Chapter 4

Corporate Disclosure and Transparency as a Tool of Socially Responsible Risk Management

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ABSTRACT

The issue of access to information becomes more critical when it comes to the modern corporate world. The importance of easily accessible information, as and when needed, in corporate governance has been widely recognized in the literature. Transparency in corporate practices can help in attracting capital and maintaining confidence in the capital markets. The demand for transparency and disclosure is driven by investors who continuously demand better reporting and greater access

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to information because such information is material to their investment decisions. Disclosure facilitates corporate governance by enabling shareholders to monitor the actions of management and hold them accountable. However, the relationship between disclosure and corporate governance practices especially when it comes to risk management is complex. Increase in disclosure without assurances that the information can be effectively used by shareholders may not necessarily result in improved governance practices.

INTRODUCTION

In this era of digitalization and technology not only individuals but also organizations need access to free and authentic information to make prompt decisions. The access to information helps and promote effective decision making and reduces chances of error. The issue of access to information becomes more critical when it comes to the modern corporate world. The importance of easily accessible information, as and when needed, in corporate governance has been widely recognized in the literature. Transparency in corporate practices can help in attracting capital and maintaining confidence in the capital markets, while weak disclosure and non-transparent practices can contribute to unethical behavior and a loss of market integrity. The demand for transparency and disclosure is driven by investors who continuously demand better reporting and greater access to information because such information is material to their investment decisions. Disclosure facilitates corporate governance by enabling shareholders to monitor the actions of management and hold them accountable. However, the relationship between disclosure and corporate governance practices especially when it comes to risk management is complex. Increase in disclosure without assurances that the information can be effectively used by shareholders may not necessarily result in improved governance practices. To be effective, disclosure must be accessible and reliable in the sight to investors. Disclosure of material information contributes to liquid and efficient markets by empowering investors to make informed decisions. Corporate governance framework should ensure that disclosure requirements should not place redundant administrative expenditure on companies. But still transparency and disclosure are the critical tools for influencing corporate behavior and protecting investor interests.

Organizational Risk Management Framework (ORMF)

The importance of risk management framework for a modern day corporation is vital. According to Investopedia "An effective risk management framework seeks to protect an organization's capital base and earnings without hindering growth.