

Press Release
January 2009

Government needs to lead culture of good corporate governance

We lack a national culture of good governance and it is up to the Government and our legislators to set the tone for change, according to the Corporate Governance Association of Ireland. (CGAI).

“Too often political and business leaders wait for ‘due process’ and hope the problem will pass”, said Jerry Kelly, CGAI Chairman in a statement today.

“In excess of €50bn of wealth has been knocked off the value of bank shares. People throughout the population have lost pension value as a result of the problems in the banks and the consequent drop in value of bank shares and dividends. In addition the risks associated with the Government Guarantee are being carried by all taxpayers.

“Directors are required to protect the interests of shareholders who elect them, yet not one senior executive or director has taken any responsibility for the process which led to this situation by resigning other than in respect of the inappropriate handling of director loans within Anglo Irish Bank”, he said.

“What well-governed organisations, big and small, with or without a public profile, share in common is an organisational culture which reflects three main characteristics: accountability, transparency and probity. Once such a culture is present the board and the managers of the organisation can get on with the primary business of the organisation without feeling unduly burdened by the impact of regulations”, he said.

“A new culture rather than additional regulations a la Sarbanes-Oxley in the U.S. is what is needed”, he added.

According to the CGAI recent governance issues demonstrate the need for boards to ensure that directors do not serve for too long and become too comfortable, thereby reducing their independence. Ireland has a relatively small political and business community and when the boundaries of social, political and business life intertwine it becomes more difficult for individuals to be independent and to act accordingly.

over/...

“Non-executive directors need to be strong and independent in challenging management to make the case for their actions, said Jerry Kelly.

The CGAI believes that a good start in demonstrating that the Government is serious about positioning Ireland as a benchmark for excellence in corporate governance could begin with state boards. Appointments should be made on the basis of each board’s needs in terms of balance, skills, and experience.

Formal board evaluation procedures in the public and voluntary sectors and not just in listed PLCs should also be promoted and tight circles featuring cross directorships should be discouraged.

If higher standards were introduced in the public sector, similar standards of governance could be demanded in the private sector by political leaders. At present, some practices in the public sector diminish the moral authority of political leaders to demand changes in governance in the private sector.

Ends

Issued on behalf of the Corporate Governance Association of Ireland by Walsh
Public Relations.
Reference: Jim Walsh. Tel 01 6613515 / 087 2541700

Note for editors

The Corporate Governance Association of Ireland (CGAI) was founded in 2006 by graduates of the UCD Diploma in Corporate Governance. It is a professional Association whose members have all qualified in post-graduate studies in governance. It was set up to promote high standards of governance in the commercial, public and voluntary sectors and to keep its members abreast of this ever-evolving subject through continuous professional development programmes.

www.cgai.ie