

Abstract

The Analysis of Some Economic and Legal Aspects of Corporate Governance of Central European Corporations

There are three main goals of the thesis:

- 1) To identify the biggest economic risks of present Czech corporate governance
- 3) to recommend appropriate measures how to regulate corporate governance of publicly owned companies
- 2) to consider the question how appropriate it is to regulate corporate governance by hard law rules or when soft law rules could be appropriate enough.

The thesis is divided into two parts - the theoretical part and the practical one. The theoretical part is subdivided into four chapters. The first contains a general introduction to the corporate governance, the second includes a description of the system of corporate governance regulation, the next one is dedicated to financial crisis impact on the corporate governance regulation, and the final chapter deals with the comparison of Polish and Czech law regulation of corporate governance in publicly owned companies.

The practical part consists of three case studies. The first case study analysis the main findings of the report, which was worked out as a result of the independent audit of supervisory boards in publicly owned companies. The second case study examines the corporate governance system of state-owned companies PKN Orlen and ČEZ and tries to point out existing risks such as moral hazard and rent seeking. The analysis deals with independent members' participations in the supervisory board and examines rewarding system of executives and supervisory boards' members. The third case study focuses on measures in corporate governance area which could strengthen the transparency of companies' performance. It involves some practical cases which demonstrate the significance of audit committees' establishment, which can support the accounting transparency in the company.

I have come to the conclusion that there are significant shortcomings in Czech corporate governance of publicly owned companies especially in supervisory boards' members appointing system and compensation system which rewards supervisory board's members and executive officers. Therefore, it is necessary to enact hard law regulation of corporate governance in publicly owned companies. Furthermore, the Czech law system

should also focus on ensuring economic transparency through proper performance of audit committee and participation of independent experts in the body.

During passing of new legislation it is necessary to take into consideration Czech specifics and internal institutions of the society, which in fact decide about the success of the legislation. Moreover, for effective regulation it is better to use hard law measures than soft law because in the Czech Republic capital markets are not developed enough and there is no social power which could enforce rules that are not legally binding.

