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Corporate Governance Framework®

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HONESTY AND TRUTHFULNESS - CAN THE CORPORATE GOVERNANCE FRAMEWORK® HELP?

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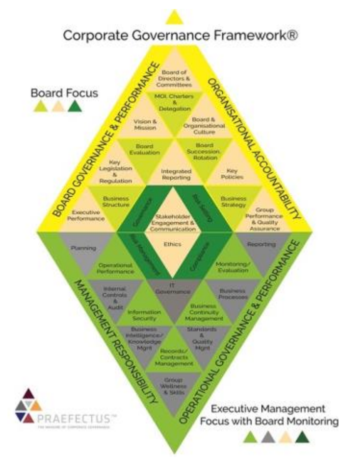
Authentic leaders embrace honesty and truthfulness as core principles of their leadership style. They strive to build trust, inspire their teams and foster an environment of openness and integrity. This approach appears to be cut-and-dried. However, in reality, being honest **and** truthful can be rather tricky.

Being honest is commonly defined as a *virtue* which requires one to be sincere in one's actions, words and behaviour. Simply put, it means not telling lies, behaving fairly and acting with integrity – even when faced with difficult situations. As such, honesty is the bedrock of trust, credibility and respect. Truthfulness, on the other hand, specifically refers to the *act* of telling or representing the truth in a given situation. It focuses on the accuracy and reliability of the information conveyed and sharing the full truth regarding an issue or topic under discussion.

Consider the scenario where the subsidiary management needs to report to the parent company board. Board packs will have been distributed in advance to ensure that board members and executives (the leaders) are able to review the facts, enabling informed discussions before reaching decisions. They recognise that rushing to conclusions without a comprehensive understanding of the situation can lead to errors or misrepresentations. If such diligence is indeed being practised by boards and management, why then do board evaluations and perception surveys reveal discord and dysfunction at decision-making levels? Applying the principle of Occam's Razor (the simplest answer is often always right), the cause of the strife can often be attributed to the fact that there was not full disclosure of information. While the information as presented in the board pack may have been true and factually accurate, the *whole truth* may not necessarily have been reported. As a practical example, management may have disclosed to the board that 70% of the organisation's customers have been migrated onto the latest technology platform leading the board to believe that its customer migration strategy is on track. However, would the board reach the same conclusion if it had known that the remaining 30% of the customers who have not transitioned to the new platform, make up 80% of the revenues?



"No man for any considerable period of time can wear one face to himself and another to the multitude, without finally getting bewildered as which may be the true" - Nathanial Hawthorne

It is only by integrating honesty and truthfulness that transparency is truly achieved. When making decisions or providing information (internally or externally) that may impact the organisation or its stakeholders, board members and management should ensure that they provide **all** relevant and accurate information. Hiding or selectively presenting information can be misleading and will undermine trust.

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The Corporate Governance Framework® promotes a culture of transparency by providing evidence to validate the information being presented. Open communication and full disclosure support authentic leadership by encouraging frank debate and constructive discussion ensuring that there are no "sacred cows", all the while cultivating a deep respect for listening to team members' contributions.

"EY global survey of senior finance leaders and institutional investors, published in November 2022 revealed that 88% of investors believed that: "Unless there is a regulatory requirement to do so, most companies provide us with only limited decision-useful ESG disclosure.""

Greenwashing is another example where honesty and truth can become blurred. The ambiguity of sustainable reporting standards and disparate and/or unverifiable metrics combined with performance incentives which are linked to ESG targets, increases the pressure on organisations (and their leaders) to exaggerate the positive impacts of their sustainability initiatives. In these circumstances it becomes even more critical for board members and executives to match the reality (*the whole truth*) to what is being presented. To be able to positively challenge factual data which is being presented in the context of prior commitments, board members and executives need to know what questions to ask. The Corporate Governance Framework® makes intelligence available by transparently disclosing whether ESG oversight is effective in supporting true and honest claims being made about *inter alia* diversity and inclusivity targets, employee engagement, human rights, ethics and greenhouse gas emissions.

Governance best practice in South Africa emphasises the importance of ethical conduct, transparency and accountability being applied across all aspects of the organisation's strategic and operational activities, making honesty and truthfulness critical elements of effective leadership. In a country which faces unprecedented levels of corruption and a myriad of ethical challenges, honest and truthful leadership sets a positive example. It encourages ethical behaviour throughout the organisation, promoting a culture of integrity.

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