

Cheat Sheets CSR Exam

Corporate Governance – Cheat Sheet

Introduction: Purpose. Corporate governance is the system by which companies are directed and managed. Influences how objectives of company are set and achieved, how risk is monitored/assessed and how performance is optimised. Important as it has filled the niche for self-regulation and replaced it in that it outlines principles that corporations should follow to ensure good corporate governance upheld. For those investing in companies, must gain reassurance that capital being utilised as advertising and thus reporting acts as a safeguard for investors and offers piece of mind. ASX = primary overseer in Australia, principles outline the manner in which firms should behave and standards to operate with. Principles purely voluntary. Forms not legally required to comply with them. If choose not to comply, must justify why – if not why not approach. Structure.

What is corporate governance and why is it important? Describes the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. Encompasses the mechanism by which companies and those in control are held to account. Good CG promotes confidence for investor, crucial to ability of ASX listed companies to compete for capital. CG integral as it has replaced self-regulation practices and provided guidelines to ensure corporations are acting ethically and responsibly with investors capital. Matter of self-interests to have good CG regimes, to reassure investors. CG ensures that the market receives an appropriate level of information about. Entity's governance arrangements so that meaningful dialogues with board of management on governance matters undertaken. Discussions factor in information provided into their decision on whether to invest.

ASX: Primary overseer of CG in Australia. For many years, ASX did not require reporting in any detail on CG - in 2003, this changed. Rationale behind the principles and guidelines are that numerous protections and legislative framework for stakeholder protection, but not shareholders, particularly when investing. CG bridges disparity. Fundamentally important. ASX principles revised in 2007, 2010, 2014 and 2019. Currently 8 principles. 1. Lay solid foundations for management and oversight, structure the board in a manner which adds value, instil a culture of acting lawfully, ethically and responsibly. Safeguard integrity of corporate reporting make timely and balanced disclosures, respect rights of security holders, recognise and manage risks, remunerate fairly and responsibly. Principles and recommendation's set out in ASX guidelines, that in Council's view meet good CG and expectations of most investors. The council recognises, however, that different entities may adopt different CG principles, based on range of factors, including size, complexity, history and corporate culture Thus, principles are not mandatory or prescriptive and enforceable, simply a guideline. Thus, can't apply one size fits all because would be inappropriate in light of aforementioned considerations.