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Good Corporate Governance

Moving forward: Doing the right things right!

Greg Navarro, 1 December 2016

SEC definitions

Corporate Governance refers to a system whereby shareholders, creditors, and other stakeholders of a corporation ensure that management enhances the value of the corporation as it competes in an increasingly global market place.

Board of Directors refers to the collegial body that exercises the corporate powers of all corporations formed under the Corporation Code. It conducts all business and controls or holds all property of such corporations.

"I am a little ignorant of what good governance means. When you strip it of the buzz, doesn't good governance mean just good manners and right conduct towards stakeholders, the government and the people around? When applied to the discipline of financial reports, could it just mean getting as close to reality and sticking to it no matter who says what?"

Rey Angeles, Author & Businessman

OECD Principles of Corporate Governance

I. Ensuring the basis for an effective corporate governance framework

The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement

II. The rights and equitable treatment of shareholders and key ownership functions

The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

OECD Principles of Corporate Governance

III. Institutional investors, stock markets, and other intermediaries

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.

IV. The Role of Stakeholders in Corporate Governance

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprise.

OECD Principles of Corporate Governance

V. Disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

VI. The Responsibilities of the Board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The responsibilities of the Board

A. Act on **fully informed** basis, in **good faith**, with **due diligence** and care, and in the **best interest** of the Company and shareholders.

B. Treat all shareholder groups **fairly**.

C. Have high **ethical** standards and consider **interest of various** stakeholders.

The responsibilities of the Board

D. Key Functions:

- **Review and guide**: Strategy, action plans, risk policy, budget, set performance objectives, monitor performance, oversee major capex, acquisitions and divestitures.
- **Monitor** corporate governance practices.
- **Select**, **compensate**, monitor key executives, (includes succession planning or replacement).
- **Align** key executive and board remuneration with long-term **interest** of the Company and shareholders.
- Ensure formal & **transparent** board nomination and election process.
- **Monitor and manage**: Potential conflicts of interest, misuse of corporate assets, abuse in related party transactions.
- **Ensure integrity** of financial reporting.
- Oversee process of **disclosure** and communications.

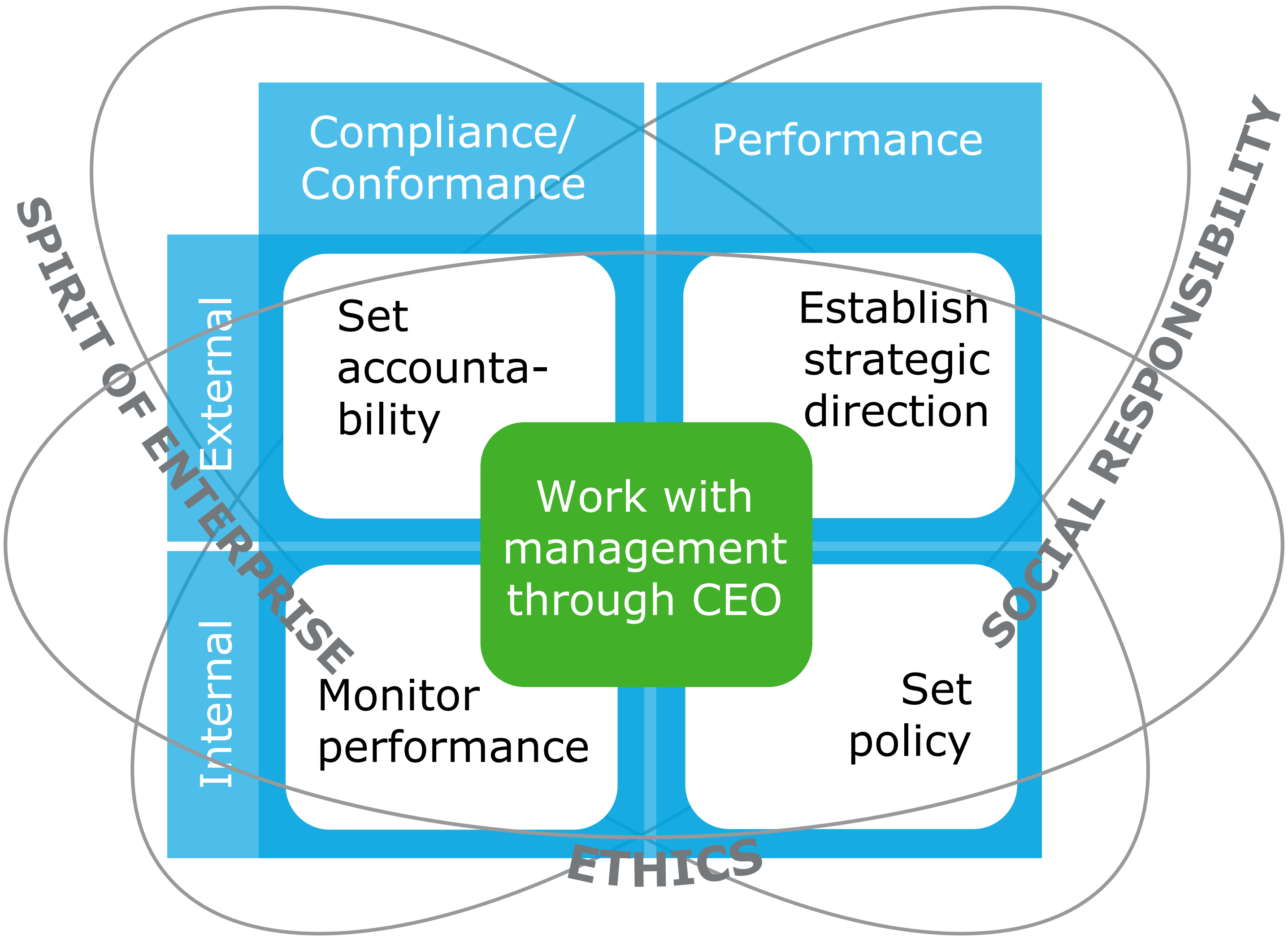
The responsibilities of the Board

E. Exercise **objective independent judgment** on corporate affairs.

- Consider sufficiency on non-executive board members
- Define mandate, composition and working procedures of various Board committees
- Ability to commit themselves effectively to their responsibilities

F. In order to fulfill responsibilities, Board members should have **access to accurate, relevant and timely** information.

The ICD-Tricker Plus Model



Principles to strengthen corporate governance

- To serve as framework to strengthen governance for public companies issued by the National Association of Corporate Directors

    - NACD

- Endorsed by the Business Roundtable

    - BRT

- Adopted by the International Corporate Governance Network

    - ICGN

Key agreed principles to strengthening corporate governance

I. Board Responsibility for Governance

Governance structures and practices should be designed by the board to position the board to fulfill its duties effectively and efficiently.

II. Corporate Governance Transparency

Governance structures and practices should be transparent – and transparency is more important than strictly following any particular set of best practice recommendations.

Key agreed principles to strengthening corporate governance

III. Director Competency & Commitment

Governance structures and practices should be designed to ensure the competency and commitment of directors.

IV. Board Accountability & Objectivity

Governance structures and practices should be designed to ensure accountability of the board to shareholders and the objectivity of board decisions.

Key agreed principles to strengthening corporate governance

V. Independent Board Leadership

Governance structures and practices should be designed to provide some form of leadership for the board distinct from management.

VI. Integrity, Ethics & Responsibility

Governance structures and practices should be designed to promote an appropriate culture of integrity, ethics, and corporate social responsibility.

Key agreed principles to strengthening corporate governance

VII. Attention to Information, Agenda and Strategy

Governance structures and practices should be designed to support the board in determining its own priorities, resultant agenda, and information needs and to assist the board in focusing on strategy (and associated risks).

VIII. Protection Against Board Entrenchment

Governance structures and practices should encourage the board to refresh itself.

Key agreed principles to strengthening corporate governance

IX. Shareholder Input in Director Selection

Governance structures and practices should be designed to encourage meaningful shareholder involvement in the selection of directors.

X. Shareholder Communications

Governance structures and practices should be designed to encourage communication with shareholders.

Q&A

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