



Good Governance, Risk Management and Compliance (“GRC”) - Running the modern company

Aim

One of the aims of a corporate governance system is to ensure the integrity, accountability and objectivity of all individuals in the organisation. The system is fundamental to the company’s efficiency and endemic to shareholders’ welfare.

Sound corporate governance requires absolute commitment from the company to the governance policies and a healthy board culture committed to embed and manage governance policies robustly.

Company objectives

The objectives of each company should be described. Corporate Governance Codes presently include social, environmental and economic considerations as well, as part of the fundamental objectives of the enterprise. In particular, Governance Codes emphasize the need for companies to address the interests of a range of stakeholders in order to promote it’s long-term sustainability. Corporate governance must go well beyond the law. Corporate Governance describes the policies, procedures, customs, laws, and regulations governing the way in which a company is directed, administered or controlled with a view to promoting the goals for which the company was incorporated.

Benefits

Integrity and ethical behaviour is not only good public relations, it is also necessarily risk management. Organisations should as a matter of best practice develop a code of conduct for all management and executives, which promotes ethical, compliant and responsible decision making and this should be regularly reviewed. Simple reliance by a company on an individual’s own integrity and ethics is bound to different degrees of future failure. Maintaining the company’s compliance is not simply to keep the regulators happy, but is one of the most important ways for an organization to maintain its ethical reputation, support its long-term prosperity, and preserve and promote its values. On a practical level, a compliance and ethics program supports the organization’s business objectives, identifies the boundaries of legal and ethical behaviour, and runs a system which alerts management when a boundary is crossed or a boundary is neared. Compliance and ethics practices can no longer be seen as some peripheral function intended to avoid prosecution. It must be part of the overall business strategy and operations, and wholly pervasive throughout the organisation.

Good corporate governance contributes to better the company’s performance by helping the board discharge it’s duties in the best interests of the shareholders. Organizations are exposed daily through

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failed corporate governance, and ethical risks and compliance issues, (collectively known as “GRC” - Governance, Risk management and Compliance) and these risks have turned GRC into a top priority as businesses better understand the need to integrate principles of good GRC into the fabric of their daily business affairs.

Outcomes

Including an enhanced culture of trust, accountability and integrity, there are a number of outcomes a compliance and ethics capability must deliver; namely that it is aimed at avoiding non-compliance, aiding discovery of non-compliance, preparing management for the time non-compliance occurs, as well as afford such protections possible from negative consequences. A program should be reviewed annually to ensure lessons learned are incorporated, so as to better prepare for, detect and respond to non-compliant events.

The Institute of Directors provides guidance and useful information in this area: www.iod.com

For further information on GRC or any other corporate law issues, please contact us on (01624) 676868

This publication is intended only to provide a brief guide. It does not purport to be comprehensive or to provide legal advice.

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