



Aleksandra Łuczak (PhD)

www.luczak.edu.pl

Lektor i wykładowca Akademii Leona Koźmińskiego w Warszawie.
Zajmuje się nauczaniem języków specjalistycznych
Business English oraz Legal English.
Prowadzi wykłady w zakresie Business Culture i Academic Skills.
Współpracuje jako metodyk i trener ze szkołami języków obcych.

Lesson Twelve

Company Law

In the previous Lesson number 11 we have discussed the issues connected with company formation and company types. In today's lesson we will concentrate on some aspects of **company law**, also known as **corporate law**, which **sets out** rules for running firms and deals with the duties and rights of **shareholders** and company directors. It also involves **employment law** covering aspects of employment such as formation of contracts of employment and situations of **unfair dismissal** which will be discussed in the next issue of The Teacher.

The study of company law includes subjects such as shareholders, **creditors**, directors, employees and other **stakeholders** such as consumers.

United Kingdom company law is governed by **the Companies Act 2006**, most US corporations by **the Delaware General Corporation Law (DGCL)**¹; the **Corporations Act 2001** is the act of the Commonwealth of Australia, the **Aktiengesetz** of Germany, and the **Commercial Companies Code** of 15 September 2000 of Poland.

Corporate governance

Corporate governance is the study of the power relations between **the Board of Directors** and those who elect them (shareholders in the "**General Meeting**" and employees). Companies differ in the form of internal structure – some of them have a **two-tier board** and some – a **one-tier board**. The United Kingdom, the United States, and most Commonwealth countries have single unified Boards of Directors. An individual selected as **President** and **CEO** (Chief Executive Officer) of a corporation reports to the Board of Directors.

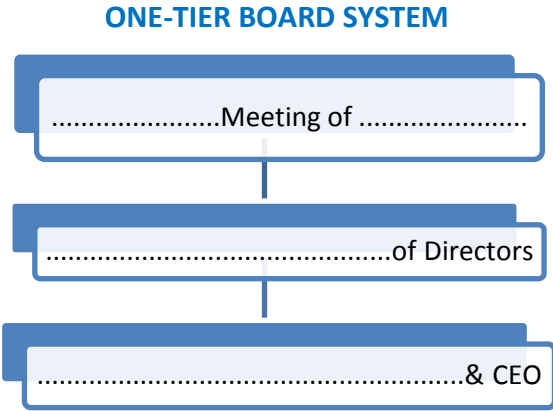
In Germany, companies have two tiers, i.e. shareholders (and employees) elect a "**Supervisory Board**" for control purposes. Then the Supervisory Board chooses the "**Management Board**" or the

¹ The statute governing corporate law in the state of Delaware. Delaware is well known as a **corporate haven**. Over 50% of U.S. publicly-traded corporations and 60% of the Fortune 500 companies are **incorporated** in that state.

“Executive Board” for the day-to-day business. In this system, the **CEO** presides over the executive board and the **chairman** presides over the supervisory board, and these two roles will always be held by different people to prevent a conflict of interest and too much power being concentrated in the hands of one person. There is the option to use two tiers in France, and in the new **European Companies**². Since German company law has also served as an example for the development of national legal systems in several Eastern European countries, the representatives of the two-tier model also include countries like Poland, the Czech Republic, Slovakia, Bulgaria and Latvia.

Exercise 1

Complete the chart presenting one-tier board system with the words and expressions from the paragraph above on Corporate Governance.



Exercise 2

Now complete the sentences describing the functions and responsibilities of the company bodies in one-tier board system by using the verbs in brackets in the correct form.

1. The President/CEO of a company to the Board of Directors. (REPORT)
2. The CEO by several subordinate executives, who have specific functional responsibilities, e.g. Chief Financial Officer (CFO), Chief Marketing Officer (CMO), etc. (SUPPORT)
3. The Board of Directors usually and at the public **Annual General Meeting** of shareholders. (ELECT, DISMISS)
4. The Board of Directors has the right to **Extraordinary General Meetings** whenever they consider it necessary. (CONVENE)

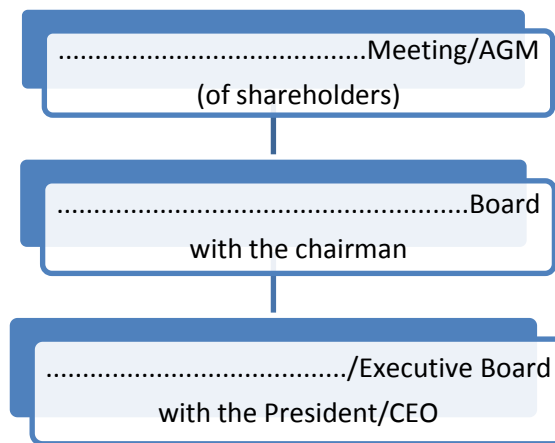
² European public companies; a universal, European form of running a business In the European Union.

5. The Board of Directors executive directors who are owners or managers in the company and non-executive directors who are not owners or managers. (CONSIST OF)
6. The Board of Directors of a corporation overall responsibility for the activities of the corporation. Their specific duties by the corporate **bylaws**. (HOLD, SET)

Exercise 3

Complete the chart presenting two-tier board system with the words and expressions from the paragraph above on Corporate Governance.

TWO-TIER BOARD SYSTEM



Exercise 4

Now complete the sentences describing the functions and responsibilities of the company bodies in one-tier board system by using the verbs in brackets in the correct form.

1. The CEO over the executive/management board. (PRESIDE)
2. Supervisory Board by the shareholders to supervise the CEO. (ELECT)
3. Management Board of inside directors (executive directors). (CONSIST)
4. Supervisory Board of outside directors (non-executive directors). (COMPOSE)
5. Non-executive directors the governance process in a company. (SUPERVISE)
6. Annual General Meeting or Supervisory Board..... Management Board. (ELECT)

Exercise 5

Here are the primary duties of a board of directors. Match the heading denoting the duty (1-4) with their descriptions (A-D).

1	Fiduciary duty	A	Corporate boards of directors do not participate in day-to-day decision-making; instead, they set overall policy, based on the corporate mission and vision, and they exercise an supervisory function, reviewing the actions of corporate officers and executives.
2	Mission and Vision	B	At the annual meeting of the corporation, the board announces the annual dividend, oversees election of corporate board members, elects or appoints officers and key executives, and amends the bylaws, if necessary.
3	Oversight/Supervision	C	Board members must act in good faith and with a reasonable degree of care, and they must not have any conflicts of interest . That is, the interests of the company must take precedence over personal interests of individual board members.
4	Annual Meeting	D	Board members are responsible for setting the mission of the company and assuring that all actions are related to that mission. The board can change the mission, but only after careful deliberation.

Liquidations

Exercise 6:

Number the following lines in the correct order:

- () **wind up** the affairs of the company because they believe that
- () is appointed to gather in all the company's **assets** and **settle all claims**
- () its **debts**, its **creditors** make an application for compulsory liquidation. However, the company's members can decide voluntarily to
- (1) When a company's existence is brought
- () against the company. If there is any **surplus** after **paying off** all the creditors of the company,
- () this surplus is then distributed to the members.
- () to an end, the company **goes into liquidation**, in some jurisdictions called **winding up** and/or **dissolution**. When the company is unable to pay
- () the company will soon become **insolvent**. Then voluntary liquidation occurs. Where a company goes into liquidation, normally a **liquidator**

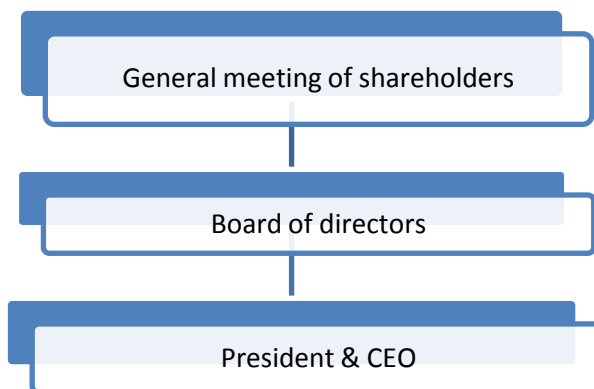
Glossary

Annual General Meeting – Walne Zgromadzenie Akcjonariuszy
assets - aktywa
Board of Directors - zarząd
bylaws - zarządzenie
CEO - prezes
Chairman - przewodniczący
Commercial Companies Code – kodeks spółek handlowych
Companies Act/ Corporations Act – ustawa o spółkach
company law – prawo spółek
conflicts of interest – konflikt interesów
Corporate governance – ład korporacyjny
corporate haven – raj podatkowy
corporate law – prawo spółek
creditor - wierzyciel
debt - dług
dissolution – rozwiązanie, likwidacja
employment law – prawo pracy
European Company – spółka europejska (akcyjna)
Executive Board - zarząd

Extraordinary General Meeting – nadzwyczajne zgromadzenie akcjonariuszy
fiduciary duty – obowiązek powierniczy
General Meeting – zgromadzenie akcjonariuszy
to go into liquidation – postawić w stan likwidacji
to incorporate - zarejestrować
insolvent - niewypłacalny
liquidator - likwidator
Management Board - zarząd
one-tier board – jednostopniowy zarząd
oversight - nadzór
to pay off - spłacić
President - prezes
to set out - określać
to settle claims – dochodzić roszczeń
shareholder - udziałowiec
stakeholders - interesariusz
Supervisory Board – rada nadzorcza
surplus – nadmiar, nadwyżka
take precedence over – być ważniejszym niż
two-tier board – dwustopniowy zarząd
unfair dismissal – zwolnienie nieuzasadnione
to wind up – rozwiązać spółkę

ANSWERS

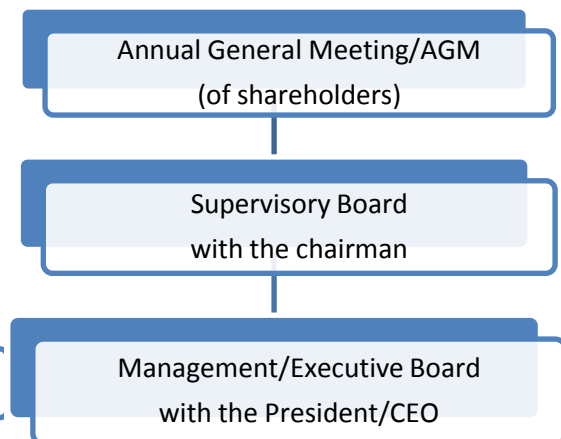
Exercise 1



Exercise 2

1. reports
2. is supported
3. is usually elected and dismissed
4. convene
5. consists of
6. holds, are set

Exercise 3



Exercise 4

1. presides
2. is elected
3. consists of
4. is composed
5. supervise
6. elects

Exercise 5 1C 2D 3A 4B

Exercise 6 4 6 3 1 7 8 2 5