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<b>COURSE:</b>	<b>LAWS 4202 A – Accountability of Management</b>
<b>TERM:</b>	<b>FALL 2022</b>
<b>PREREQUISITES:</b>	<b>LAWS 2908, LAWS 3201 and 4<sup>th</sup> Year Honours standing</b>
<b>CLASS:</b>	<b>Day &amp; Time: Fridays 2:35pm – 5:25pm</b> <b>Room: <u>Lectures will be delivered with an alternating hybrid format of one-week in-person and the following week remote (via Zoom, link will be posted). Both online and in-person classes will be held during regular class hours. The online classes will be live. Please check with Carleton Central for current room location.</u></b>
<b>INSTRUCTOR:</b>	<b>Professor Alberto R. Salazar V., PhD</b>
<b>CONTACT:</b>	<b>Office: C470 Loeb Building</b> <b>Office Hrs: Fridays 12-1pm or by appointment</b> <b>Telephone: 613-520-2600 x. 3269</b> <b>Email: alberto.salazar@carleton.ca</b>

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### **CALENDAR COURSE DESCRIPTION**

Role, function, and legal regulation of persons managing business enterprises. Status, social responsibility, fiduciary obligations and rights. Control and accountability of managers, obligations owed to the enterprise unit itself, constitutional rights of members, standards imposed by statutory regulation.

### **COURSE DESCRIPTION**

This course discusses the problem of governing corporations and corporate management in particular. It examines problematic issues in corporate governance and the reasons for controlling corporate directors, officers, or managers in Canada. It also reviews some of the legal and non-legal regulatory mechanisms that seek to govern the actions of the corporation and its management in capitalist societies. The course has three main sections. The first section offers a theoretical introduction to corporate governance. It critically reviews corporate governance theories, the merits of the shareholder primacy model, and the current debate on the convergence or divergence of corporate governance models. The second section presents the reasons for controlling corporations and management. The third section discusses some legal and non-legal mechanisms that seek to control corporate activity and corporate management. It reviews the Canadian legal framework of the duties of directors and officers, institutional shareholder activism, the role of workers, and some corporate governance challenges associated with climate crisis and the new technology. The course objectives are twofold. First, it seeks to provide students with an opportunity to undertake a critical analysis of

the problems of, and regulatory solutions to, governing corporations and their management. Second, it also aims to help students develop their critical, analytical, and research skills in the area of corporate law in context.

### **TEACHING METHOD**

The course is largely based on class discussions. The professor will provide an introduction to the topics explaining the central issues and presenting critical questions. This will be followed by students' reading presentations. In every session, two students will discuss the readings under the guidance of the professor. The discussions will clarify, illustrate (with examples and modern applications), and criticize the claims made by the authors. This method seeks to engage students in an intensive discussion of the materials, which in turn will help them develop their critical skills.

### **READING MATERIALS**

Readings are available via ARES (Carleton University)

### **EVALUATION**

Standing in a course is determined by the course instructor subject to the approval of the Department and of the Faculty Dean. This means that grades submitted by the instructor may be subject to revision. No grades are final until they have been approved by the Department and the Dean.

**All components must be completed in order to get a passing grade.**

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- Research Paper (12-15 pages): 60 %      Deadline: December 9<sup>th</sup>, 2022
- Class Participation: 20 %
- Reading Presentation: 20 %

### **RESEARCH PAPER**

#### **The Final Paper**

While the emphasis will be placed on the novelty of the argument and the critical analysis

thereof, students should consider the following ideal paper expectations:

1. Topic: free topic but must be related to the course topics, relevant, very narrow!
2. Thesis: clear statement of argument at the outset (ideally in the introduction), novelty!
3. Research: breadth and depth of research focusing on argument.
4. Analysis: critical, interdisciplinary, depth, focus on argument, logic, balance
5. Originality: novelty, insight, thought-provoking.
6. Evidence: primarily scholarly references to support claims; avoid quotations, instead paraphrase authors' ideas using your own words and citing source.
7. Readings: a minimum of 5 readings from the required material must be cited. References to course readings do not necessarily have to be central to the paper argument. In part, this requirement is to confirm whether students are familiar with the course materials and class discussions. Outside readings are welcome.
8. Organization: clear structure throughout paper i.e. introduction, development of argument by articulating the key claims with supportive references, conclusion
9. Style: clarity, flow, avoid long sentences and paragraphs, correct citation format (McGill format is preferred) and grammar.
10. Length: maximum 12-15 double-spaced pages. Do not waste space and time describing the topic without developing your argument or discussing issues that are not central to the argument of your paper.
11. Deadline: December 9<sup>th</sup>, 2022 (early submission on Dec. 2<sup>nd</sup> is encouraged)
12. Submission: students must upload their final essays by the deadline to the appropriate folder in the Brightspace course website. Email submissions of final papers are not permitted. Late submissions will be penalized (i.e. deduction of 2% per weekday).

### **The Process of Writing the Paper**

The process of writing the paper involves three main steps. First, students will submit and present their paper plans (1-2 pages) on the day scheduled for small group presentation. A paper plan must include a narrow topic, potential or working argument, ideas about how the argument will be developed, and some initial sources. Second, students will also submit and present a full-written, well-referenced draft of their papers in small groups. This first draft must be submitted before the day scheduled for presentation. Students must highlight the thesis/argument statement and at least 2-3 key points and references that develop and support the thesis throughout their paper drafts. The discussion of paper drafts in class should provide important feedback that students should seriously consider in order to improve their papers. Students that have specific questions about their draft or the professor's feedback should consider contacting the professor to seek assistance. The third and last step involves the submission of the revised research papers on the deadline. While the submission of paper plans and drafts do not have a separate grade, compliance with these requirements will be considered when grading the final papers and class participation. The schedule is as follows:

Presentations of Paper Plans: October 7 and 14, 2022

Presentations of First Paper Draft: November 18 and 25 and December 2, 2022

Submission of Final Paper: December 9, 2022 (early submission on Dec. 2<sup>nd</sup> is encouraged)

The schedule of presentations of paper plans and paper drafts will be confirmed in the first classes.

Paper plans and paper drafts should be uploaded to the Brightspace course website.

## **READING PRESENTATIONS**

Every student will give one presentation on the readings. This presentation will take the form of a summary of, or a critical response to, the assigned readings. For every class, there will be at least two students presenting on the readings. The first student will provide a brief summary of ALL the readings assigned for the relevant session. The summary should focus on analyzing the central claims and supportive evidence of the authors. The second student (the respondent) will criticize the authors' claims and provide an overall assessment of the material. This response must articulate a view as to whether the respondent agrees with the authors' claims. Drawing on the readings, the strength of the summary presentation and the critique should lie in the ability to examine or challenge the authors' views. Participants are encouraged to use examples, counter-examples, outside readings, audio-visual materials, or other evidence to support their positions on the issues. Both the presenter and the respondent must submit a brief written statement (1-2 pages) of their respective presentations before the day scheduled for presentation. Both the summary presentation and the critique will be graded as part of the 20% portion of the total grade. This grade will mainly reward the serious effort made by the student to examine the materials. While students should take the materials seriously, there is no expectation that students will understand all the details of the readings.

The schedule of reading presentations will be confirmed in the first classes. There are approximately 11-12 sessions in the term and it is expected that every student will have the opportunity to give a presentation.

All presentation documents should be uploaded to the Brightspace course website.

## **CLASS PARTICIPATION**

This portion of the grade will be based on weekly attendance and informed contribution to the class discussions. It is assumed that students will attend the sessions having read the materials assigned for each class. Every student must be prepared to provide informed comments on the readings. The professor will verify this by informally asking students to comment on the readings before or during the class discussion. Students' participation will be evaluated throughout the term. Students should consider multiple ways of actively engaging in the class discussion such as raising issues for discussion, asking questions, agreeing or disagreeing with the authors and class presentations, providing answers to important problems, taking minutes of the discussion, or presenting examples or counter-examples (e.g. business news) to support a position.

**Weekly Reading Reflections:** Students must upload to the Brightspace course website a 1-page weekly reading reflection prior to every class that shows familiarity with the reading materials in any way that the student wishes to consider. These weekly reflections will be marked as part of students' class participation grade.

## **LAPTOPS AND CELLPHONES IN CLASS**

Students are expected to use technology respectfully in class and to consider the impact of their actions on their fellow students and on my ability to deliver a lecture or conduct a class discussion. If a student is using technology in a way that interferes with the learning environment, I may ask the student to curtail the use of cell phones or laptops in class.

## **REQUIRED MATERIALS**

Readings are available via ARES (Carleton University).

Readings for Week 9 are taken from R. L. Campbell, editor, *Accountability of Corporate Management, Canadian legal studies series* (Captus Press Inc., 2013).

## **SCHEDULE OF TOPICS AND READINGS**

### **I. INTRODUCTION**

**Week 1- Sept. 9<sup>th</sup>: Introduction**

### **II. THEORETICAL PERSPECTIVES ON CORPORATE GOVERNANCE**

**Week 2- Sept. 16<sup>th</sup>: The Shareholder Primacy Model and its Problems:** Explain the main elements of the shareholder primacy model. Why is the shareholder primacy model problematic?

Lynn A. Stout, "Bad and Not-So-Bad Arguments for Shareholder Primacy" (2002) 76 Southern California Law Review 1189 pp.1189-1209.

Paddy Ireland, "Shareholder Primacy and the Distribution of Wealth" (2005) 68 (1) The Modern Law Review 49 pp. 49-81.

Belinfanti & Stout, *Contested Visions: The Value of Systems Theory for Corporate Law*, 166 U. Pa. L. Rev. 579 (2018)

**Week 3-Sept. 23<sup>rd</sup>: Convergence and Divergence of Corporate Governance**

**Systems:** Have all countries converged to the Anglo-American shareholder model of corporate governance? Why do Germany and Japan represent a distinct corporate governance model? Are the German and Japanese corporate governance systems superior to the Anglo-American shareholder model?

Henry Hansmann & Reiner Kraakman, "The End of History for Corporate Law" (2001) 89 *Georgetown Law Journal* 439

Gregory Jackson, "The Origins of Non-Liberal Corporate Governance in Germany and Japan" (2001) in Wolfgang Streeck and Kozo Yamamura (eds.), *The Origins of Non-Liberal Capitalism: Germany and Japan in Comparison* (Ithaca, NY: Cornell University Press, 2001) pp 121-170.

Mark J. Roe, "Modern Politics and Ownership Separation" (2004) in Jeffrey N. Gordon & Mark J. Roe, eds., *Convergence and Persistence in Corporate Governance* (Cambridge: Cambridge University Press, 2004) pp. 252–290.

### III. THE PROBLEM OF GOVERNING THE CORPORATION AND MANAGEMENT

**Week 4-Sept. 30<sup>th</sup>: Separation of Ownership and Control:** What is the separation of ownership and control? What are the typical measures that can be taken to control agents (directors, officers or managers)? Are the interests of non-shareholder stakeholders (e.g. workers, suppliers, consumers) important when controlling agents?

Marks, Stephen G. "The Separation of Ownership and Control" from Boudewijn Bouckaert & Gerrit de Geest, eds., *Encyclopedia of Law and Economics*, vol 3: *The Regulation of Contracts* (Edward Elgar Publishing Ltd., 2000) pp. 692-710. Electronic access: <http://encyclo.findlaw.com/>

Henry Hansmann and Reinier H. Kraakman, "Agency Problems and Legal Strategies" in R. Kraakman, P. Davies, H. Hansmann, G. Hertig, K. Hopt, H. Kanda, and E. Rock, *The Anatomy of Corporate Law: A Comparative and Functional Approach* (Oxford University Press, 2004) pp. 21-31, available at SSRN: <http://ssrn.com/abstract=616003>.

Fichtner, Jan, Eelke M. Heemskerk, and Javier Garcia-Bernardo. "Hidden power of the Big Three? Passive index funds, re-concentration of corporate ownership, and new financial risk." *Business and Politics* 19.2 (2017): 298-326.

**Week 5-Oct. 7<sup>th</sup>: Why Control of Management is Necessary: The Example of Excessive Executive Compensation in Canada.** Is Executive Compensation in Canada excessive? How big is the Gap between Executive Pay and Worker Salaries in Canada? Do Mismanagement and Abuse of Power by Directors and Officers explain the Excessiveness of Executive Compensation in Canada?

Salazar, Alberto and Raggiunti, John, "Why Does Executive Greed Prevail in the United States and Canada but Not in Japan? The Pattern of Low CEO Pay and High Worker Welfare in Japanese Corporations" *American Journal of Comparative Law* (2016)

Hugh Mackenzie, "Glory Days. CEO Pay in Canada Soaring to Pre-Recession Highs" (January 2, 2015) Canadian Centre for Policy Alternatives, online: <https://www.policyalternatives.ca/publications/reports/glory-days#sthash.ARIRrg43.dpuf>

#### IV. SOME GOVERNANCE MECHANISMS

**Week 6-Oct. 14<sup>th</sup>: Duties of Directors and Officers (I):** What duties do directors and officers of corporations have? Why are these duties important in governing corporations? What is fiduciary duty according to Canadian corporate law? To whom are fiduciary duties owed?

Jeff Mackintosh, "Directors' Duties in Canada: Paintings in a Stream?" in Adolfo Paolini, editor, *Research Handbook on Directors' Duties* (Edward Elgar, 2014 hardback), pp.44-71.

Bryan Horrigan, *Corporate Social Responsibility in the 21st Century: Debates, Models and Practices Across Government, Law and Business* (Edward Elgar, 2010), Chapter 6: "Sensitizing Boardroom Obligations to Corporate Social Responsibility", pp 197-228

##### **Fiduciary Duties: Duty of Loyalty and Best Interest of the Corporation**

- *BCE Inc v 1976 Debentureholders*, 2008 SCC 69 (CanLII), [2008] 3 SCR 560
- *Canada Business Corporations Act*, R.S.C. 1985 c. C-44, ss. 122–125

**Week 7-Oct. 21<sup>st</sup>: Duties of Directors and Officers (II):** What is a duty of care according to Canadian corporate law? To whom are the duties of care owed? Are the legally required duties of directors and officers effective in preventing managerial misconduct and protecting the interests of shareholders and stakeholders?

##### **Skill, Care and Diligence**

- *Re City Equitable Fire Insurance Co.* [1925] 1 Ch. 407.
- Russell Lynn Campbell, "Directors' Diligence Under the Income Tax Act" (1990) 16 Can. Bus. L.J. 480 at pp.480-501 (total 22 pages).
- *Soper v. Canada* (1997) 149 D.L.R. (4th) 297 at 300-302, 318-325.
- *Peoples Department Stores Inc. (Trustee of) v. Wise* (Continued) 2004 SCC 68, [2004] 3 S.C.R. 461, (2004) 244 D.L.R. (4th) 564.
- Russell Lynn Campbell, "The Supreme Court's Decision in Peoples: A New Standard of Directors' Liability?" (2007) 55: 3 Canadian Tax Journal 465 at pp. 466-69, 475-80 (total 10 pages).
- *Canada v. Buckingham* 2011 FCA 142 paras. 4-15, 30-60.
- *Kerr v. Danier Leather Inc.* 2007 SCC 44, (2007) 87 O.R. (3d) 398, (2007) 286 D.L.R. (4th) 601.
- *Canada Business Corporations Act*, R.S.C. 1985 c. C-44, ss. 122–125

**Week 8-Oct. 28<sup>th</sup>: NO CLASSES - FALL BREAK (Oct. 24-28<sup>th</sup>, 2022)****Week 9-Nov. 4<sup>th</sup>: Management and Workers' Voice**

The Aspen Institute, "Worker Voice and the New Corporate Boardroom" (2021), <https://www.aspeninstitute.org/wp-content/uploads/2021/08/Final-Worker-Voice-and-the-Corporate-Boardroom.pdf>

UK's 2018 Corporate Governance Code, p. 4-5 ("Board Leadership and Company Purpose"), <https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf>

**Week 10-Nov. 11<sup>th</sup>: Institutional Shareholder Activism: The Example of Pension Funds in Canada.** What is Institutional Shareholder Activism? Are active institutional shareholders such as pension funds capable of controlling mismanagement or abuse of power by directors and officers?

- Edward J. Waitzer & Douglas Sarro, "The Public Fiduciary: Emerging Themes in Canadian Fiduciary Law for Pension Trustees" (2012) 91 (1) Canadian Bar Review 163 (pp. 163-209). ISSN: 0008-3003. Available at SSRN: <http://ssrn.com/abstract=2222836> or <http://dx.doi.org/10.2139/ssrn.2222836>

**Week 11-Nov. 18<sup>th</sup>: Common Owners, Management, and the Environment:** To what extent do global institutional shareholders (common owners) exert influence on directors and officers to protect the environment?

Azar, José and Duro, Miguel and Kadach, Igor and Ormazabal, Gaizka, "The Big Three and Corporate Carbon Emissions Around the World" (November 27, 2020). Journal of Financial Economics, 2021 (JFE), Forthcoming, Proceedings of Paris December 2020 Finance Meeting EUROFIDAI - ESSEC, European Corporate Governance Institute – Finance Working Paper 715/2020, Available at SSRN: <https://ssrn.com/abstract=3553258> or <http://dx.doi.org/10.2139/ssrn.3553258>

**Week 12-Nov. 25<sup>th</sup>: Management and the New Technology:** What challenges does the new technology bring for corporate management?

- Martin Petrin, "Corporate Management in the Age of AI" (2019) 2019 (3) Columbia Business Law Review 965

**Week 13 – Dec. 2<sup>nd</sup>: COURSE REVIEW & FINAL ADVICE ON PAPERS (LAST CLASS)**

**END OF THE COURSE**



## **ACADEMIC ACCOMMODATIONS**

### **Academic Accommodation**

You may need special arrangements to meet your academic obligations during the term. For an accommodation request the processes are as follows:

**Pregnancy obligation:** write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For accommodation regarding a formally-scheduled final exam, you must complete the [Pregnancy Accommodation Form](#).

**Religious obligation:** write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details [click here](#).

**Academic Accommodations for Students with Disabilities:** [The Paul Menton Centre for Students with Disabilities](#) (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (if applicable).

### **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and where survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: <https://carleton.ca/equity/sexual-assault-support-services>

### **Accommodation for Student Activities**

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation will be provided to students who compete or perform at the national or international level. Write to me with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist: <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

**Plagiarism**

Plagiarism is presenting, whether intentional or not, the ideas, expression of ideas or work of others as one's own. Plagiarism includes reproducing or paraphrasing portions of someone else's published or unpublished material, regardless of the source, and presenting these as one's own without proper citation or reference to the original source. Examples of sources from which the ideas, expressions of ideas or works of others may be drawn from include but are not limited to: books, articles, papers, literary compositions and phrases, performance compositions, chemical compounds, art works, laboratory reports, research results, calculations and the results of calculations, diagrams, constructions, computer reports, computer code/software, and material on the Internet. Plagiarism is a serious offence. More information on the University's Academic Integrity Policy can be found at:

<https://carleton.ca/registrar/academic-integrity/>.

**Accommodation for Student Activities**

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. Read more here: <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>.

For more information on academic accommodation, please visit:

<https://students.carleton.ca/services/accommodation/>.

**Department Policy**

The Department of Law and Legal Studies operates in association with certain policies and procedures. Please review these documents to ensure that your practices meet our Department's expectations: <https://carleton.ca/law/student-experience-resources/>

**COVID Update**

It is important to remember that COVID is still present in Ottawa. The situation can change at any time and the risks of new variants and outbreaks are very real. There are [a number of actions you can take](#) to lower your risk and the risk you pose to those around you including being vaccinated, wearing a mask, staying home when you're sick, washing your hands and maintaining proper respiratory and cough etiquette.

**Feeling sick?** Remaining vigilant and not attending work or school when sick or with symptoms is critically important. If you feel ill or exhibit COVID-19 symptoms do not come to class or campus. If you feel ill or exhibit symptoms while on campus or in class, please leave campus immediately. In all situations, you must follow Carleton's [symptom reporting protocols](#).

**Masks:** Carleton has paused the [COVID-19 Mask Policy](#), but continues to strongly recommend masking when indoors, particularly if physical distancing cannot be maintained. It may become necessary to quickly reinstate the mask requirement if pandemic circumstances were to change.

**Vaccines:** Further, while proof of vaccination is no longer required as of May 1 to attend campus or in-person activity, it may become necessary for the University to bring back proof of vaccination requirements on short notice if the situation and public health advice changes. Students are strongly encouraged to get a full course of vaccination, including booster doses as soon as they are eligible, and submit their booster dose information in [cuScreen](#) as soon as possible. Please note that Carleton cannot guarantee that it will be able to offer virtual or hybrid learning options for those who are unable to attend the campus.

All members of the Carleton community are required to follow requirements and guidelines regarding health and safety which may change from time to time. For the most recent information about Carleton's COVID-19 response and health and safety requirements please see the [University's COVID-19 website](#) and review the [Frequently Asked Questions \(FAQs\)](#). Should you have additional questions after reviewing, please contact [covidinfo@carleton.ca](mailto:covidinfo@carleton.ca).