imperative that boards organise themselves to ensure efficiency and

effectiveness.

Good corporate governance will have a great impact on how an entity emerges from this global crisis. Contact us if you need good, clear, precise advice on legal business decisions and the drafting of company policies.