

PRINCIPLES OF CONTEMPORARY CORPORATE GOVERNANCE

Fourth edition

Now in its fourth edition, *Principles of Contemporary Corporate Governance* offers comprehensive coverage of the key topics and emerging themes in private sector corporate governance. It explains both the principles of corporate governance systems and their real-world application in an authoritative and engaging manner.

This fully revised and updated text has four parts: basic concepts, board structures and company officers; corporate governance in Australia; corporate governance in international and global contexts; and shareholder activism and business ethics. The coverage of international contexts, written by specialists, includes sections on the US, the UK, Canada, South Africa, the EU, the OECD, Germany, Japan, China and Indonesia, plus new sections on New Zealand and India. A new chapter on business ethics and corporate governance presents contemporary discussions on the topic and explores some of the broader legal issues.

Principles of Contemporary Corporate Governance is an indispensable resource for business and law students studying corporate governance, and also for academic researchers and practitioners wanting a deeper understanding of its underlying principles.

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CAMBRIDGE
UNIVERSITY PRESS

Cambridge University Press
978-1-108-41302-2 — Principles of Contemporary Corporate Governance
Jean Jacques du Plessis , Anil Hargovan , Jason Harris
Frontmatter
[More Information](#)

CAMBRIDGE UNIVERSITY PRESS

University Printing House, Cambridge CB2 8BS, United Kingdom
One Liberty Plaza, 20th Floor, New York, NY 10006, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
314–321, 3rd Floor, Plot 3, Splendor Forum, Jasola District Centre, New Delhi – 110025, India
79 Anson Road, #06–04/06, Singapore 079906

Cambridge University Press is part of the University of Cambridge.

It furthers the University's mission by disseminating knowledge in the pursuit of education, learning and research at the highest international levels of excellence

www.cambridge.org

Information on this title: www.cambridge.org/9781108413022

First edition © Jean Jacques du Plessis, James McConvill and Mirko Bagaric 2005
Second, third and fourth editions © Cambridge University Press 2011, 2015, 2018

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First published 2005
Second edition 2011
Third edition 2015
Fourth edition 2018

Cover designed by Cameron McPhail
Typeset by SPI Global
Printed in China by C & C Offset Printing Co. Ltd, November 2017

A catalogue record for this publication is available from the British Library

A Cataloguing-in-Publication entry is available from the catalogue of the National Library of Australia at www.nla.gov.au

ISBN 978-1-108-41302-2 Paperback

Additional resources for this publication at www.cambridge.edu.au/academic/principles

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PREFACE

The modern corporation knows few bounds – its widespread use in business and the corporatisation of essential services means that it permeates almost every aspect of our daily lives. It is companies, small and large, that drive economies and that can create economic prosperity for countries. However, all is not bright and shining; companies, especially large multinational public companies, have been the cause of considerable harm to the environment and society generally because of pollution, exploitation of employees and not providing safe working environments. There are too many examples in too many countries to name them all, but as this book originated in Australia, the James Hardie case, where many suffered tremendously because of exposure to asbestos, with little or no respect by the company for those who suffered, is a prime example of why it is of considerable importance that companies are governed properly. We discuss the James Hardie case in detail in Part 2.4.2, as well as in Part 14.2.3 from a business ethics perspective. Principles of corporate governance have a vital role to play in protecting consumers, shareholders, creditors, the environment and society, and in ensuring that companies act responsibly as well as legally.

Since the appearance of the first edition of *Principles of Contemporary Corporate Governance* in 2005, developments have gained velocity, and the volume of materials on corporate governance has grown exponentially. This made the appearance of a second edition in 2011 inevitable. The global financial crisis that emerged in about 2008 and global financial uncertainties in the European Union (since 2008) made us predict in 2011 (in the Preface to the second edition of this book) that the discipline of corporate governance would retain its prominence in future. That has indeed been the case, and it was a main motivation for us to bring out the third edition and now this fourth edition of *Principles of Contemporary Corporate Governance*.

Again we looked at the book in its entirety and asked how we could keep it relevant and contemporary. We decided not to simply add more materials to the book and make it a monstrous work. Rather, we decided to stick to our original approach of focusing on the fundamental and contemporary principles of corporate governance. However, we also wanted to include more of the corporate governance themes and issues that have become particularly prominent in recent years. It meant that we had to delete some of the dated discussions to make place for new contemporary corporate governance themes and pressing issues. In this era of globalisation, we expanded the coverage on comparative corporate governance by adding a part on corporate governance in New Zealand (written by Susan Watson) and on India (written by Indrajit Dube) to complement the other jurisdictions we cover in Part Three of this book.

Part One (Chapters 1–4) introduces the reader to basic concepts, different types of board structures and different types of company officers. Chapters 1 and 2 deal with basic corporate governance principles and the all-inclusive stakeholder approach. We aim at stimulating debate on the dominant corporate shareholder primacy model. We contrast some prominent corporate governance theories, such as the shareholder primacy theory, the enlightened shareholder value theory, the stakeholder theory and the director primacy theory. In addition, we discuss disclosure of, and reporting on, non-financial information by way of different forms of voluntary reporting, such as integrated reporting, sustainability reporting and corporate responsibility reporting, which encompasses more than just corporate social responsibility (CSR). We also emphasise the importance of responsible behaviour by corporations and the creating of long-term, sustainable growth for corporations. In Chapter 3 we contrast the unitary and two-tier board systems and point out the virtues of both. In that chapter we draw attention to the fundamentally important difference between the managerial role of management and the supervisory or governance role of the board of directors. In Chapter 4 we deal with directors' and executives' remuneration and the importance of board diversity, with a focus on gender diversity.

Part Two (Chapters 5–10) deals with corporate governance in Australia. We have updated this part with the latest developments and we also discuss some of the most significant new Australian cases on directors' duties and liability.

Part Three (Corporate governance in international and global contexts), in common with earlier editions, offers a concise and updated discussion of the United States (US), the United Kingdom (UK), Canadian, German, Japanese and Chinese corporate governance models. Having added new parts in the third edition on the European Union (EU), Indonesia and South Africa, we added New Zealand and India to the fourth edition. In Chapter 12 we continue to discuss the *OECD Principles of Corporate Governance*, and updated the entire book with references to the 2015 *G20/OECD Principles of Corporate Governance*.

In **Part Four** we focus on 'Shareholder Activism and Business Ethics'. Chapter 13 gives an overview of the role of shareholder activism as one of the checks or balances in ensuring that companies adhere to good corporate governance practices. Chapter 14 has been completely re-written by Suzanne Le Mire, with a renewed focus on 'Business ethics and corporate governance'. The chapter now combines academic discussions with case studies, some broader legal issues and other more general aspects impacting on business ethics.

The fourth edition will again broaden the perspectives and understanding of all people interested in corporate governance and corporate regulation and management, including company secretaries, compliance officers, judicial officers, lawyers, accountants, academics and students of law and business management.

With the third edition we added Jason Harris as author and relied on the specialised expertise of four new contributors, Irene-marié Esser (South Africa), Miko Kamal (Indonesia), Souichirou Kozuka (Japan) and Jeanne Nel de Koker (Australia) – our contributors from the previous editions, Vivienne Bath (corporate governance in China) and Luke Nottage (corporate governance in Japan) updated their parts extensively. The current edition is now enriched further by the contributions of Susan Watson (on New Zealand), Indrajit Dube (on India) and Suzanne Le Mire (on Business ethics and corporate

governance). We would like to acknowledge the input of Mirko Bagaric as author of the first three editions of this book and thank him for giving us permission to use some of the parts he wrote in the past.

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May 2017

ACKNOWLEDGEMENTS

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