CORPORATE GOVERNANCE I

Mcom IInd semester

Unit-4 Lecture-8 (18-04-20)

DR.REKHA GARG

The Core Principles Of Good Corporate Governance

- A company which applies the core principles of good corporate governance; fairness, accountability, responsibility and transparency, will usually outperform other companies and will be able to attract investors, whose support can help to finance further growth.

Fairness

- Fairness refers to equal treatment, for example, all shareholders should receive equal consideration for whatever shareholdings they hold. In the UK this is protected by the Companies Act 2006 (CA 06). However, some companies prefer to have a shareholder agreement, which can include more extensive and effective minority protection.

Accountability

- Corporate accountability refers to the obligation and responsibility to give an explanation or reason for the company's actions and conduct.
- In brief:
- The board should present a balanced and understandable assessment of the company's position and prospects;
- The board is responsible for determining the nature and extent of the significant risks it is willing to take;
- The board should maintain sound risk management and internal control systems.

Responsibility

- The Board of Directors are given authority to act on behalf of the company. They should therefore accept full responsibility for the powers that it is given and the authority that it exercises. The Board of Directors are responsible for overseeing the management of the business, affairs of the company, appointing the chief executive and monitoring the performance of the company. In doing so, it is required to act in the best interests of the company.

Transparency

- Transparency means openness, a willingness by the company to provide clear information to shareholders and other stakeholders. For example, transparency refers to the openness and willingness to disclose financial performance figures which are truthful and accurate. Transparency ensures that stakeholders can have confidence in the decision-making and management processes of a company.

Benefits Of Corporate Governance

- Strong corporate governance maintains investors’ confidence, whose support can help to finance further growth. Companies who implement the principles of good corporate governance into working environemnt life will ensure corporate success and economic growth. They are the basis on which companies can grow.