

Learn Legal English with PUSTULKA

Lesson Twelve Company Law

Reading (part 1)

Read this text and pay attention to the bolded words.

In the previous Lesson number 11 we have discussed the issues connected with company formation and company types. In this 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**.

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 and Partnerships Code** of 15 September 2000 of Poland.

Reading (part 2)

Corporate governance

Read this text and pay attention to the bolded words or do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/808>

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

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.

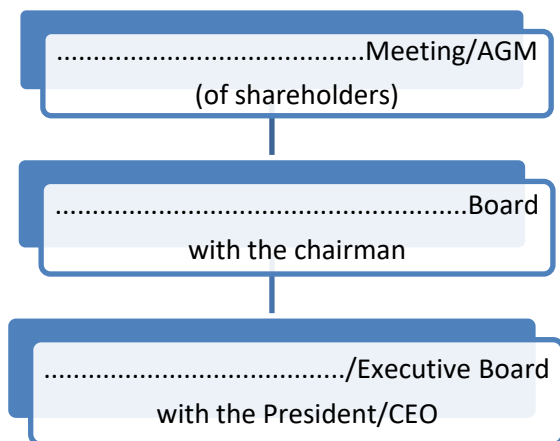
Directors. An individual selected as **President** and **CEO** (Chief Executive Officer) of a corporation reports to the Board of Directors.

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 "**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.

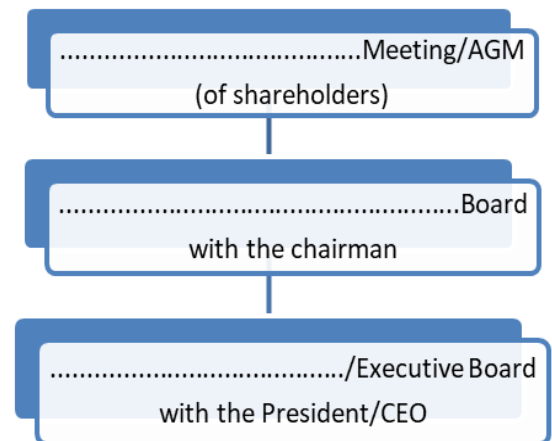
EXERCISES

1. Complete the chart presenting one-tier and two-tier management models with the words and expressions from the paragraph above on Corporate Governance.

ONE-TIER BOARD SYSTEM



TWO-TIER BOARD SYSTEM



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

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.

You can do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/809>

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)
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)

3. 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)

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

You can do this exercise in a form of a gapped text online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/920>

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 a 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

5. Number the following lines in the correct order.

You can do this exercise online:

<https://pustulka.edu.pl/PublicExercise/PublicExerciseGo/921>

- () **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 back** 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** 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**

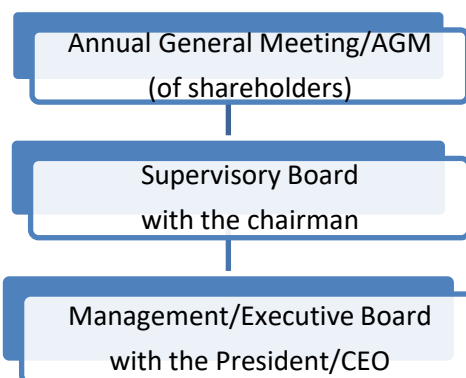
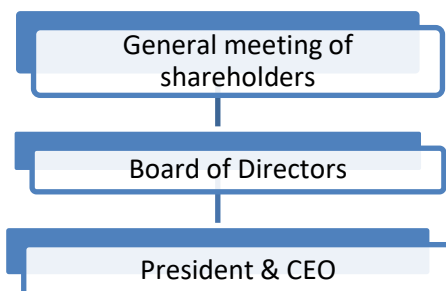
Glossary

Annual General Meeting – Zwyczajne Walne Zgromadzenie Akcjonariuszy lub Zwyczajne Zgromadzenie Wspólników
 assets - aktywa
 Board of Directors – Rada Dyrektorów
 Bylaws (US) – statut lub umowa spółki
 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/Management Board - zarząd

Extraordinary General Meeting – Nadzwyczajne Walne Zgromadzenie Akcjonariuszy lub Nadzwyczajne Zgromadzenie Wspólników
 fiduciary duty – obowiązek powierniczy
 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

1.



2.

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

4. 1C 2D 3A 4B

3.

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

5. 4 6 3 1 7 8 2 5