

# [Directors' duties and corporate governance](https://assignbuster.com/directors-duties-and-corporate-governance/)

[Politics](https://assignbuster.com/essay-subjects/politics/)

As trust towards company insiders as well as to auditors, analysts or regulators was shattered, governments started to think over regulations which would prevent such unfair practices. Different countries responded differently to the problem of inadequate corporate governance system.
While Australia and the UK have issued recommendations based on ‘ comply and explain’ principle, the USA has introduced more severe measures where non-compliance results in criminal punishment. The US Sarbanes-Oxley Act of 2002 set firm regulations for senior management, non-compliance with which results in 20 years of imprisonment and fines up to $5 million. (Loeb 2005)
Many countries reviewed their regulations concerning the work of the directors. The recommendations or regulations issued in each of countries converge in several issues concerning directors: the presence of independent non-executive directors in the board, participation of non-executives in nomination and remuneration committees, control and decision-making function of the executives, their fair remuneration.