

# 7<sup>th</sup> Conference on Corporate Governance

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## Conflicts of Interest Between Different Capital Providers

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- There should be NO conflict between the interests of different capital providers, whether they be Equity, Debt, or State
- Good Corporate Governance is key in maintaining a successful and sustainable company and aligns the interests of all stakeholders
- Companies do not exist in isolation. All capital providers (and all stakeholders) have one goal – The success and sustainability of the company

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- Corporate governance is more than the system of rules, practices and processes by which a company is directed and controlled (Cadbury Committee 1992, updated by FRC December 2017)
- However, the environment in which companies operate today has developed rapidly
- Corporate governance supports the balancing the interests of a company's stakeholders, such as shareholders, the Board of Directors, management and employees, customers, suppliers, debt holders, government and the community

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- Corporate Governance and the alignment of stakeholders provides the framework for a company to attain its objectives, encompassing:
  - An organizations management,
  - Business strategy and plans,
  - Internal controls,
  - Performance measurement,
  - Disclosures

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- The role of the Board of Directors is pivotal in governance, and good/bad governance can have a significant impact on equity valuation
- Good corporate governance creates a transparent environment in which stakeholders (shareholders, debt-holders, government and directors and officers) have aligned objectives interests and incentives.
- Bad corporate governance can raise concerns on a company's reliability, integrity or obligation to stakeholders.

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- It is not enough today for a company to be profitable and produce great returns in the short-term. It needs to be successful and sustainable in the long-term
- It must demonstrate good citizenship through environmental awareness, ethical behavior and sound corporate governance practices
- And importantly alignment between stakeholders whatever their relationship to the company is fundamental