

BOARD MEMBERS NEED TO FULLY UNDERSTAND THEIR OBLIGATIONS AND LIABILITIES

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Better corporate governance means companies' assume less risk and this increases their value, improves their reputation and increases their profitability

With companies being subject to an increasing amount of regulation, boards of directors' are required to take on a wider range of duties and responsibilities. Therefore it is increasingly important that board members fully understand their legal obligations and personal liabilities, and also understand how they should perform their functions, says José María Elías de Tejada, partner at Deloitte Legal in Madrid. With companies being subject to an increasing amount of regulation, boards of directors' are required to take on a wider range of duties and responsibilities. Therefore it is increasingly important that board members fully understand their legal obligations and personal liabilities, and also understand how they should perform their functions, says José María Elías de Tejada, partner at Deloitte Legal in Madrid. The good news is that there is an untapped market for this advice as companies need to implement more and more measures related to transparency and

risk control in response to demands from different bodies, says Elías de Tejada. Meanwhile, businesses are “increasingly aware of the importance of implementing good corporate governance practices”, according to Elías de Tejada. He adds that good corporate governance is not simply a case of stating in the annual corporate governance report that this company complies with the “recommendations related to the CNMV (National Securities Market Commission) or the European Banking Authority (EBA)”. It also involves the recognition that better corporate governance means a company assumes less risk. And, if companies assume less risk, their value increases. Then the company's reputation rises and its profitability grows as it becomes a more competitive business. “There are studies that support this thesis,” says Elías de Tejada. He emphasises the importance of the “composition and performance” of boards of directors, with “on-board training and constant updating” being key. Elías de Tejada adds that companies have a responsibility to educate board members “via internal executives or external professionals”. He says: “This training should not only cover liabilities and obligations but also business-focused matters such as digitalisation, cybersecurity and the involvement of the board in the company's strategic decisions.”