

Corporate governance at bp (british petroleum)

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Corporate governance is actually the set of rules and regulations which give instruction or explain how a corporation is to be directed. Unlike other multinationals where a corporation is directed and governed by a small coterie which consists of the unelected chief executives and other senior executives at BP (British Petroleum), the real power lies in the hands of the shareholders.

At BP the shareholders are the real owners who delegate their authority to the board which governs and monitors the activities of the senior executives. BP, in order to ensure that the real power lies in the hands of the shareholders, appoints 10 non executive directors and only 5 executive directors in its board. The non-executive directors are free from any potential conflict of interest arising from having a management role.

The board then forms committees which consist of all the non-executive board members. The task of committees is to look at both financial and non-financial issues of the firm. Non-financial issues include safety, health and environmental issues. Moreover, same is the case with shell where the real power lies in the hands of the shareholders and the board consists of non-executive members as well.

Besides doing this shell has also made an audit committee which oversees the operations of the board of directors and thus protects their interests. Shell has also established code of ethics under which any employee who has an issue regarding audit, finance and other operations of the firm can forward his concerns to the board. In short both Shell and BP ensure that no single individual or a group is able to control the organization in order to advance

its personal interests at the cost of customers and shareholders. Read about Corporate Governance at Wipro