

# Responsibilities to Shareholders and Investors (with ethical dilemmas)

Sebastian Jimenez  
Fernando José Quiroga  
Carlos Bravo  
Stephanie Jiménez



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# Differences between Shareholders and Investors

		SHARE HOLDERS	INVESTORS
1	OWN PART OF THE COMPANY	✓	✓
2	AIM TO MAKE PROFIT	✓	✓
3	PART IN DECISION MAKING IN SHAREHOLDERS COUNCIL	✓	✗

# Shareholders

## Rights

Vote on key issues

Transfer ownership

Receive company reports

Entitlement to dividends

Participation in corporate actions


Sue the company

## Responsibilities

Unpaid amounts of share

Liability or obligations

Liability for breach of directors duties



# Decisions only shareholders can make

- Remove a director from the company
- Authorizing a service contract for a director. (For job security)
- Change the name of the company.
- Ensure directors don't go beyond their powers.

# “Voting rights”

The right to vote is a shareholder's **most essential entitlement**. Corporations are required to convene annual general meetings at which shareholders can be apprised of the company's progress.

During the meetings, shareholders propose and vote on various issues calculated to **facilitate the progress of the corporation**.



# Importance of information



Proper books of accounts = accurate picture of the position of the business.

**Annual reports** must cover every aspect of the business to give the shareholders comprehensive information that they can use to make **decisions about the future of the company.**

- Shareholders have a right to be presented with audited financial statements during the annual general meeting.

# Investors

## Rights

Receive descriptions of all transactions and statements

Be informed about all the costs

Receive accurate and timely statements

Be provided with descriptions of Fidelity's policies and practices

## Responsibilities

Consider all investments

Communicate with their financial representative

Keep their accounts current

Use the right resources





# CSR to shareholders and investors

1. Disclosure of information: Give the investors and shareholders the **proper information** and **transparent information**, normally given in annual reports, or quarterly reports.
2. Communication and relationship: The company to not only give information, but also **communicate about future plans**, CSR activities etc.
3. General Meetings: This is in the shareholders part, the company has the responsibility to **inform** when and where are the **general meetings**, and **council elections** for long term decision making and CSR.

# Examples:

Volkswagen Diesel Outbreak:

Stock went down 50%

CEO Quited

Investors were losing their money





Google



# Ethical dilemma #1

Nike: Nike has a dilemma because were they make their shoes they hire children as workers, but the country were they do that is legal, and if nike decided to stop doing that, it would have a huge impact in the economy of this kids and they will not have jobs.



# Ethical Dilemma #2

Toshiba: Toshiba had an ethical dilemma because they wanted to keep happy their investors and shareholders, in an effort to meet aggressive profit targets set by the managers, the accounting department, manipulated the results, inflating with their earnings with over 2 billions dollars.

## Situation



## Ethical dilemma #3

Fast-food company Chipotle created announced that it would stop using genetically modified ingredients. Suspicions are that Chipotle's anti-GMO stance was a smokescreen to distract from the company's dodgy sanitation practices. Why keep the kitchen clean when you can impress people with your holier-than-thou sourcing practices?





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