

# Economics & Finance

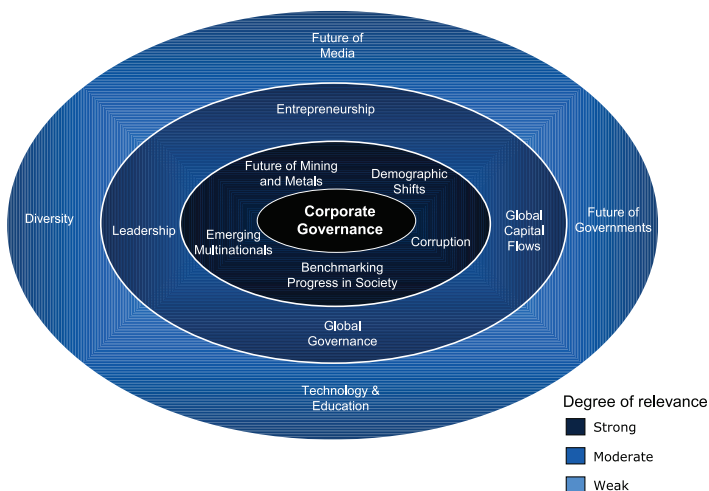
## Corporate Governance

### A. Description of the issue

Companies with comprehensive corporate governance guidelines are well positioned for long-term success. In the last decade, poor corporate governance undermined the economy, diminishing value for shareholders, leaving employees without their retirement savings and irrevocably damaging the reputations of dozens of companies. The flood of governance scandals has depressed and weakened markets and eroded investor trust, threatening a backlash against the legitimacy of business. However, it has also created an opportunity as investors now expect increased transparency. As a result, governance performance may be improving.



Through shareholder activity, investors are increasingly demanding more information from companies. In fact, transparency is key to appraise a company's corporate governance performance and also helps to create a cohesive and robust corporate culture. Companies that disclose both financial information and relevant environmental and social information are often seen as better investment candidates. They are in a better position to manage risks, thus improving their value to shareholders by preventing environmental, social or corporate governance issues from developing into long-term issues.



## B. Dimensions

- **Executive compensation:** Executive compensation is one of the most important tools that boards of directors can use in their oversight of company management.
- **Political contributions:** Political activities and agendas of trade associations may not align with, or may even conflict with, the interests of some of their member companies.
- **Code of ethics:** Written policies address company standards for diversity and employee rights. The company's code of conduct includes policies addressing equal employment, harassment, bribery, and workplace safety and health.
- **Role of non-executive directors:** As companies globally face issues relating to transparency and the timely disclosure of material information, the role of non-executive directors has gained significant importance in maintaining accountability within corporations.
- **Shareholder activism:** Shareholder activism as a way for shareholders to claim their power as company owners in order to influence a corporation's behaviour is on the rise.
- **International accounting standards:** There is increasing awareness of the importance of an international perspective to accounting standards.