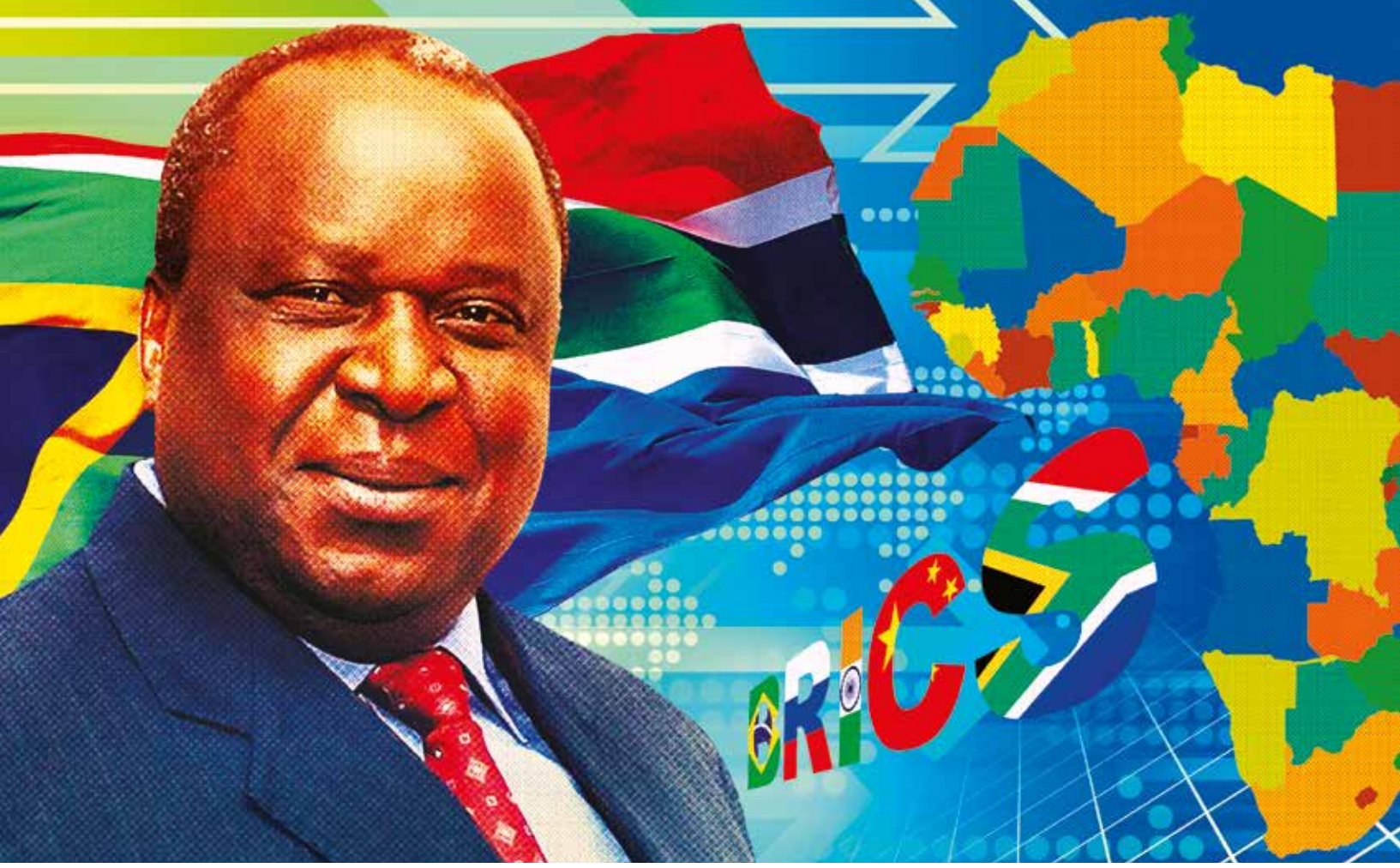

AFRICA'S LION AT LARGE

Former Reserve Bank Governor TITO MBOWENI tells Brunswick's MARINA BIDOLI how corporate responsibility is reshaping boards and the global economy

On Goldman Sachs' campus in the affluent Sandton section of Johannesburg, Tito Mboweni arrives for the interview dressed in a colorful silk shirt, a style worn by the late Nelson Mandela and known as a "Madiba" shirt after the affectionate nickname and clan name of the iconic anti-apartheid leader. Mboweni worked alongside Mandela for decades during his rise to power. When Mandela became the first black President of South Africa in 1994, Mboweni served in his cabinet as Labour Minister and from 1999 to 2009 as South African Reserve Bank Governor.

Today, Mboweni is best known as an independent businessman and adviser. But his government experience in particular has given him a powerful voice in international business and financial affairs and made him an unofficial emissary for his country. He appears to relish his freedom to influence opinions and policies, particularly in Africa.

"I do not have any mandate to do this but I have an important role to play," he says. "My role is a thinking role. My reports are to those who care to listen."

Mboweni regularly meets with investors in Africa, Europe and the US who are interested to hear his observations beyond South Africa itself, he says. "We also talk about Kenya, Ghana, Nigeria and other markets. I get a sense of how they view the region and how this impacts their investment decisions. This is a useful feedback loop. I convey this back to corporates and governments as I meet them around Africa."

On social media, he reaches an even wider audience. With 5,000 Facebook friends (the maximum allowed) and around 140,000 followers on Twitter, he has used digital platforms to spur action on everything ranging from South Africa's national debt to the repair of local roads in his native Tzaneen, in the province of Limpopo. His remarks frequently go viral.

"I complained and complained about the condition of a certain road," he says. "Potholes everywhere. They were giving me a long story, not giving me a straight answer. So I went to Twitter and posted, 'This road is a crime against humanity.' Now the road is being fixed. They responded because of pressure they got from the public as a result of that tweet. It was no longer just me complaining."

Mboweni is not afraid of rattling corporate and national political leaders, including those in the African National Congress. The former South African Reserve Bank Governor is chair of three boards and a director on several others.

He is also an International Adviser for Goldman Sachs. In every role, he emphasizes the same overarching theme: financial and corporate discipline must be grounded in economic and social reality.

His opinions are sharply worded and his tone usually blunt. In late 2015, he warned that South Africa and state-owned enterprises were at risk from a possible downgrade of the country's debt and blamed the leadership, according to South African media outlet *Eyewitness News*.

"If some of these institutions were private sector companies, lots of people would be fired by now because it's basic dereliction of duty, maladministration, bad corporate governance; we can't have that kind of thing," he said.

He doesn't limit his criticisms to public officials or even his countrymen. In June of the same year, a dispute erupted on Twitter between Mboweni and Jonathan Moyo, Education Minister for neighboring Zimbabwe. The two men engaged in a heated exchange while trading jabs over politics and economic policies. The battle made headlines for weeks before they publicly called a truce.

BANK FOR THE BRICS

Formerly Chairman of AngloGold Ashanti, one of the world's largest gold producers, Mboweni currently invests in a variety of enterprises and serves as Chairman at packaging group Nampak, Accelerate Property Fund, and oil and gas explorer SacOil. He's also a non-executive director at health insurer Discovery and cement supplier PPC.

In 2014, he took on a role likely to make him even more visible internationally when he was named a non-executive director on the board of the New Development Bank (NDB) – or "BRICS bank" – created by leaders of the five top emerging economies, Brazil, Russia, India, China and South Africa, as a financing alternative to the World Bank.

> "The boards of these companies need to see themselves as responsible corporate citizens"

TITO MBOWENI

From 1999-2009, Tito Mboweni was Governor of the South African Reserve Bank. He is Chairman of the pan-African packaging group Nampak, oil and gas company SacOil, and Accelerate Property Fund. He is also an International Adviser at Goldman Sachs and serves as a non-executive director on the board of the BRICS-financed New Development Bank.

In a 2015 editorial in South African newspaper *Business Day*, Mboweni described the International Monetary Fund and the World Bank as bullies that force "all forms of conditionalities and policy dictatorship" on BRICS countries. The New Development Bank, he writes, "seeks to develop the 'next practice' because the 'good practice' of old has not been sufficient." The BRICS bank's approach to development financing will be one that "shows some respect" for emerging market countries.

The headquarters of the NDB officially opened in Shanghai in 2015 and the institution hopes to start lending in 2016. The launch is particularly timely for South Africa, as Mboweni and others have publicly warned of the threat of economic recession and a possible downgrade of the country's debt. That would make it even harder to get funding for new businesses and projects. South African utility Eskom has already said it would approach the NDB for much-needed infrastructure development.

PRESSURES OF ACTIVISM

The establishment of the BRICS bank is part of a growing awareness that financial and corporate practice are inextricably linked to social conditions, Mboweni says. That trend is pushing

ILLUSTRATIONS: SEAN MCCABE

boards toward transparency in emerging markets just as it is with their counterparts in the US and Europe. "Most companies today are transnational," Mboweni says. "The boards of these companies need to see themselves as responsible corporate citizens."

That means they need to comply with local laws, adopt best-practice principles of governance, and align the needs of shareholders with the needs of the environment, workers, customers and partners.

"Responsible companies have to address all of that and it is up to the board, no matter where they are, to hold the executives accountable," he says.

In emerging markets, as in the US, institutional funds act as shareholder activists and sharpen the focus on accountability where governance is concerned, he points out. "In Cape Town, they follow the same approach as in Boston. The expectations are everywhere the same."

Social activism is also creating pressure. Mboweni remembers when Goldman Sachs was surprised by a group of nuns and religious investors that showed up at the annual general meeting to protest the way the Wall Street bank compensated its executives. Environmental activists continue to challenge boards and make headlines worldwide, forming "a global platform" to scrutinize corporate behavior and influence votes at annual general meetings, Mboweni says.

This global pressure on standards of corporate governance and the makeup of the boardroom means that companies have necessarily become more responsive to a broader selection of stakeholders, not just major shareholders, he says.

The BRICS bank's approach to development financing will be one that "shows some respect" for emerging market countries

"We are a long way from the days when boards of directors were representatives of a family who were the owners, just looking after the interests of the family," he says. "Those days are gone. In fact, for publicly listed companies, it is frowned upon when the board of directors is only made up of the representatives of the biggest shareholders."

Boards and executives often point to the difficulty in balancing profits and social responsibility, but Mboweni has little patience for that argument.

"It is very clear: no corporate can survive in a sea of poverty," he says. "Who will buy your goods? If you make beer, you want people to have income so they can buy your beer. Otherwise the economic wheel will not be able to turn at all."

Mboweni remains in demand as a board member and enjoys the influence those roles bring. He complains only about having to juggle compensated and non-compensated positions.

"You need a balance and the balance is never there," he says, with characteristic humor. "You'll get 10 invitations and six will be for non-compensated positions. It's pro bono for them, but you spend a lot of your own money. It can drive you to insolvency. And then, if you're insolvent, nobody wants you around anyway."

MARINA BIDOLI is an award-winning former journalist and Head of Communications at oil and gas company Sasol. She is a Brunswick Partner in Johannesburg.

BUILDING THE BRICS

The acronym, BRIC, was coined in 2001 to highlight similarities between the fast-growing economies of four disparate countries: Brazil, Russia, India and China. Since 2006, the heads of state of those countries have met each year to explore paths to further cooperation. As a bloc, they seek the reform of Western-controlled institutions such as the UN, the World Bank and the International Monetary Fund, whose policies are often viewed as unfair to developing nations. South Africa became a member in 2010, adding the "S" to BRICS.

The original BRIC countries have long been expected to join the US as the leading economic powers of the world by 2050. Slower growth among the BRICS has shaken that view, however. *The Wall Street Journal* declared "BRICS' New World Order Is Now on Hold" and cited an international finance official who termed estimates of BRICS future growth "overblown."

BRICS officials, however, say the coalition is about more than economics. Russian Deputy Foreign Minister Sergey Ryabkov, quoted by Russian news agency TASS, says the BRICS disturb the West's comfortable paradigm of global dominance. "I want to say that critical remarks themselves are the best sign of the BRICS' importance and the significance of this structure for international relations. If this had not been the case, BRICS would have been simply ignored," he says.

In 2014, the BRICS leaders established the New Development Bank for financing of infrastructure and sustainability projects in BRICS and other emerging markets nations, as a direct challenge to the US-led World Bank. The NDB marks the first joint institution created by the BRICS countries and is an important symbol of their cultivation of solidarity and economic partnership.