



White paper

Corporate Governance Management Systems

An effective, economical solution to the
practical challenges of good governance

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The practical challenges of corporate governance

In all but the simplest organizations, achieving good governance presents challenges.

- The work is **inherently complex**, involving a large number interrelated items of knowledge across the entire organization: compliance requirements, policies, procedures, controls, training and communication requirements.
- There is **continual change** within the organization: new systems, improved procedures, new suppliers and customers and contracts, turnover of personnel.
- The organization operates in a complex landscape of **shifting regulations** (often across multiple jurisdictions), investor demands, contractual requirements, and community expectations.

The organization must not only **achieve** good governance, it must also be able to **prove** it.

- The organization's governance system, as a presentable body of knowledge, is its first line of defence in the event of a compliance failure. The penalties for compliance failure are increasingly dire, including, in some areas, seven-figure fines and prison time for directors and officers.
- As a supplier, the organization may be required to demonstrate good governance to meet contractual obligations and to satisfy its customers' supply chain due diligence requirements.
- Directors have a duty to oversee the organization's activities including, amongst other things, its compliance with statutory obligations. The governance system should be presented in a way that makes exercising this oversight straightforward.

'Traditional documentation' — meaning a collection of documents, PDFs, spreadsheets, etc, on a shared drive or intranet — is not fit for purpose when it comes to corporate governance: the body of knowledge is too complex and the organization and its requirements are changing too quickly. The organization can *never* be confident that its governance system, as documented, is demonstrably complete, consistent, and up-to-date.

A Phrontex corporate governance management system is a methodology for organizing, maintaining, and controlling the items of knowledge on which your corporate governance relies. It is a fast, efficient, and effective way to meet the practical challenges of corporate governance, more reliably, with less effort, and at lower cost.

The documentation problem

Corporate governance has to be documented as a **single body of knowledge**. You have to be able to **see** the mapping from your compliance requirements to the policies and procedures in place to meet them. And you have to be confident that everything remains mutually consistent and up-to-date in the face of continuing internal and external changes.

This just can't be done with separate documents.

Corporate knowledge maintained in a set of documents will always have overlaps, gaps, and contradictions, and be somewhat out-of-date. On average in established organizations, 65 percent of the documentation pages are obsolete, duplicated, or irrelevant. Good management gets lost in a swamp of bad documents.

Traditional documentation is expensive

The costs of documentation are usually not measured; but they are obviously there.

- Every document in your collection took management or consultant time to create. It had value at the time it was issued; but if it's now more than two years old, its value has probably depreciated to zero.
- The more documents you have, the more time your people spend looking for the information they need, and the greater the likelihood of misunderstanding and operator error.
- The time and effort expended on induction, training, and internal audit is in part a function of the quantity and quality of your documentation.

Documentation is a point of risk

Your organization is responsible for what your documentation actually **says**. You're at risk if

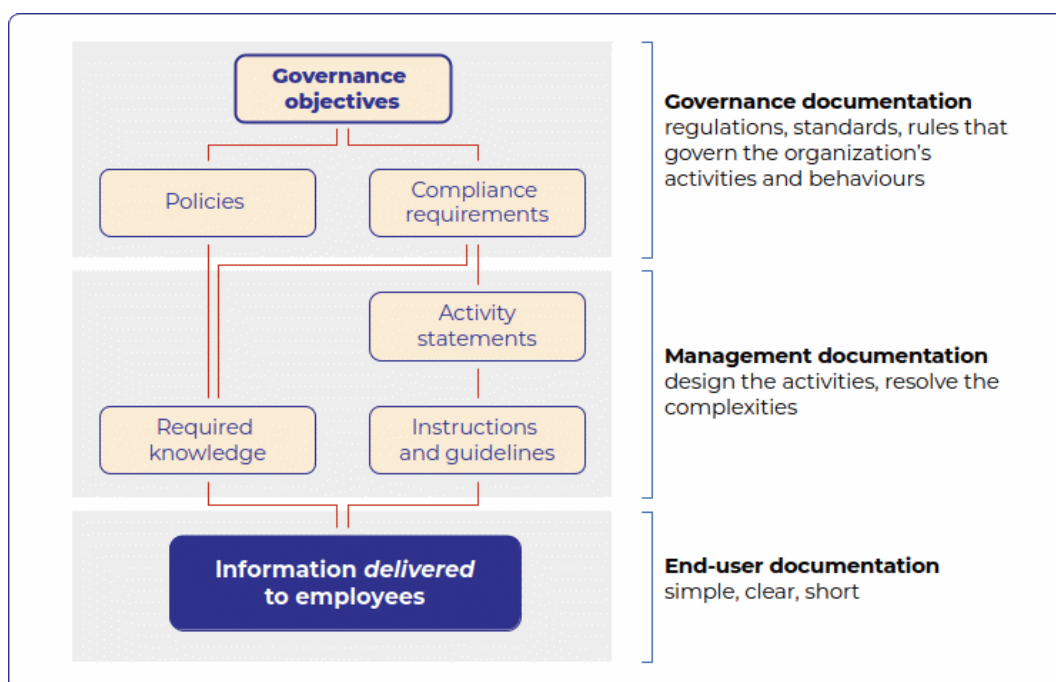
- any of your documentation is incorrect, incomplete, contradictory, or obsolete; or
- you've failed to communicate it to the employees who need it.

Governance requires a single source of truth

An organization has a lot of moving parts: multiple activities, multiple objectives, multiple compliance obligations, in many cases spread across multiple jurisdictions. The challenge is to give your people an *integrated* body of knowledge defining your governance objectives, responsibilities, and activities: a single, definitive point of reference, to ensure that everybody is *literally* on the same page

Your governance system has different types of user, each with their own needs and starting points.

- **Directors** overseeing your activities want to see your compliance requirements, and for each requirement see what you have in place — policies, procedures, training, etc — to meet that requirement.
- **Managers** responsible for an activity need the reverse: for any activity, they need to see what compliance requirements are relevant.
- **Employees** want to go directly to the information relevant to the work they have to do. They should be able to assume (and in practice, *will* assume) that if they follow the information, their activities will be safe, legal, and compliant.
- Your **trainers and HR people** need to know, for any role in your organisation, what knowledge a person in that role must have, and what information they must have access to.



The corporate governance knowledge structure

Line-of-sight governance

For directors and officers, governance is about being able to **see** that the organization is aware of its obligations and is doing everything it should to meet them.

A corporate governance management system makes this straightforward:

System element	Governance objective
<p>Register of compliance requirements: statutes, regulations, industry and professional codes, ISO standards</p>	<p><i>Directors must be satisfied that the register contains everything it should.</i></p>
<p>For each item in the register, a schedule of obligations: things the organization must <i>do</i> (or make sure it does <i>not</i> do) to meet the requirement</p>	<p><i>Directors must be satisfied that each schedule is a reasonable interpretation of the statutory requirement.</i></p>
<p>For each schedule entry, a mapping to the policies, procedures, controls, and training requirements that the organization has in place to ensure compliance.</p>	<p><i>Directors must be satisfied that the items in place are sufficient in principle and effective in practice.</i></p>

Case learnings

From NHVR prosecutions, 2024

Organizations were prosecuted because they did not:

- *Have systems and procedures in place to ensure employees are adequately trained in their roles to enable ongoing compliance.*
- *Provide adequate information, training, instruction, and/or supervision to employees and other parties in the chain of responsibility.*
- *Develop and implement systems and processes, including disciplinary practices, to ensure adherence by all employees to policies and procedures.*
- *Monitor and review all policies and procedures to ensure they still meet the needs of the company.*

The implementation project

The Phrontex service is a project to create and implement a corporate governance management system in your organization.

Most organizations already have many of the required elements for a governance system; but often, these elements are spread across multiple information stores, poorly documented, poorly communicated, and inconsistently managed.

The Phrontex project pulls these elements together into a single, integrated, easily-maintained, well-communicated system.

Objectives

- Ensure that the organization can prove that it is aware of its regulatory and compliance obligations and is doing everything it should to meet them.
- Standardize, simplify, and minimize the governance systems and procedures so that good governance is automatic, built in to the organization's routine activities and behaviours.

Outcomes

The Phrontex project delivers:

- A knowledge structure containing the policies, procedures, registers, and other documentation that defines your governance system
- Procedures for managing, validating, and verifying the governance system itself
- Skills transfer to reinforce the in-house capability to operate, maintain, and improve the system
- A communications and awareness program to support roll-out and implementation

Return on investment

Phrontex delivers better governance at lower cost.

- Reduced risk of compliance failure
- Better knowledge management, reducing training and induction
- Faster decision implementation
- Simplified oversight and audit
- Less work to maintain compliance and implement changes

Corporate governance isn't optional. Phrontex is a better way to achieve it.



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