

effective governance



SpringBoard

Governance Basics: The 8 key Things

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The Basics & The Companies Act 1993

- ▶ The fiduciary principle: To act in good faith and in what the director believes to be the best interests of the company
- ▶ To exercise powers for 'proper purpose'
- ▶ Not to allow 'reckless trading'
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- ▶ Not to allow 'reckless trading'
- ▶ To exercise reasonable 'care, diligence and skill'
- ▶ May rely on Information from management or professional advisers subject to proper inquiry, etc

The concept of Trust

The 8 Questions you need to ask

1. Is there any conflict

- Duty of good faith.

2. Do I have all the facts to enable me to make a decision

- Duty of care , Duty of skill, Duty of diligence.

3. Is this a rational business decision based on all the facts

- Duty of care, Duty of skill, Duty of diligence.

4. Is the decision in the best interests of the company

- Duty of good faith, Duty of care, Duty of skill

The 8 Questions you need to ask

5. Is the communication to stakeholders transparent
 - Duty of good faith, Duty of care, Duty of skill.

6. Is the company acting in a socially responsible manner
 - Duty of care, Duty of skill, Duty of diligence.

7. Am I acting as a good steward of the company's assets?
 - Duty of care, Duty of skill, Duty of diligence.

8. Would the board be embarrassed if its decision and the process employed in arriving at the decision appeared on the front page of the national newspaper? (The Sunday morning paper test).
 - Duty of care.

Being an Investor or Director

Investors

- ▶ Only invest in things you understand.
- ▶ Only give your money to someone you know and trust.
- ▶ Do your own due diligence on the directors of the company.
- ▶ Invest in organisations that behave ethically.

Directors

- ▶ Only be a director of something you know or will strive to learn about.
- ▶ Only give your reputation to people you know or are willing to learn about.
- ▶ Do your own due diligence.
- ▶ Be ethical;
 - say what you will do
 - then do it
 - and tell people what you have done.