

The Appraisal of Comparative African Corporate Governance Standards after Global Crisis

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Abstract

Over the past few years, corporate scandals and bankruptcy in the US and Europe show certain evidence on weak corporate governance, weak internal control system and weak audit. Though there are a few researches which have been done in the field of international corporate governance standards, we believe that this field exhibits more room to explore. Therefore, this paper chooses a different analytical approach and one of its aims is to give some systematic opinions.

First, it classifies African representative corporate governance (CG) standards into two groups: South Africa and Ghana latest CG principles covered in group 1 and, group 2, including corporate governance principle from Commonwealth community, the so-called relatively good CG group, which uses ACCA and CFA principles as reference.

Second, the analysis shows differences between above sets of standards which are and have been used as reference principles by many relevant organizations.

Third, it establishes a selected comparative set of standards for African representative corporate governance system in accordance with international standards.

Last but not least, this paper covers some ideas and policy suggestions.

Key words: *corporate governance standards, board structure, code of best practice, financial crisis, corporate scandals, market manipulation, internal audit*

JEL Classification: *G00, G3, G30*

Introduction

After corporate scandals and bankruptcy taking place recently, such as Tyco, Enron, WorldCom, we find out that there are signals of accounting frauds and market manipulation as well. This leads to a question on qualification of top management team which is soon replaced by new members in a hope that the business market value can be recovered.

The paper is structured as follows: the first two sections cover the theoretical overview and previous relevant research. Next, section 3 introduces our research methodology, while section four covers our four groups of empirical findings. The paper ends with our conclusion and policy suggestions covered in the fifth section. The paper is also accompanied by an exhibit section which summarizes this paper's analysis and comparison. And finally, a glossary note is provided with information for reference and because of reducing repeating terminology.

Research Literature Review

There are many and controversial opinions on corporate governance theories and practices. For example, Jensen and Meckling (1976) presented their conceptual agency theory on the separation of ownership and management. Lin, Andrew Jen-Guang (2007) pointed that Corporate Governance will maintain its vital position in corporate law and securities law with the simple focus on investors.

Besides, Commonwealth Association (1999) pointed the fact that every country and businesses nowadays need good corporate governance practices and theories as a necessity.

Moreover, the South Africa King Code (2009) mentioned the terms of “corporate citizenship” and CSR or Corporate Social Responsibility and stated Corporate responsibility is the responsibility of the company for the impact of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society.

Certainly, the recent global crisis and scandals such as Enron, Tyco, and Phidelphia partially signify the importance of corporate governance. As Demirag and Solomon (2003) stated, the Asian crisis in 1997-1999 and corporate scandals such as Barings and WorldCom enhanced the need for corporate governance reform at a global level.

Additionally, Becht et al (2005) developed corporate governance; the term is related with the resolution of collective action problems among dispersed investors, as well as the reconciliation of conflicts of interest between various corporate claimholders. They also pointed that when the outside investors have conflicts of interest and want to exercise control differently from what the managers do, it will be among causes of corporate governance problems. Moreover, Adams, Renee B., Hermalin, Benjamin E., and Weisbach, Michael S., (2009) realized that as a consequence of corporate scandals and relevant corporate governance issues, boards have been at the center of the policy debate concerning governance reform and many further researches should deal with it.

Because there are not many researches and surveys done in Africa, we wonder what is the limited comparative standardized set of the so-called comparative African corporate governance standards?

Theory of Corporate Governance, Scandal and Market Manipulation

Theory of manipulation

There are different views on Manipulation subjects because of different types of it. For example, Lambert, Caroline., and Sponem, Samuel., (2010) found out in France, management controllers play a critical role in profit manipulation and it is used as a tool to suit to what they claim to be ethics. Schipper (1989) used profit manipulation as a term to determine actions relevant to external reporting techniques and processes that can enable MGT to compensate private gains. Also, many years ago, Merchant (1990) identified profit manipulation and classified it as two components including earning management and falsification.

Besides, the involvement of financial intermediaries and brokers may contribute to manipulate market price while maintaining their credibility.

Also there were several corporate scandals around the world, happening together with market manipulation with reasons coming from artificially inflating accounting revenue or income, as well as the share prices of distressed companies to benefit the values of shareholders and investors and MGT team, and strengthen the co.’s financial statements as well. Regarding the

reasons for corporate scandals, such as Enron, there is a matter relevant to external auditor roles, responsibilities in general and in their communication and transparency with the Board and with the company, as well as full duties to shareholders. Last but not least, speculators have a role in manipulation transactions to cause the increasing in investment flow into the invested company when speculators produce enough, or as much and sufficient as possible, information.

Theory of corporate governance and financial crisis

First, a general model of corporate governance consists in main parties such as: shareholders, board, committees, financialists, other stakeholders and community in a market economy and society. It identifies several criteria to build a good CG in organization such as: transparency, fairness, responsibility which we aim to analyze in later sections. A corporate governance system and framework consists in “hardware” such as rules and laws governing participants including shareholders and board. And, as Shleifer and Vishy (1997) stated corporate governance regarding the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. Also, KYTE (IFC, 2009) stated that good CG is in companies with longer term sustainability and moreover, we need companies to achieve environmental, social and economic value for society. Last but not least, corporate governance nowadays is researched in a total picture of globalization. While globalization deals with the ways in which goods, products and services are exchanged in cross-countries, corporate governance pays attention to how the company structure and governance mechanisms are enhanced to meet the demands of such trends. In other words, corporate governance in a globalization trend has many things to work out for building a good internal system and quality flows of information inside the business to face the challenges that come from the external factors of globalization.

Additionally, another example, in Taiwan, after the crisis 1997-1999, there are three different models of corporate governance researched including: a) Two-Tier System involving shareholder meeting, board and supervisors; b) Two Tier System with independent directors, but maintain supervisors; and c) One Tier System and Audit Committee, in which the co. has to abolish supervisors.

Hence, we can notice there are various views on corporate governance and its importance.

Research Methodology

Firstly, we analyze and compare corporate governance principles in each of the two different groups including: 1) Group 1 – Africa CG representative standards including South Africa King Code 2009 and Ghana Corporate Governance Principles; and 2) Group 2 - Relatively good corporate governance group including Commonwealth 1999 principles.

We also use, but not limited to, international standards of corporate governance such as: World Bank, and Mc Kinsey corporate governance principles and surveys as reference, as well as ICGN and OECD Corporate Governance Principles which have many modifications in corporate governance principles after the crisis period.

Then, we suggest on what is called limited comparative Africa corporate governance principles which is aiming to create a basic background for relevant corporations interested in different aspects of corporate governance subjects and functions as the recommendation to relevant countries' government and other relevant organizations for public policy and necessary evaluation. Last but not least, for a summary of our standards, see Exhibit and the tables 1 and 2 in relevant sections.

Empirical Findings

A. Findings on Corporate governance issues after financial crisis, corporate scandals and market manipulation

Several popular issues include the responsibility of the Board of Directors, both as a whole and as individual, to the mission of protecting and growing net value of total company asset. This is clearly identified after many recent crises and scandals. To break this issue in more details, we can notice the ineffectiveness of Board, CEO and Board processes, as well as the inefficiency roles of audit function in dealing with matters relevant to Board effectiveness.

Moreover, the lack of an effective Code of Ethics and Code of Conduct might be a cause contributing to failures, frauds and bankruptcy recently and after financial crisis time.

B. Findings on Ways of Manipulation during Corporate Scandals

B.1. Manipulation techniques in the income statement:

Here, the technique is used to manipulate either income or expense or profit to maximize benefits for both Board and investors. For example, in typical Enron scandal, it is said that there is more than \$1 b of profit manipulated and inflated. Or in WorldCom scandal case, another falsification in expenditure management happened. The amount of \$3,8 b is indicated as capital expenditure, instead of recognizing it as operating expense.

B.2. Manipulation techniques in both the income statement and balance sheet:

In the case of BCCI, Bank of Credit and Commerce International, found in Pakistan, there is accounting falsification of an amount of \$13 b which is unaccounted. The Enron case shows us that the using of mark-to-market accounting technique in recognizing value of long term assets and transactions can contain uncertainty factors that lead to difference b.t reported accounting number and cash flow.

B.3. Manipulation techniques relevant to international accounting practice code:

As John C. Coffee, Jr., (2008) stated, there is financial irregularity wave in the US in 2001-2002 and during time of Sarbanes Oxley Act. There is also a going controversial concern between some different practices in IFRs and GAAP standards, although we know that IFRS has quality requirements for recognition, measurement, and disclosure for transactions and events being important in general purpose financial statements. Besides, it is said that Sarbanes-Oxley does not generally differentiate between United States and non-United-States firms.

B.4. Other manipulation techniques:

Market Manipulation can happen in an event in which accountant or financial manager makes use of irregular accounting rules to manipulate assets in accounting number not in its real life number; for example, Waste Management Inc case shows that the depreciation time length of property is expanded in 2002. Or the participation of speculators in giving out much information is taken into account as another source of manipulation. For example, information on good business opportunities, which contains uncertainty and risks in future, or information on probability of winning auction of company can be an attribute to market price manipulation.

C. Findings on Actions to Prevent or Control Negative Market Manipulation

Among necessary actions to control negative market manipulation are, but not limited to, the enhancement of leadership role of Board as a whole and as individual with certain criteria aiming to increase communication and transparency with investors. In emerging markets with securities exchange market in the initial stage, proper business rules dealing with internal and external, controlling and institutional investors needed to be flexibly used to prevent market manipulation.

D. Findings on Construction of Comparative Africa Corporate Governance standards

<D.1> - Group 1 – South Africa Corporate Governance standards analysis

The King Code of Governance 2009 for South Africa

The Institute of Directors in South Africa has owned the 2009 King Code since it has evolved from reports in CG issues in 1994 and in 2002.

Among its advantages we can mention clear descriptions of roles and duties of Board of Directors, as well as emphasis on their leadership roles in the corporation.

Generally speaking, The King Code 2009 has certain different strong points including appointing a CIO position with proper qualification and experience. And it also makes sense when stating BD should monitor ROI on IT investments. However, it would be better to address some characteristics of a CFO or Finance Director (see Exhibit 1).

The Ghana Corporate Governance Principles

In Ghana, C.G Principles and guidelines have certain foundation on The Companies Code 1963, the Securities Industry Law 1993 and the Regulations of the Ghana Stock Exchange and the OECD C.G Principles, so-called Ghana Code or Guidelines on Best Practice.

One of its distinctions is mentioning different rules and relevant laws which regard governing corporate control and operation. For more information, please see Exhibit 2.

Comparison between the South Africa and Ghana Corporate Governance Principles

Different from most Asian Codes, there is a focus in South Africa King Code 2009 on clear illustration of roles of BD in regarding CEO, chairman and MGT team. Moreover, it states certain internal rules regarding operation and relationship b.t group, holding company and its subsidiaries, as well as a remuneration policy should be clarified. Last but not least, the King Code 2009 identified different risk terminologies and mentioned different Chief positions such as COO, CAE (see Exhibit 1).

On the other hand, the Ghana Code considers the company as a responsible whole entity, for example it ensures an orientation program for a new director to know business laws and governed responsibilities. But it still lacks a description on roles of nominating committee.

Table 1. A so-called Africa CG representative standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Purposes, duties, composition disclosed in memorandum of co.; Comprise majority of NEDs, independent;	Sufficient qualifications and experience to fulfil its Duties; meet at least twice a year;
CEO and The Chair	Chair be Free of conflict; Roles formalized;	Roles separated; Explain combined roles to shareholders;
Corporate Secretary	Advised by NEDs; Maintain meeting records and conclusion;	N/A (for further research and implementation)
Compliance officer	Compliance be a regular item on BD agenda;	A channel of communication be established with IA, EA and BD, by AC;
Board of Directors	Place IT governance matters on BD agenda;	Evaluate RC performance yearly;
Independent director	Not a professional adviser or consultant; Unrestricted access to information and record; Participated in BD;	Lead independent director elected when chairman not free of conflicts;
Supervisory board to the Management	Act by BD;	N/A (for further research and implementation)

Table 1 (cont.)

Supervisory to the Board of Directors	External adviser come to committees by invitation letter;	NEDs supervise chairmen;
Internal control	BD sets risk tolerance levels and risk appetite limits; top-down approach of RM;	Risk governance involved in ongoing training of BD; Establish RC with 3 members;
Internal audit	Head of IA attend AC meeting;	Meet with AC at least once a year w/o MGT;
External audit	AC approve non-audit service policy; AC review quality of EA process;	Meet with AC at least once a year w/o MGT;
Disclosure and transparency	Directors disclose interests in transactions or contracts affecting the company;	Provide investors with information on unforeseeable risks and co.'s objectives;
Shareholders	AC Chair present at AGM; Place contents on GM agenda; GM with time and place for a maximum shareholders attendance ;	N/A (for further research and implementation)
The corporation as a whole entity	BD ensure company ethics performance are assessed and monitored and disclosed;	comply with all applicable laws.

<D.2> -Group 2 – Relatively Good Corporate governance group analysis

Commonwealth 1999 Corporate Governance standards analysis:

In the CACG 1999 Code, we recognized its view of director, board and their responsibilities, which might be included among advantages. The Code presented 15 Principles and guidelines for its vital subject, the directors, to maintain the spirit of good CG in an organization.

Good recommendations involved in the 1999 CACG Code include, but are not limited to, a session of Code of Ethics with clear responsibility clarification for managers. For example, it stated that managers manage the firm in a way not acquiring confidential information of a competitor by espionage.

Besides, it makes a sound point to suggest that the director and corporate liability not be ambiguous and confused.

A minor point that might be noted here is that the role or leadership of CEO is not clearly described.

The 1st Establishment of so-called Relatively Good Corporate Governance standards

The following table summarizes the above Commonwealth CG standards.

Table 2. A Relatively Good Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	A majority independent of MGT; have full access to and cooperated with MGT;	meet regularly with agenda; review with IA and EA on findings of IC;
CEO and The Chair	CEO appointed by BD; roles separated;	appropriate balance of power and authority;
Corporate Secretary	Notice of BM sent at least 2 days in advance;	N/A (for further research and implementation)
Compliance officer	N/A (for further research and implementation)	N/A (for further research and implementation)
Board of Directors	Focus on performance, not conformance; independent judgement;	Remove incompetent or unsuitable BD members;
Independent director	Employee of subsidiaries may not be independent director;	May be the chairmen;

Table 2 (cont.)

Supervisory board to the Management	Act by BD and external adviser;	N/A (for further research and implementation)
Supervisory to the Board of Directors	Act by BD and committees;	Include external adviser;
Internal control	Business risk benchmarked against industry practices;	Cover financial, operational and compliance matters;
Internal audit	Scope and effectiveness reviewed by AC;	Head of IA may attend AC meeting;
External audit	Access b.t IA and EA open and constructive;	Comply with international accounting standards;
Disclosure and transparency	Co. show a balanced and understandable assessment of its position to shareholders;	N/A (for further research and implementation)
Shareholders	Local institutional shareholders has guidelines to build relationship b.t co. and owner;	Timely and accurate communication;
The corporation as a whole entity	Has Code of Ethics adopted by BD;	COE understood by all employees;

D.3- The 1st Establishment of so-called limited comparative Africa Corporate Governance standards

Comparison of corporate governance standards between <D.1> and <D.2> group

Before we come to set up a set of general limited standards of corporate governance, we need to review the standards combined in the previous two groups.

The advantages of Group 1 include disclosure standards, though it still works more on board composition (see above Table 1).

On the contrary, the relatively Good Corporate Governance Group standards focus on the roles of BD and its committees, for example, a policy needed for showing frequency, conduct, purpose of meetings. Moreover, it also included a Code of Ethics in which it covers responsibility of MGT with customers, such as MGT which presents minimum quality standards for products. On the contrary, it still needs to describe roles of compliance officer for better understanding.

A so-called Limited Comparative Africa Corporate Governance Set of standards

Based on the above analysis, we consider building comparative standards for a comparative African Corporate Governance system.

Table 3. The Comparative African Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Purposes, duties, composition disclosed in memorandum of co.; Comprise majority of NEDs, independent; at least 3 members; Consider directors' external	Sufficient qualifications and experience to fulfil duties; meet at least twice a year;
Nominating committee	obligations, no maximum board seats for directors;	Sufficient qualifications and experience to fulfil duties.
Numeration or Compensation Committee	Remuneration report should include the use of benchmarks and policies relevant to executives contract;	Sufficient qualifications and experience to fulfil duties.
CEO and The Chair	Roles separated; Explain combined roles to shareholders;	Chair be free of conflict and Roles formalized; CEO appointed by BD; appropriate balance of power and authority;

Table 3 (cont.)

CFO	Finance Director may attend AC meeting;	BD may clarify duties of Finance Director;
Corporate Secretary	Notice of BM sent at least 2 days in advance;	Advised by NEDs; Maintain meeting records and conclusion;
Compliance officer	Have access and interact regularly on strategic compliance matters with BD and executives;	Compliance be a regular item on BD agenda; A channel of communication be established with IA, EA and BD, by AC;
Board of Directors or Management Board	Place IT governance matters on BD agenda;	Evaluate RC performance yearly; Manager realize employee's efforts by fair with adequate reward;
Independent director	Lead independent director elected when chairman not free of conflicts; Participated in BD;	Not a professional adviser or consultant; Unrestricted access to information and record;
Supervisory board to the Management	Act by BD and committees;	Might be external adviser;
Supervisory to the Board of Directors	Act by committees and external adviser;	External adviser come to committees by invitation letter;
Internal control	BD sets risk tolerance levels and risk appetite limits; A systematic, ongoing, documented, formal risk assessment;	Risk governance involved in ongoing training of BD; Establish RC with 3 members; Co. should establish Risk committee; Risk governance involved in ongoing training of BD;
Internal audit	Meet with AC at least once a year w/o MGT;	Head of IA attend AC meeting;
External audit	Access b.t IA and EA open and constructive;	AC approve non-audit service policy; AC review quality of EA process; Meet with AC at least once a year w/o MGT;
Disclosure and transparency	Provide investors with information on unforeseeable risks and co.'s objectives;	Directors disclose interests in transactions or contracts affecting the company;
Shareholders	Place contents on GM agenda; GM with time and place for a maximum shareholders attendance ;	Maintain stakeholders relationship professionally to increase shareholders values; AC Chair present at AGM; Timely and accurate communication;
Stakeholders	General laws such as Commerce, Contract and Labors may affect their rights; BD ensure a policy showing how co. relate to internal and external stakeholders;	Provide Complete, timely, relevant, accurate, honest and accessible ; information to stakeholders; take into account those with direct/indirect interest with co.'s economic goals;
Accountability	BD understand shareholder's expectation;	Co. and BD treat shareholders fairly;
Leadership	Consider impacts on internal and external stakeholders; Transparency, accountability and responsibility;	Act by Chair and BD; direct strategy and operation;
Employee	Avoid waste of firms' resources such as time; act honestly all time;	Timely and accurate communication; use capabilities and develop potential as much as possible;
3 rd parties and conflicts of interests	Employee of subsidiaries may not be independent director;	N/A (for further research and implementation)
The corporation as a whole entity	Obligations to 3 parties: shareholders, industry, and the law.	Provide new directors with orientation on business, competition; Co. will continue as a going concern; corporate and director liability not confused;
The Code	A "living document" updated from time to time;	Give provisions for shareholders to vote in GM or when absence;

Concerned with relationship b.t business and their sustained ability to join in global market;

Conclusion

Among several key corporate governance issues we can include the leadership roles and the effectiveness of top management team, including CEO, chair, Board and outside directors.

To reduce its impact, The King Code 2009 in South Africa suggested many innovative ideas including, but not limited to, clarification of business ethics and ethical values.

Besides, the CACG 1999 Code included a session for guidelines on obligations of managers and employees in order to set criteria for a Code of Ethics in enterprises. This showed an effort which should be maintained continuously to avoid any ethical risks appearing in the firms.

The above comparative analysis of Limited Comparative South Africa CG Codes shows us a strong focus on enhancing roles of not only BD members but also of managers, who are vital participants in retaining and developing a sustainable profit business.

In consideration of corporate governance issues analyzed in the previous sections, we proposed the main and sub quality factors in this paper *a set of general African corporate governance standards* in a limited African model with selected countries. Though limited, it has some implications for further research and proper recommendations to relevant government and organizations. And it also provides relevant academic and non-academic, lawyer and consultant, board and non-board people with minimum information for further researches.

Exhibit

Exhibit 1 – The 2009 King Code of Governance for South Africa (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	Purposes, duties, composition disclosed in memorandum of co.;	effective and independent; a must for public and state-own co.;	BD ensure an effective and independent AC; delegated some functions by BD;	<u>Not mentioned clearly in the code;</u>	As understood from the Code;
Nomination committee	Comprise majority of NEDs, independent;	delegated some functions by BD;	Recommend eligibility of prospective directors; process of identifying suitable BD member;	Remunerate fairly and responsibly;	As understood from the Code;
Compensation or Remuneration committee	Comprise majority of NEDs, independent;	Recommended to establish;	Remuneration report should include the use of benchmarks and policies relevant to executives contract;	<u>Not mentioned clearly in the code;</u>	
CEO or Lead director;	Roles formalized and performance evaluated by BD;	Not be chairman until 3 yrs lapsed;	Not fulfill role of chairman of BD; Appointed by BD; BD ensure succession planning; Appoint CIO;	<u>Not mentioned clearly in the code;</u>	
The Chair	Free of conflict; Roles formalized;	Independent, non-executive director;	His/her ability to add value and performance accessed annually;	<u>Not mentioned clearly in the code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly in the code;</u>	Roles separated clearly;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	As understood from the code;

Corporate Secretary (CS)	competent, suitably qualified and experienced;	Not a director; arms-length with BD;	Assist NC to appoint directors; ensure BD and committees' charter updated;	<u>Not mentioned clearly in the code;</u>	
Compliance officer (compliance)	independent, suitably skilled, experienced;	Compliance be a regular item on BD agenda;	Co. should set a compliance function;	Set an effective compliance framework and processes;	As understood from the code;
Board of Directors	Act in the best interests of the co.;	assess size, can remove any director w/o shareholder approval	Ensure each director with proper duties; monitor solvency and liquidity;	Compliance with code of conducts, applicable laws, non-binding rules, codes and standards; compliance with IT laws;	
Executive director (EDs)	<u>Not mentioned clearly in the code;</u>	Minimum 2 EDs involved in BD;	BD ensure succession planning; EDS attend committees meeting by invitation;	<u>Not mentioned clearly in the code;</u>	
Non-executive director (NEDs)	Independent; Appointment formalized by appointment letter;	Majority join in BD; 1/3 rotates every year;	Independent, non-executive director elected by BD to be chairman;	<u>Not mentioned clearly in the code;</u>	
(Senior) Independent director	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Lead independent director elected when chairman not free of conflicts;	<u>Not mentioned clearly in the code;</u>	
CFO (senior financial officer)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Management team (senior)	<u>Not mentioned clearly in the code;</u>	Implement proper risk responses;	BD provide appointment input; BD delegate RM duties to MGT ;	<u>Not mentioned clearly in the code;</u>	
Supervisory board	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	External adviser come to committees by invitation letter;	<u>Not mentioned clearly in the code;</u>	
Internal control	RM duties disclosed in Charter of AC;	Risk governance involved in ongoing training of BD;	BD ensure ethical risks and opportunities incorporated in RM process, and responsible for governance of risk;	A systematic, ongoing, documented, formal risk assessment;	
Internal audit	Meet with AC at least once a year w/o MGT; independent from MGT;	Effective ; AC oversee IA and approve IA plan;	BD ensure an effective risk-based IA; All risks regarded to by AC; Evaluate governance processes;	<u>Not mentioned clearly in the code;</u>	
External (Independent) audit /registered public accounting firm;	Nominated by AC; AC monitor independence;	Meet with AC at least once a year w/o MGT;	Engaged by AC to assure summarized financial report; AC approve non-audit service policy;	<u>Not mentioned clearly in the code;</u>	
Disclosure and transparency	Disclosure of sustainability issues reviewed by AC;	Full disclosure of directors by BD;	BD ensure company ethics performance are disclosed; disclose appraisal process;	<u>Not mentioned clearly in the code;</u>	

Shareholders and Minority Stockholder	<u>Not mentioned clearly in the code;</u>	AC Chair present at AGM;	Can assess each director; approve remuneration policy;	<u>Not mentioned clearly in the code;</u>
Accountability	<u>Not mentioned clearly in the code;</u>	Able to justify and explain decisions and action;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>
Leadership	Consider short and long term impacts of strategy on economy, society and environment;	Based on ethical foundation;	Act by Board; direct strategy and operation; consider impacts on internal and external stakeholders;	To build sustainable business;
Employee	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Listed co. Have securities dealing policy by employee, directors, officers;	<u>Not mentioned clearly in the code;</u>
3 rd parties and conflicts of interests	<u>Not mentioned clearly in the code;</u>	AC recommends BD external assurance co.;	Perceived conflicts should be disclosed to BD;	<u>Not mentioned clearly in the code;</u>
Code of ethics (conduct)	Be detailed and give clear guidance to users; Disclose adopted policies of holding co. in subsidiaries' integrated report;	Reviewed by AC;	BD formulate COE;	<u>Not mentioned clearly in the code;</u>
Group and subsidiaries	Agreed governance framework;	Agreed governance framework;	Policies, procedures of holding co. approved by subsidiaries;	Comply with stock exchanges rules;
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties. It recommends the establishment of RC and IT committee.			

Exhibit 2 – Evaluation of Ghana Code Corporate Governance

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	May have person other than directors; at least 3 directors;	A must for all listed companies; chairman of AC be NED;	Meeting might invite CEO, Head of IA, Finance director, external auditor; appoint EA;	<u>Not mentioned clearly by the Code;</u>	
Nomination (HR) committee	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Compensation or Remuneration committee	A majority of NEDs;	<u>Not mentioned clearly by the Code;</u>	Formal and transparent procedure for a executive remuneration policy;	<u>Not mentioned clearly by the Code;</u>	
CEO	<u>Not mentioned clearly by the Code;</u>	Separated roles;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
The Chair	Advised by NEDs;	Ensure directors receiving qualitative and quantitative information;	Key role to ensure good CG: ensure directors contribute with their capabilities;	Good CG;	

CEO and The Chair relationship	<u>Not mentioned clearly by the Code;</u>	Explain combined roles to shareholders	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Corporate Secretary (Board)	<u>Not mentioned clearly by the Code;</u>	Advice and guidance to chair and BD;	Advised by NEDs; Maintain meeting records and conclusion;	<u>Not mentioned clearly by the Code;</u>	
Compliance officer	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	A communication be established with IA, EA and BD, by AC;	<u>Not mentioned clearly by the Code;</u>	
Board of Directors	Size from 8-16 people; independence BD as a whole;	Not less than 2 independent non-executive directors;	Conduct of business; strategic guidance; Implement a RM system; Maintain information dissemination policy;	Effectiveness;	As understood from the code;
Executive director	Unrestricted access to information and record;	Assistance by NEDs;	Participated in BD;	<u>Not mentioned clearly by the Code;</u>	
Non-executive (external) director	Independent judgement and views;	Necessary skill and experience;	Participated in BD; matters of strategy, key appointment and performance;	<u>Not mentioned clearly by the Code;</u>	
Independent director	Not a professional adviser or consultant;	Not a major shareholder;	Participated in BD;	<u>Not mentioned clearly by the Code;</u>	
CFO	<u>Not mentioned clearly by the Code;</u>	Unrestricted access to information and record;	BD may clarify duties of Finance Director;	<u>Not mentioned clearly by the Code;</u>	
Management team (senior)	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	BD oversee MGT; BD make remuneration and training plan of senior MGT;	<u>Not mentioned clearly by the Code;</u>	
Supervisory board	<u>Not mentioned clearly by the Code;</u>	NEDs supervise chairmen;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Internal control	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	BD oversee IC system; AC review it;	<u>Not mentioned clearly by the Code;</u>	
Internal audit	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Head of IA attend AC meeting;	<u>Not mentioned clearly by the Code;</u>	
External (Independent) audit	Objective, independent and effective source;	Appointed by AC;	Audit;	In accordance with generally accepted audit standards, and National Accounting Standards, Ghana;	
Disclosure and transparency	Disclose Board committees in annual report;	Transparent appointing procedures;	Provide investors with information on unforeseeable risks and co.'s objectives;	<u>Not mentioned clearly by the Code;</u>	
Shareholders and Minority Stockholder	Equal treatment of all shareholders; 1 share 1 vote;	Sufficient information on time, place	GM with time and place for a maximum shareholders attendance ;	<u>Not mentioned clearly by the Code;</u>	

Accountability	AC annual report disclosed in annual report to shareholders;	chair of committees present at GM;	Be responsible for accuracy of financial statements information;	<u>Not mentioned clearly by the Code;</u>	As understood from the code;
Leadership	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	Act by Chair and BD;	<u>Not mentioned clearly by the Code;</u>	As understood from the code;
Employee	Disclose material issues relevant to employees in annual report;	Governed by COE;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
3 rd parties and conflicts of interests	MGT fees and significant cross shareholder relationship disclosed in annual report;	Directors disclose interests in transactions or contracts affecting the company;	Provide shareholders with any information on conflict of interests of new directors before appointing;	<u>Not mentioned clearly by the Code;</u>	
Code of ethics (conduct)	Professional behaviours and business conduct;	Applicable to BD and all employees;	BD in charge of formulating this Code;	<u>Not mentioned clearly by the Code;</u>	
Group and subsidiaries	<u>Not mentioned clearly by the Code;</u>	Related parties transactions disclosed in annual report;	<u>Not mentioned clearly by the Code;</u>	<u>Not mentioned clearly by the Code;</u>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

Exhibit 3 – Evaluation of CACG 1999 CG Principles

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	Direct communication with IA and EA;	Outside directors;	Review IA functions; responsible for MGT's reporting of IC; meet regularly with agenda;	<u>Not mentioned clearly in the code;</u>	
Nomination committee	<u>Not mentioned clearly in the code;</u>	Assign a maximum figure; Outside directors;	Consider directors' external obligations, no maximum board seats for directors;	<u>Not mentioned clearly in the code;</u>	
Compensation, Remuneration committee	<u>Not mentioned clearly in the code;</u>	Closely connected with HR;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
CEO	<u>Not mentioned clearly in the code;</u>	CEO appointed by BD;	Lead the co. on the day-to-day basis;	<u>Not mentioned clearly in the code;</u>	
The Chair	Independent;	Preferred non-executive;	Provide necessary direction for BD; may appraise CEO's effectiveness;	<u>Not mentioned clearly in the code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly in the code;</u>	Roles separated;	appropriate balance of power and authority;	<u>Not mentioned clearly in the code;</u>	Roles can be combined;
Corporate Secretary	<u>Not mentioned clearly in the code;</u>	Notice of BM sent at least 2 days in advance;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	As understood from the selected codes;

Compliance officer	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Board of Directors	Independent judgement; add value;	Integrity; Mix of proficient directors;	Ensure adequate technology and system to run business; Focus on performance, not conformance;	to create sustained business success and stable shareholder value growth; ensure good CG;	As understood from the Code;
Executive/ Representative director	Courage, wisdom and independence	Involved in BD;	BD set remuneration policy/reward system to retain and motivate EDs;	<u>Not mentioned clearly in the code;</u>	
Non-executive director	Courage, wisdom and independence; independent judgement; Employee of subsidiaries may not be independent director;	Involved in BD;	Be able to show disagreements with BD members; may appraise chairmen's effectiveness;	<u>Not mentioned clearly in the code;</u>	
Independent director		May be the chairman;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	As understood from selected codes;
CFO	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Finance Director may attend AC meeting;	<u>Not mentioned clearly in the code;</u>	
Management team (<i>Senior Administration</i>)	Deal courteously with employees;	BD involved in appointing, ensure succession planning of senior MGT;	BD has short and long term awards motivating MGT effectively and productively;	<u>Not mentioned clearly in the code;</u>	
Supervisory for the board	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Act by committees and external adviser;	<u>Not mentioned clearly in the code;</u>	As understood from selected cdes;
Supervisory for the managers	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Act by BD and external adviser;	<u>Not mentioned clearly in the code;</u>	
Internal control	Business risk benchmarked against industry practices;	Cover financial, operational and compliance matters;	IC procedures provide reliable information; BD identify key risk areas;	<u>Not mentioned clearly in the code;</u>	
Internal or statutory audit	MGT and IA cooperated fully, adequately;	Access b.t IA and EA open and constructive;	Scope and effectiveness reviewed by AC; Head of IA may attend AC meeting;	Comply with international accounting standards;	As understood from the code;
External audit	<u>Not mentioned clearly in the code;</u>	Access b.t IA and EA open and constructive;	Scope and effectiveness reviewed by AC;	Comply with international accounting standards;	
Disclosure and transparency	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Maintain good communication by an on-going pro-active process;	<u>Not mentioned clearly in the code;</u>	

Shareholders and Minority Stockholder	Equal access to co.'s information;	Provided with Timely, appropriate and accurate communication;	Elect BD members; Local institutional shareholders has guidelines to build relationship b.t co. and owner;	<u>Not mentioned clearly in the code;</u>	
Accountability	<u>Not mentioned clearly in the code;</u>	Treat shareholders fairly;	BD understand shareholder's expectation;	<u>Not mentioned clearly in the code;</u>	
Leadership	<u>Not mentioned clearly in the code;</u>	Transparency, accountability and responsibility;	BD exercise leadership; Act by Chair, BD and CEO; Avoid waste of firms' resources such as time; act honestly all time;	<u>Not mentioned clearly in the code;</u>	
Employee	Not intimidate fellow employee;	Timely and accurate communication;	BD has short and long term awards motivating employees effectively and productively;	<u>Not mentioned clearly in the code;</u>	
3 rd parties and conflicts of interests	<u>Not mentioned clearly in the code;</u>	Communication with interested parties in a society with high demand of transparency;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Code of ethics (conduct)	Show co.'s commitment to the highest standards of behaviour;	Reviewed regularly;	Communicated and understood by all employees; BD and CEO has total commitment;	Contribution to society;	Listed co has COE adopted by BD;
Group and subsidiaries	<u>Not mentioned clearly in the code;</u>	Disclose relationship b.t substantial shareholders of subsidiaries and appointed directors;	Employee of subsidiaries may not be independent director;	<u>Not mentioned clearly in the code;</u>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties. The Code has 15 Principles.				

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