CORPORATE GOVERNANCE

Traditionally, treasurers have had an acute awareness of corporate governance through their understanding of the need for checks and balances in the control framework of running a treasury department. This though is perhaps the narrow sense of corporate governance. Today the knowledge and skill requirements are broader. This is well explained in the series of articles in this Spotlight on Corporate Governance from **Lance Moir, Christine Mallin** and **Christine Helliar's** view through to **Colin Melvin**'s investor's view.

There are process elements to governance, but by far the most important aspect is the 'soft' side of governance. That is ***how*** the company does its business. This aspect is also in the theme of following articles, as **John Elkington** looks at corporate social responsibility; **David Tilston**, the workings of the board team. There are personal aspects to governance too, with an ethics element, which are discussed by **John Grout** and **Justin Welby**. Finally, we look at two areas which will have a profound influence on how businesses operate: for those with US interests, **Mark Wilson** of Bank of New York looks at the implications of the Sarbanes-Oxley Act, while **Sarah Gabriel** investigates anti-corruption legislation affecting any international businesses.

In business and personal ethics, both important aspects of governance, difficulties arise for companies and individuals when they are called upon to know or decide between 'right versus right', or worse 'wrong versus wrong'. Dilemmas are just that. There are three simple tests to review decisions made: transparency – how do I feel about others (my mother, the boss, the media) knowing of my decision? The second is effect – who or how does my decision affect or hurt others? The third is fairness – is my decision fair? These tests should cause one to pause and make sure you have thought through the consequences of the decision, which is good governance in itself.

It is best practice in companies to state their values and to put in place a code as guidance to staff as to what is meant by those stated values and how they should be interpreted in day-to-day business. It is also incumbent on the company to train staff in this area. Without such training consistent behaviour and good conduct will be hard to establish. A combination of these three factors – values, code and conduct – gives rise to the culture of the company. Good culture with good governance will reduce the risk of a reputation hit to the company and today, reputation is all.

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