

Corporate Governance: 10 responsibilities for the directors or Board of Directors

Corporate governance is fundamental to the success and sustainability of any entity. The board of directors is at the heart of this system and plays a critical role in guiding and supervising the entity. In Panama, corporate governance guidelines, although defined for banking entities by the Superintendency of Banks of Panama (SBP) and securities by the Superintendency of the Securities Market (SMV), emphasize the importance of an effective and responsible board of directors.

The board of directors comprises members elected to represent the shareholders and ensure that the entity meets its strategic, operational, and financial objectives. The directors are responsible for establishing policies, overseeing management, and ensuring the integrity of the entity's processes.

This article focuses on the responsibilities of board directors within the framework of corporate governance, so below we present:

10 key responsibilities of the directors of the Board of Directors

1. Establishment of Corporate Values and Strategic Objectives.

Directors, in their capacity, define the entity's corporate values and strategic objectives. They ensure that these are not just communicated, but ingrained in the entity's culture. This, in turn, influences the entity's decision-making and day-to-day actions, making the board's role truly inspiring and exciting.

2. Supervision and Performance Evaluation.

The directors supervise and evaluate the entity's overall performance and the contribution of



each level of the corporate structure. This implies constant monitoring of financial and operating results. If adjustments to the entity's strategies are required to achieve economic or operating objectives, directors are responsible for implementing them.

3. Assignment of Responsibilities and Powers

Directors, as the guiding force, assign responsibilities and define powers within the entity. This includes determining the competencies required for each position. By creating a hierarchical line of approvals and decisions from the board of directors to the operational levels, the board empowers and makes each individual feel important in the entity's operations.

4. Interaction with Management and Auditors.

Directors establish an effective mechanism for interaction and cooperation with senior management and internal and external auditors. This ensures that relevant information flows correctly and all parties work together towards the same objectives.

5. Risk management and internal control.

Directors should guarantee adequate risk control systems, including independent risk management functions. These systems should be capable of identifying, evaluating, and mitigating potential risks that may affect the entity's operation.

6. Transparency and Communication.

Transparency is fundamental to corporate governance. Directors ensure an adequate flow of information internally and to the public by disclosing the structure of the board of directors, general management, and the primary organization of the entity.

7. Management of Conflict of Interest.

Directors are responsible for developing and implementing policies to control conflicts of interest. This includes monitoring and verifying risk exposures, especially when transactions involve related parties or situations of conflict of interest.

8. Personnel and Training Policies.

Directors must approve and oversee policies related to staff recruitment, induction, and ongoing training and ensure that staff are adequately trained and motivated to fulfill their responsibilities.

9. Supervision and Auditing.

Directors implement a system of direct supervision, ensuring that each component of the organizational structure is adequately monitored. In addition, they must guarantee the independence of internal and external audits to maintain the integrity of supervision.

10. Responsibility and Accountability

Directors are accountable to shareholders and other stakeholders. This entails complying with international regulations and standards and proactively identifying and resolving potential problems.

Directors play a vital role in the success of corporate governance. By overseeing and implementing

appropriate policies and controls, directors ensure the integrity, transparency, and sustainability of the entity.

In Panama, compliance with these guidelines is essential to maintain the country's competitiveness as an international financial center and to ensure the confidence of investors and other market players.

At Alcogal, we are experts in corporate governance and offer comprehensive and strategic legal advice to ensure that your entity complies with the highest management, control, and oversight standards. Our team of professionals is committed to providing customized solutions that strengthen your board structure and promote effective and transparent corporate governance. Rely on our expertise to guide your organization to a successful and sustainable future.