PRIFYSGOL ABERYSTWYTH UNIVERSITY

ARHOLIADAU EXAMINATIONS

SEMESTER TWO 2026

ABERYSTWYTH BUSINESS SCHOOL

ABM5420 – CORPORATE GOVERNANCE AND SUSTAINABILITY

Time allowed: **THREE HOURS (3 Hours)**

Answer THREE questions – Part A and any Two from Part B

Total marks available **100**

This paper contributes **60%** to the overall module mark.

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STUDENTS MAY SUBMIT ANSWERS TO THIS PAPER IN EITHER WELSH OR ENGLISH

Once seated, students may complete the front cover of the answer book(s) and the attendance slip ONLY.

DO NOT TURN THE EXAMINATION QUESTION PAPER OVER UNTIL INSTRUCTED TO DO SO.

Part A – Answer Question 1. This question carries 50 marks.

Question 1 – answer all parts

Aegis Logistics Group plc is a UK-incorporated, London-listed transport and infrastructure company operating port terminals, rail freight services and distribution hubs across the UK and several EU Member States. The group generates annual revenues of approximately £11 billion and holds significant long-lived assets vulnerable to climate transition and physical risk. Its operations are energy-intensive and heavily reliant on diesel-powered fleets, exposing the company to regulatory, reputational and market pressures associated with decarbonisation.

As a premium-listed company with substantial EU activity, Aegis falls within the scope of the UK Sustainability Disclosure Requirements and the EU Corporate Sustainability Reporting Directive, including compliance with the European Sustainability Reporting Standards and phased-in mandatory assurance. In response, the board has announced its intention to publish a standalone sustainability report and to seek limited external assurance over selected climate-related metrics. The chair has framed this development as a strategic opportunity to enhance transparency and investor confidence.

However, recent disclosures have attracted scrutiny. Although Aegis reported a 30 per cent reduction in Scope 1 and 2 emissions over five years, analysts note that much of this reduction resulted from asset divestments rather than operational improvements. Scope 3 emissions, which represent the majority of the group's carbon footprint, are estimated using industry proxies with limited explanation of data quality or methodological assumptions.

Governance arrangements raise further concerns. Responsibility for sustainability reporting sits within a central corporate affairs function rather than the finance department. Executive remuneration includes a modest sustainability modifier, but financial performance remains the dominant incentive metric. Some non-executive directors have questioned whether current disclosures risk being perceived as symbolic compliance rather than decision-useful reporting.

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Required:

a) Critically analyse the potential role and limitations of external assurance in enhancing the credibility of Aegis's sustainability reporting, particularly in light of emerging mandatory assurance requirements.

(20 marks)

b) Critically evaluate the effectiveness of incorporating sustainability metrics into executive remuneration structures.

(10 marks)

c) Drawing on relevant theories and practitioner literature, critically discuss the motivations for corporate sustainability reporting. In your answer, highlight how regulatory pressure in this case is likely to drive substantive reporting.

(20 marks)

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Part B – Answer any **Two** questions, each question carries 25 marks.

Question 2

The board of OMAR Innovations Plc has raised concerns about how well its audit committee is functioning and has begun to question whether the committee delivers any real value beyond simply complying with the UK Corporate Governance Code.

As a corporate governance consultant, you have been asked to:

a) Explain the main roles and responsibilities of an audit committee as outlined in the UK Corporate Governance Code and discuss why such a committee is important for effective corporate governance.

(17 marks)

b) Advise the board of Aber Innovations Plc on how the audit committee can operate more effectively and add genuine value beyond compliance, with specific recommendations for improving its performance.

(8 marks)

Question 3

Risk is an unavoidable part of doing business and it can never be completely eliminated. However, it can be effectively managed and reduced. Critically discuss this statement, considering how organisations identify, assess, and respond to different types of risk, and suggest practical ways to mitigate them. Support your discussion with real-world examples that show both the advantages and difficulties of managing risk successfully in dynamic business environments.

(25 marks)

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Question 4

Critically discuss how different theories of corporate governance help us better understand how organisations are directed and controlled. Draw on relevant academic literature and real-world examples to illustrate your points. You should also compare the strengths and weaknesses of key theories and explain how each offers a different perspective on corporate governance practices in today's business environment.

(25 marks)

END OF PAPER