

# Corporate governance report sample

[Business](#), [Company](#)



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In many large and well established businesses and enterprises, corporate governance is a common term used when in any conversation or explanation that may include the company's operation and governance. The term corporate governance refers to a wide aspect the processes, law, or rules by which a business is regulated, controlled, and operated. Corporate governance can refer to any internal factors that are defined by the stockholders; constitution of a Corporation or officers, as well as some external forces such clients, government regulations and consumer groups. Corporate governance provides a guideline to a company as to how it will be controlled and directed in order to fulfill and meet its goals and objectives in a way that will add more value to the company, and also benefits its entire stakeholder in the long term (David & Brian, 2011).

While in the common definition of corporate governance, the acknowledgement, existence and importance of other stakeholders is still focused, and also the traditional debate concerning the relationship between the shareholder (disconnected owners), and the self serving managers. All in all, corporate governance is known to consist of two elements; the long term

relationship and the transactional relationship. The long term relationship involves all dealings with checks and balances, communication between investors and management, and incentives for managers. The transactional relationship, on the other hand, involves dealings with authority and disclosure. This means that there is an adversarial relationship between an attitude of mutual suspicion, and management and investors.

## **Introduction**

A well enforced and defined corporate governance will always provide a structure that works for the main benefit of everyone involved in the company, and also ensure that the company adheres to set and accepted best practice and ethical standards as well as to the formal laws. In following this, a company will realize that its standards are set for the regional and national level, and at times to the global level. There is a high level of confidence that is always associated with a company known to have strong corporate governance. Mostly the presence of a group of independent directors within the board of directors who are active, contributes significantly towards ensuring there is confidence in the available market and also in new markets. Foreign institutional investors are increasingly depending on corporate governance on deciding which companies are the best in investing. It is also commonly known to have an extremely positive effect on the share price of any given company. With a clean image on any company's corporate governance front, it is much easier for the company to source capital at an extremely reasonable cost. It truly unfortunate in that, corporate governance mostly becomes the center of discussion when a large scam is exposed.

Corporate governance is responsible with determining ways and procedures to take effective and strategic decision. It gives all the authority and responsibility to the boards of directors. Efficiency and globalization are truly vital factors that are urging corporate governance in today's market oriented economy. It also ensures that there is transparency in which it will ensure balanced and strong economic development. By all this, the interest of all the share holders, both the main and the minority will be safeguarded. Shareholders should be able to exercise their rights while the organization fully recognizes the rights. Corporate governance has quite a broad scope since it includes both the institutional and social aspect. It encourages a moral, trustworthy as well as ethical environment.

### **Recent issues facing corporate governance.**

At current times, corporate governance has been on the limelight due to high profile scandals that involve the abuse of corporate power and some serious allegation to criminal activity and involvement by corporate officers. Civil and criminal prosecution of persons involved in illegal and unethical acts, in the name of the organization are an integral part of an effective corporate governance regime.

### **Relationship between corporate governance and business ethics**

Corporate governance and business ethics are two extremely crucial factors that affect a company and its operations. Business ethics in an organization represents the characteristics, principles or values that the organization follows every time it conducts business in an economy. Corporate governance, on the other hand, is the internal framework a company

implements and designs to protect and govern those invested within the company. The relationship between the two comes from an executive manager or organizations owner, who creates governance and is left to decide which ethical principles his or her employees will have to follow. Normally business ethics follows a normative theory. This normative theory states that; firms and individuals will follow some ethical principles that are common to the society, hence the name normative, ethics or standard. The three normative ethic theories include stakeholders, social contract theories and stockholders.

Another relationship between corporate governance and business ethics is a company's mission statement. The company's planned standard of excellence when operating in its business environment is always clearly stated and outline in the company's mission statement. A mission statement can be focusing more on some social aspect of its operation rather than in the profit motive in order to repay shareholders. In such a company, shareholders will be investing in the company just because they believe in the company, and their desire is to see the company succeed in its stated social mission (Richard, 2011).

### **Review on ASX Corporate Governance Council's “Corporate Governance Principles and Recommendations”. Key principles that focus on ethics.**

On the 1st principle under corporate governance principles and recommendation, the company is required to disclose the respective roles and responsibilities of the board and management members. The functions set for the board, and the senior executive needs to be established,

delegated and disclosed. Also, the company is responsible to disclose the process for evaluating the performance and activities of the senior executives within the company. The company is required to provide the information indicated in the guide to reporting on the 1st principle which was to lay solid foundations for management oversight.

Another key principle that focuses on ethics lies within the second principle, which states that the board should be structured to add value. The company under this principle is required to have a board of an effective composition, commitment and size to adequately and fully discharge its responsibilities and duties. It focuses mainly on independence of the chair and other majority within the board. This brings about more trust to the market and also attracts investors to the company. The company also recommends that the chair and the chief executive officer should not be exercised by a single individual.

The company tends to promote ethical and responsible decision making under their third principle. The company is recommended to establish a code of conduct then disclose the code or a summary of the codes as to; the practice necessary to maintain confidence in the company's integrity, the practice necessary to take into account all their legal obligation and all the reasonable expectations of their stakeholders and finally the accountability and responsibility of persons for investigating and reporting reports of unethical practices. The company is recommended to establish a policy concerning diversity and disclosure. This policy is meant to include requirements, for the board members to establish measurable objectives for archiving gender diversity for the board to assess annually both the progress

and objectives in achieving them. The company is also recommended disclosing in each annual report the proportion of women employees in the whole organization, women in senior positions and women on the board.

The company is set to make timely and balanced disclosure of all material matters concerning the company. It is recommended that the company should establish drafted policies which are designed to ensure total compliance with ASX listing rule.

The company is also expected to respect the rights of all shareholders and facilitate their effective exercise of those rights. The best recommendations are provided that the company should design a communication policy for promoting effective communication with shareholders and encouraging their participation at the general meetings. The company is also expected to establish a sound system of risk oversight and management and internal control. The level and composition of remuneration should be sufficient and reasonable to the company while the relationship to its performance should remain clear (Derek, Kenneth & John, 2009).

The “ Corporate Governance Principles and Recommendations” of the company tries in archiving high ethics within the company while giving recommendation on to how the principles will be met and implemented. The principle will be easy tom incorporate to the company, and not much difficulty is expected within the implementations of the recommendation.

## **Summary**

Governance is not only about structure, direction, control and process, but also about the behavior of the people whom represent and own organization and the relationship between the organization and the society. The main

element in corporate governance includes integrity and honesty, openness and transparency, accountability and responsibility. It is a belief of many people that any organization has a moral duty to employee, stakeholder, local community, shareholder as well as a customer and institutional investors.

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