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THE CRITICAL ANALYSIS OF LIMITED SOUTH ASIAN CORPORATE GOVERNANCE STANDARDS AFTER FINANCIAL CRISIS

Abstract: *After the recent global crisis, corporate scandals and bankruptcy in US and Europe, there is some certain evidence on weak corporate governance, risk management and audit system. The 2009 India Code of Corporate Governance also revealed that during the crisis time, there are certain weaknesses although corporate structure is fairly durable. Hence, this paper chooses a different analytical approach and among its aims is to give some systematic opinions.*

First, it classifies limited South Asian representative corporate governance (CG) standards into two (2) groups: India and Malaysia latest CG principles covered in group 1 and, group 2, including corporate governance principle from Thailand and Indonesia, so-called relative good CG group, while it uses ACCA and OECD and ICGN principles as reference.

Second, it, through analysis, identifies differences and advantages between above set of standards which are and have been used as reference principles for many relevant organizations.

Third, it establishes a selected comparative set of standards for South Asian representative corporate governance system in accordance to international standards.

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

Keywords: *corporate governance, standards, financial crisis*
JEL Classification: *G00, G3, G30*

1. Introduction

After corporate scandals happening during and after global monetary and financial crises, it is necessary to re-evaluate code of corporate governance. In reality, many nations re-issue their principles of corporate governance as guidelines for their market

and companies. This paper selects an easy-reading writing style, and it finds out that there is still some academic words need to be explained in further.

The organization of paper contents is organized as following. As our previous series of paper, Research literature and theories are covered in the first two sessions. Next, it followed by introduction of our research methodology in session 3 (3rd). Continuously, session four (4) covers our familiar four (4) groups of empirical

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findings. And our conclusion and policy suggestion is covered in the fifth (5th) session. Before last, there are exhibit session which covers some summary of this paper's analysis and comparison. And lastly, a glossary note is provided with information for reference and because of reducing repeating terminology.

2. 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. Thailand Code 2006 (*Thailand Good Corporate Governance Guidelines*, 1999) pointed that CG is the system of internal controls and procedures by which single companies are managed.

Besides, Indonesian 2006 Code of Good CG (*Indonesian Corporate Governance Principles*, 2006) stated that good CG relates to the investor's confidence both in the companies as well as in the overall business environment and lead to sustainable economic growth and stability.

Additionally, OECD (*OECD Corporate Governance Guidelines*, 1999) also issued a set of CG standards to help governments improve their legal, institutional and regulatory framework for CG in their countries. Moreover, the Basel Committee for Banking Supervision also confirmed banking supervision can not function well if sound CG is not in place. And sound CG can contribute to a collaborative working relationship between bank management and bank supervisors.

Because there are not many researches and surveys done in South Asian region on CG, next, what is the limited comparative standardized set of so-called comparative South Asian corporate governance standards?

3. Theory of corporate governance, scandal and market manipulation

3.1. Theory of manipulation

Together with the development of financial and stock markets (Khwaja and Mian, 2005) there are some scandals with errors of market manipulation (Allen and Gale, 1992; Chatterjea *et al.* 1993). They are errors in interfering the market operation and create false information on price or market for a financial commodity such as stock. Manipulation comes from either the market itself or from the company management, in some cases, we may call it insider trading.

3.2. Theory of corporate governance and financial crisis

In 2008, OECD recommended to improve corporate areas in remuneration and risk management. OECD also stated that the financial crisis revealed severe shortcomings in corporate governance. (Dallas, 2011; Essen *et al.*, 2013)

Also, Erkens *et al.* (2012) found out that companies with more independent board and higher institutional ownership experienced worse stock returns during the crisis period. Gupta *et al.* (2013) pointed that there is the lack of significant impact of corporate governance quality on performance. And well governed firms do not outperform poorly governed firms.

Hence, we can see, there exist various views on corporate governance and its importance.

4. Research methodology

Firstly, we analyze and compare corporate governance principles (*Corporate Governance Principles for Business Enterprises* (ADB and Hermes 2003 CG Principles), 2003) in each of two (2) different groups including: 1) Group 1 – Limited South Asian CG representative

standards including Indian Code 2009 (*Indian Code of Corporate Governance 2012. Stock exchange, 2012*) and Malaysian Corporate Governance Principles (*Malaysian Code of Governance 2012. Stock exchange, 2012*); and 2) Group 2 - Relatively good corporate governance group including Thailand Code 2006 and Indonesian CG principles;

We also use, but not limited to, international standards of corporate governance such as: ICGN and OECD Corporate Governance Principles (*OECD Corporate Governance Principles, 1999*) and Enhancing Banking CG Code 1999 which have many modifications in corporate governance principles after the crisis period.

Then, we propose what so-called limited comparative South Asian corporate governance principles which are aiming to create a basic background for relevant corporations interesting 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 below table 1 and 2 in relevant sessions.

5. Empirical findings

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

Certain popular issues including: 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.

Also, we can find out another corporate governance (CG) issue. It is, the lack of effective mechanism to avoid insider trading in buying and selling stock or shares of management. Another one is the transparency mechanism still existing with

errors that lead to declining company's credibility to investors.

B. Findings on Ways of Manipulation during Corporate Scandals

Several Manipulation Techniques found out during corporate scandals involve, but not limited to:

B.1 – The manipulation techniques in the income statement:

In HealthSouth, the US largest owner of inpatient rehabilitative hospitals, corporate scandal, CEO is accused of manipulating the income or earning by making false report of fictitious transactions and accounts around the year 2006. Or in Worldcom scandal case, another falsification in expenditure management happened. The amount of \$3,8 b is indicated as capital expenditure, instead of recognized it as operating expense.

B.2 - The manipulation techniques in both the income statement and balance sheet:

In the case of Global Crossing scandal around 2001, the company reported false profit figure of long term contracts at the initiation of the contract, instead of expanding over its life. Another example is Waste management scandal, a publicly traded waste management company, the management made false report of \$1.7 b in fake earnings.

B.3 - The manipulation techniques relevant to international accounting practice code:

In the scandal case of Global Crossing Ltd., a telecommunication firm, there is a failure in using international accounting standards (GAAP) in making financial reports. The company did not fairly present financial statements.

B.4 - Other manipulation techniques net belong to above classifications:

In some scandals, there is management manipulation which causes the loss of investments. For example, in Stanford financial scandal around the year 2009, investors lose profits when they trust their money was invested in CDs. In other cases, 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. Last but not least, insider trading matters are also appear in some corporate scandals.

C. Actions on Preventing or Controlling negative manipulation

Among necessary actions to control negative market manipulation are, but not limited to, the mechanism of internal control of the board aiming to increase communication and transparency with investors. Both internal control system and audit mechanism need to enhance to overcome failures in many scandals.

D. Findings on Construction of Comparative International Corporate Governance Standards

These findings will be shown in a detailed analysis of a model indicated in the later sessions.

D.1 - Group 1 – Limited South Asian Corporate Governance standards analysis

The Indian Code of Governance 2009

Among its advantages are, but not limited to, description roles of independent directors, for example, discussing impacts on minority shareholders.

Additionally, it is good to state that the BD needs directors with qualification, positive attributes, independence and availability of time.

Generally speaking, The Code focuses on roles of audit partner. However, it would be

better to add more information of a CFO or Finance Director. (see Exhibit 1).

The Malaysian Corporate Governance Principles

The Malaysian Code of CG 2012 has been modified since its first version in 2000 and 2nd version in 2007.

One of its distinctions is clarifying board structure and mentioning a culture of corporate governance. And it also pointed the role of the Board in establishing a sound framework to manage risks.

Besides, the Malaysian Code has advantages in encouraging senior MGT to have constructive engagements with shareholders.

For more information, please see Exhibit 2. However, it would be better to mention roles of compliance officer.

Comparison between the Indian and Malaysian Corporate Governance Principles

A lot of information on auditor and audit partner are provided in the Indian code. Also, it makes a sound point when it mentions the role of managing director of a public company as independent director in other firms should be restricted to seven (i.e., the number of other companies). But it would be better to give a clearer description on corporate secretary. (see Exhibit 1).

On the other hand, the Malaysian Code stated the firm needs to have a Board charter mentioning the division of responsibilities and powers b.t the board and MGT, as well as processes for board meeting. Besides, it also describes roles of corporate secretary.

D.2 - Group 2 – Relative Good Corporate governance group analysis

After the financial crisis 1997-1998, Good Corporate Governance Principles were issued in 2006 in Thailand, based on valuable information from listed firms and after Code of best practices for Audit Committee and Directors issued in 1999.

Thailand Good Corporate Governance standards analysis:

Good recommendations involved in the 2006 Code include, but not limited to, a good description on board of directors roles and responsibilities. For example, directors need to avoid any positions or jobs that may lead to conflicts of interest.

Besides, it makes a sound point to suggest that the director remuneration should reflect the duties and responsibilities assigned by the board. IT also mentioned what are called significant activities such as: acquisitions and disposition of assets, investment project expansion, the identification of power and

MGT levels, risk management.

A minor point might be noted here is that it does not describe well the roles of a compliance officer, please refer to the Exhibit 3.

In summary, the 2006 Code and supported documents paid well attention not only to Board guidelines but also to describe two-tier board structure involve management Board and Supervisory Board. For example, it mentions the BD need to give reasonable explanations/calculations to support results of operations, future trends, opportunities or threats.

Table 1. A so-called Limited South Asian CG representative standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	At least 3 members; regard to audit partners' qualification, strength and weakness;	Procedures to assess suitability and independence of EA;
CEO and The Chair	Separated roles and offices;	Should be held by different people;
Corporate Secretary	Suitably qualified and competent;	Procedural and regulatory requirements consulted by BD;
Compliance officer	Compliance function acted by board;	N/A (for further research and implementation)
Board of Directors	Establish IA functions which directly report to AC; devote sufficient time;	Oversee the performance of MGT; ensure candidates appointed to senior MGT are of sufficient calibre;
Independent director	Foresight, integrity, expertise, managerial qualities; term <=6 yrs;	Independent and Objective judgement;
Supervisory board to the Management	Act by Board;	Can be auditors;
Supervisory to the Board of Directors	Independent professional advice;	Independent professional advice;
Internal control	Board review the effectiveness of IC, including financial, operational, compliance, RM;	Sound framework of reporting on IC;
Internal audit	Board appoint internal auditor who should not be an employee;	Head of IA report to AC; appraisals of IC, RM;
External audit	AC have facility to separate discussion with IA and EA and MGT;	Discuss annual work program with AC;
Disclosure and transparency	Internal disclosure policy; disclose related parties transactions;	Publish board charter on company website;

Shareholders	Encourage participation at meeting; proactive engagement with board;	Board meeting agenda has analysis of impacts on minority shareholders;
The corporation as a whole entity	Place certificate of independence of independent directors on firm website;	Its risk level tolerance determined by board;

Indonesian 2006 Code of Good Corporate Governance standards analysis:

In the 2006 Code, we recognized its view on the company as a whole. For example, the company needs to be recognized as a good corporate citizen. Different from other Asian codes, it mentions values of company as honesty, fairness and reliability. And it also mentions Board of Commissioners is prohibited from making any operational decision.

And among its advantages is that it mentions factors as basis for effective CG. For example, good CG is created by three pillars, including supervisory, regulatory and enforcement authorities. Please refer to Exhibit 4.

On the other hand, it has a disadvantage as it does not describe well roles of CEO.

Comparison between the Indonesian and Thailand Corporate Governance Principles

First of all, there is a focus in Thailand Code 2006 on clear illustration of roles of BD and of board self assessment as well as setting a benchmark of the board's performance. Moreover, it states the assessment should be relevant to the whole or part of issues, not to any director because of sensitive individual matters.

Beside, The Indonesian Code of Good Corporate Governance 2006 pointed good CG is driven by two dimensions: ethics-based approach and regulatory-based approach. It also makes good points from a company's point of view. For example, the firm will be in charge of the negative impact

that may result from its business activities on the communities and environment in which the firm operates.

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

This following table is built with the summary of above Commonwealth CG standards.

D.3- The 1st Establishment of so-called limited comparative South Asian 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 (2) groups

The advantages of Group 1, but not limited to, disclosure standards, and contents on board composition (see Table 1 and 2). Malaysian Code 2012 pointed Board should set clear functions for themselves and those for management.

On the contrary, the relative Good Corporate Governance Group standards states well and focus on the roles of BD and its committees. It defines committee as a group of directors appointed by BD and to perform specific tasks. Moreover, it also pays attention to a corporate auditors system with half of members be outside auditors (see 2006 Thailand Code). Last but not least, Indonesian 2006 Code presents two Board systems: BD and Board of Commissioners in agreeing a long term plan, strategy and annual budget.

Table 2. A relatively Good Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Ensuring financial information complete, accurate, reliable, relevant and timely; F.S in accordance with GAAP;	Review candidates for EA; members can be professionals from outside;
CEO and The Chair	Spokeperson for the firm;	Board chair can be different from chief executive;
Corporate Secretary	Complete the minutes for each BD and shareholders' meeting;	Ensure a sound communication b.t the firm and its stakeholders, and the availability of information accessible to stakeholders;
Compliance officer	Functions can be covered by secretary;	Not mentioned clearly in the code;
Board of Directors	Monitor business's performance and operation of the company; Maintain confidentiality of firm's information, firm's articles of association, common business norms;	Comply with principles and explain; examine the minutes; prohibited from receiving something from a resource provider which may affect his/her decision;
Independent director	With relevant finance and accounting experience;	Not authorized directors; issues of strategy, performance, resources, standards of conduct;
Supervisory board to the Management	Board of directors;	Not mentioned clearly in the code;
Supervisory to the Board of Directors	May include external auditors; oversee and advise MGT board;	Independent professional advice;
Internal control	AC ensures IC structure adequate;	Disclosed statement of the effectiveness of IC system;
Internal audit	AC ensures IA conducted with applicable audit standards;	Its effectiveness maintained by directors;
External audit	Independent of MGT influence;	AC ensures EA conducted with applicable audit standards;
Disclosure and transparency	Disclosed financial reports ensured by BD on accuracy, completeness and transparency;	BD prohibited from disclosing firm's confidential information acquired during his/her service;
Shareholders	Determine whether BD have qualifications the company needs for challenges;	Giving resolution at meeting carried by directors;
The corporation as a whole entity	Design someone responsible for CG;	Awareness of social responsibilities on environmental and societal interests of communities;

(source: exhibit 3 and 4)

A so-called Limited Comparative South Asian Corporate Governance Set of standards

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

Table 3. The Comparative South Asian Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Ensuring financial information complete, accurate, reliable, relevant and timely; F.S in accordance with GAAP;	identify risks; process of risk identification, risk mitigation, risk optimization;
Nominating committee	Regularly examine performance, independence, skills and expertise of existing Board members to meet firm current and future needs;	Processes to evaluate skills/knowledge/experience/effectiveness of individual directors and board;
Numeration or Compensation Committee	BD set formal and transparent remuneration policies;	Authority delegated by board;
CEO and The Chair	Set the board meeting agenda;	Separated roles and offices;
CFO	N/A (for further research and implementation)	N/A (for further research and implementation)
Corporate Secretary	Ensure a sound communication b.t the firm and its stakeholders, and the availability of information accessible to stakeholders;	Suitably qualified and competent;
Compliance officer	Compliance function acted by board;	Functions can be covered by secretary;
Board of Directors or Management Board	Approve corporate governance policy; formulate vision, mission and values of firm; manage resources effectively and efficiently;	Establish risk management policy; provide internal or external training for directors, secretary, audit committee; Actions directors should not do included in formal appointment letters;
Independent director	Foresight, integrity, expertise, managerial qualities; term ≤6 yrs;	Not authorized directors; issues of strategy, performance, resources, standards of conduct;
Supervisory board to the Management	Board of directors;	Can be auditors;
Supervisory to the Board of Directors	May include external auditors; oversee and advise MGT board;	Independent professional advice;
Internal control	Reviewed annually by BD; Board review the effectiveness of IC, including financial, operational, compliance, RM;	Evaluate the company program; recommendations to improve RM; facilitate sound coordination with EA;
Internal audit	Head of IA report to AC; appraisals of IC, RM;	Board appoint internal auditor who should not be an employee;
External audit	AC have facility to separate discussion with IA and EA and MGT;	Audit partner rotated once every 3 or 5 years;
Disclosure and transparency	Disclosed financial reports ensured by BD on accuracy, completeness and transparency;	Independent directors have access to extra information;

Shareholders	Encourage participation at meeting; proactive engagement with board;	Board meeting agenda has analysis of impacts on minority shareholders;
Stakeholders	Mechanism to promote cooperation with stakeholders to create wealth, financial stability and sustainability;	Fair treatment on every stakeholders: customers, employee, creditors, investors, suppliers;
Accountability	CG as processes and procedures used to direct and manage the business toward enhancing accountability;	Proper and accountable audit;
Leadership	BD have leadership and vision;	Good CG leading to growth;
Employee	Mechanism for report of violation of code of conduct;	Uphold to the business ethics;
3 rd parties and conflicts of interests	AC monitor /approve all related parties transactions;	Conflicts b.t external auditors and firm resolved in favor of the shareowners;
The corporation as a whole entity	Design someone responsible for CG; awareness of social responsibilities on environmental and societal interests of communities;	Have a written and transparent policy selecting and appointing a director; have a reward and punishment system;
The Code	Structure and processes of relationships b.t directors, management and shareholders	A benchmark for corporate sector; Sound and efficient; fairness; Focus on substance more than form;

(source: above tables and global corporate governance)

6. Conclusions

To overcome weaknesses from CG during crises, The Indian Code suggested many innovative ideas including but not limited to clarification of auditor (see Exhibit 1).

Besides, the Malaysian Code included guidelines on obligations of management in enterprises. Above comparative analysis of Limited Comparative South Asian CG Code shows us a strong focus on enhancing roles of not only BD members but also managers and other stakeholders, which are vital participants in retaining and developing a sustainable profit business.

Past surveys from McKinsey in 2000 showed results such as investors willing pay

24% premium for good CG in South Korea and 18% premium for that in UK (see Exhibit 5).

In consideration of corporate governance issues analyzed in the previous sessions, we proposed the main and sub quality factors in this paper **a set of general comparative South Asian corporate governance standards** in a limited 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.

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Exhibits:

Exhibit 1. The 2009 Indian Code of Corporate Governance (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	At least 3 members; monitor EA independence;	Chairman of AC has additional variable payment;	identify risks; process of risk identification, risk mitigation, risk optimization;	<u>Not mentioned clearly in the code;</u>	
Nomination committee	Majority of independent directors;	Including chairman; can have additional variable payment;	Processes to evaluate skills/knowledge/experience/effectiveness of individual directors and board; recommend appointment of ED;	<u>Not mentioned clearly in the code;</u>	
Compensation, Remuneration committee	Comprise at least 3 members; majority be NEDs;	Authority delegated by board;	Remuneration includes fixed and incentive; determine criteria of remuneration policy;	<u>Not mentioned clearly in the code;</u>	As understood from the Code;
CEO /President/MD	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Separated roles and offices;	<u>Not mentioned clearly in the code;</u>	
The Chair	<u>Not mentioned clearly in the code;</u>	Can have additional variable payment;	Separated roles and offices;	<u>Not mentioned clearly in the code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Clear demarcation of roles and responsibilities;	Promote balance of power;	
Corporate Secretary	<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>	
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	<u>Not mentioned clearly in the code;</u>	Given substantial time to contribute effectively to board discussion;	Actions directors should not do included in formal appointment letters; identify risks;	Ensure compliance of all laws applicable to firm;	As understood from the Code;

Executive/Representative director	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Formal appointment letters;	<u>Not mentioned clearly in the code;</u>	
Non-executive director	Fixed and variable payment;	Firm has option to pay Fixed contractual remuneration, not linked to profits, to NED;	Formal appointment letters by firm;	<u>Not mentioned clearly in the code;</u>	
Independent director	Experience, Able to read and understand F.S; certificate of independence;	Foresight, integrity, expertise, managerial qualities; term <=6 yrs;	Formal appointment letters by firm;	<u>Not mentioned clearly in the code;</u>	
CFO	<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 (<i>Senior Administration</i>)	<u>Not mentioned clearly in the code;</u>	Structure of pay for senior mgt monitored by remuneration committee	Independent directors have option and Freedom to interact with MGT;	Independent directors perform functions effectively;	
Supervisory for the board	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Professional advice from external source;	<u>Not mentioned clearly in the code;</u>	
Supervisory for the managers	<u>Not mentioned clearly in the code;</u>	Can be auditors;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Internal control	<u>Not mentioned clearly in the code;</u>	IC reviewed by AC;	Board review the effectiveness of IC, including financial, operational, compliance, RM;	<u>Not mentioned clearly in the code;</u>	
Internal or statutory audit	Board appoint internal auditor who should not be an employee;	IA reviewed by AC;	AC have facility to separate discussion with IA and EA and MGT;	<u>Not mentioned clearly in the code;</u>	As understood from the code;

External audit	Discuss annual work program with AC;	AC recommended appointment and removal of EA;	AC have facility to separate discussion with IA and EA and MGT;	<u>Not mentioned clearly in the code;</u>	
Disclosure and transparency	Remuneration policy for board disclosed;	Independent directors have access to extra information;	Guidelines followed by nomination committee disclosed in annual report;	<u>Not mentioned clearly in the code;</u>	
Shareholders and Minority Stockholder	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Board meeting agenda has analysis of impacts on minority shareholders;	<u>Not mentioned clearly in the code;</u>	
Accountability	<u>Not mentioned clearly in the code;</u>	Proper and accountable audit;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Leadership	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Act by CEO or chairman;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Employee	<u>Not mentioned clearly in the code;</u>	Mechanism for report of violation of code of conduct;	COE included in formal appointment letters to NED;	<u>Not mentioned clearly in the code;</u>	
3 rd parties and conflicts of interests	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	AC monitor / approve all related parties transactions;	<u>Not mentioned clearly in the code;</u>	
Code of ethics (conduct)	<u>Not mentioned clearly in the code;</u>	Report unethical behavior;	Included in formal appointment letters to NED;	<u>Not mentioned clearly in the code;</u>	
Group and subsidiaries	<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>	
CG Code itself	A benchmark for corporate sector; Sound and efficient; fairness;	transparency; accountability; responsibility;	<u>Not mentioned clearly in the code;</u>	Long term value for shareholders and stakeholders;	

Management system	<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>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

(Indian Code of Corporate Governance (Indian stock exchange), 2009)

Exhibit 2. The 2012 Malaysian Code of Governance (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	<u>Not mentioned clearly in the code;</u>	Procedures to assess suitability and independence of EA;	Ensure F.S comply with applicable financial reporting standards;	<u>Not mentioned clearly in the code;</u>	
Nomination committee	Chaired by independent director;	Comprise of independent NED;	Maintain and review criteria in recruitment process; oversee the selection and assessment of directors; recommend director candidates;	<u>Not mentioned clearly in the code;</u>	
Compensation, Remuneration committee	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	BD set formal and transparent remuneration policies;	Retain directors;	
CEO /President/M D	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Develop with BD corporate objectives/functions;	<u>Not mentioned clearly in the code;</u>	
The Chair	Can be independent director;	Chairman of board not be independent director;	Should be non-executive member of the board; Lead the BD overseeing MGT;	<u>Not mentioned clearly in the code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Should be held by different people;	<u>Not mentioned clearly in the code;</u>	
Corporate Secretary	Raise skills and professional standards;	Suitably qualified and competent ;	Procedural and regulatory requirements consulted by BD;	<u>Not mentioned clearly in the code;</u>	
Compliance officer	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Compliance function acted by board;	<u>Not mentioned clearly in the code;</u>	

Board of Directors	Members have access to appropriate continuing education;	Comprise of independent directors;	Clear functions, roles and responsibilities; allow members to access information and advice; build a board charter;	Company's strategies promote sustainability;	As understood from the Code;
Executive/Representative director	<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>	
Non-executive director	<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>	
Independent director	Term not > 9 years;	Objective judgement	BD take assessment of independent directors annually;	<u>Not mentioned clearly in the code;</u>	
CFO	<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 (<i>Senior Administration</i>)	Give Feedback on internal disclosure policy;	Functions delegated by BD; supply accurate and complete information to BD;	Mindful of their duty to direct efforts and resources; MGT proposals reviewed, challenged and approved by BD; implement strategic plan monitored by BD;	Toward the best interests of firm and shareholders	
Supervisory for the board	Legal, financial governance advice;	Independent professional advice;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Supervisory for the managers	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Act by board;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Internal control	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Important for RM; BD review IC;	<u>Not mentioned clearly in the code;</u>	
Internal or statutory audit	<u>Not mentioned clearly in the code;</u>	Head of IA with relevant qualifications;	Head of IA report to AC; appraisals of IC, RM;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
External audit	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Its suitability and independence assessed, monitored by AC;	<u>Not mentioned clearly in the code;</u>	

Disclosure and transparency	Disclose main features of RM framework and IC system;	Timely availability of quality and accurate information;	Appropriate disclosure policy ensured by BD; leverage on IT for effective dissemination of information;	<u>Not mentioned clearly in the code;</u>	
Shareholders and Minority Stockholder	Encourage poll voting;	Effective communication b.t BD and shareholders;	Encourage participation at meeting; proactive engagement with board;	<u>Not mentioned clearly in the code;</u>	
Accountability	Remuneration reflect accountability and contribution of directors;	<u>Not mentioned clearly in the code;</u>	CG as processes and procedures used to direct and manage the business toward enhancing accountability;	<u>Not mentioned clearly in the code;</u>	
Leadership	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Acts by Board; clear roles;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Employee	<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>	
3 rd parties and conflicts of interests	<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>	
Code of ethics (conduct)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Formalize ethical standards;	<u>Not mentioned clearly in the code;</u>	
Group and subsidiaries	<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>	
CG Code itself	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Focus on substance more than form;	<u>Not mentioned clearly in the code;</u>	
Management system	Transparent, efficient, able to be audited;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	<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.				

(Malaysian Code of Governance 2012. Stock exchange. 2012)

Exhibit 3. Evaluation of Thailand 2006 CG Principles

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	The chairman of committee be independent director;	Established by board;	Hiring independent external auditors;	Ensuring financial information complete, accurate, reliable, relevant and timely; F.S in accordance with GAAP;	
Nomination committee	The chairman of committee be independent director;	Established by board;	Recruit new board members with appropriate qualities and experience; create nominations policies and procedures;	Select qualified candidates;	
Compensation, Remuneration committee	Not overpaid BDs; high enough to keep qualified directors;	Appointed by BD; Established by board; remuneration comparable to industry level;	Form and amount paid to BD; The chairman of committee be independent director; Pay more to BD members assigned more tasks;	Ensure compensation encourage executive MGT enhance the firm's long-term profitability and value;	
CEO /President/MD	Establish executive development program;	provide additional information to BD;	Can be called MD; Head of MGT team; A spokesperson for the firm; present the succession plan on a regular basis;	<u>Not mentioned clearly in the code;</u>	
The Chair	Should be independent director;	Should be different from MD;	A spokesperson for the firm; allocate meeting time for complete MGT's presentation & comprehensive director's discussion;	<u>Not mentioned clearly in the code;</u>	
CEO and The Chair relationship	<u>Not mentioned clearly in the code;</u>	Board chair can be different from chief executive;	Chair should not be the same as MD; Board chair can be chief executive;	<u>Not mentioned clearly in the code;</u>	
Corporate Secretary	Help firm conduct business in full compliance with laws/regulations ;	Appointed by directors; provide additional information to BD;	Take care directors' activities; help the directors; Complete the minutes for each BD and shareholders' meeting; provide legal advice;	<u>Not mentioned clearly in the code;</u>	

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	Comply with all regulations/laws, good faith, with care; expertise, experience; independent of MGT;	Include independent/outside directors (majority); regularly attend board/committee meetings;	Outside directors may represent customers, creditors or suppliers; implement/direct firm policies; attend shareholder meetings;	Preserve the interests of the company/best interests of shareowners;	As understood from the Code;
Executive/Representative director	<u>Not mentioned clearly in the code;</u>	Attend board meeting for issues directly responsible for;	Member of a Board of directors; day-to-day operation; oversee/advise MGT; set corporate strategy;	<u>Not mentioned clearly in the code;</u>	
Non-executive director	Attend board meeting for issues directly responsible for;	Outside or independent director;	Not a member of MGT team; oversee/advise MGT; set corporate strategy;	<u>Not mentioned clearly in the code;</u>	
Independent director	Independent judgement;	At least 1/3 board size; not less than 3;	Not authorized directors; issues of strategy, performance, resources, standards of conduct;	<u>Not mentioned clearly in the code;</u>	
CFO	<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 (<i>Senior Administration</i>)	Competency, knowledge, experience to run the business;	Honesty and integrity;	Communicate to investors and public about firm performance and finance;	<u>Not mentioned clearly in the code;</u>	
Supervisory for the board	Include independent board members;	Independent professional advice;	May include external auditors; oversee and advise MGT board;	<u>Not mentioned clearly in the code;</u>	
Supervisory for the managers	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Board of directors;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Internal control	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Its effectiveness maintained by directors;	<u>Not mentioned clearly in the code;</u>	
Internal or statutory audit	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Its effectiveness maintained by directors;	<u>Not mentioned clearly in the code;</u>	As understood from the code;

External audit	Independent of MGT influence;	Appointed by shareholders;	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	
Disclosure and transparency	<u>Not mentioned clearly in the code;</u>	Transparent director nomination and remuneration;	Disclose good principles of CG via firm web sites; disclose BD roles and responsibilities;	<u>Not mentioned clearly in the code;</u>	
Shareholders and Minority Stockholder	Equitable treatment;	Expect disclose the implementation of principles;	right to elect board members; buy, sell & transfer share; ask relevant questions directly to chairpersons of the committees; minority shareholder can nominate candidate;	<u>Not mentioned clearly in the code;</u>	
Accountability	Remuneration reflect accountability and contribution of directors;	BD accountable to shareholders;	Directors ensure the MGT's accountability to shareholders;	<u>Not mentioned clearly in the code;</u>	
Leadership	<u>Not mentioned clearly in the code;</u>	BD have leadership and vision;	Act by MD, the chair and BD;	<u>Not mentioned clearly in the code;</u>	As understood from the code;
Employee	<u>Not mentioned clearly in the code;</u>	Not independent/outside directors;	A part of stakeholders; understand business ethical standards written by BD;	<u>Not mentioned clearly in the code;</u>	
3 rd parties and conflicts of interests	<u>Not mentioned clearly in the code;</u>	Conflicts b.t external auditors and firm resolved in favor of the shareholders;	Independent directors responsible for transactions with conflicts b.t firm and related persons;	<u>Not mentioned clearly in the code;</u>	
Code of ethics (conduct)	Integrity, trust and honesty;	A part of risk MGT policies;	Implemented by directors; provide personnel a framework for behavior;	<u>Not mentioned clearly in the code;</u>	
Group and subsidiaries	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Group of stakeholders and their legal rights identified by BD; each group of shareholders can have director representing;	<u>Not mentioned clearly in the code;</u>	
CG Code itself	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Structure and processes of relationships b.t directors, management and shareholders	Firm Competitiveness, growth and long-	

				term shareholder value	
Management system	Transparent, efficient, able to be audited;	Trust and confidence in shareholders;	<u>Not mentioned clearly in the code;</u>	<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.				

(Thailand Good Corporate Governance Thailand stock exchange, 2006)

Exhibit 4. Evaluation of Indonesian 2006 CG Principles

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	One member with finance and accounting background;	Review candidates for EA; members can be professionals from outside;	Assist Board of Commissioners; chaired by independent commissioner;	Ensure financial reports presented in accordance with GAAP;	
Nomination committee	<u>Not mentioned clearly in the code;</u>	Prepare candidates of the members of two Boards;	Determine/evaluate the selection criteria for BD and Board of Commissioners;	<u>Not mentioned clearly in the code;</u>	
Compensation, Remuneration committee	<u>Not mentioned clearly in the code;</u>	chaired by independent commissioner;	May be combined with CG committee;	<u>Not mentioned clearly in the code;</u>	
CEO /President/MD	<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>	
The Chair	<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>	
CEO and The Chair relationship	<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>	
Corporate Secretary	<u>Not mentioned clearly in the code;</u>	Responsible to BD;	Ensure a sound communication b.t the firm and its stakeholders, and the availability of information accessible to stakeholders;	<u>Not mentioned clearly in the code;</u>	

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	Independency; have performance indicators; professional; integrity; experience; capability;	Take actions based on high moral values; comply with laws; sufficient size;	Prioritize the company interests above the personal and family economic interests as well as that of any other party;	Firm profitability and sustainability;	
Executive/Representative director	<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>	
Non-executive director	<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>	
Independent director	<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>	
CFO	<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 (<i>Senior Administration</i>)	<u>Not mentioned clearly in the code;</u>	<u>Not mentioned clearly in the code;</u>	Follow up audit findings;	<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>	May be performed by Board of Commissioners;	<u>Not mentioned clearly in the code;</u>	
Supervisory for the managers	<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>	
Internal control	Disclosed statement of the effectiveness of IC system;	Effective and efficient;	The firm ensures existing effective IC system; AC ensures IC structure adequate;	To safeguard firm assets and performance;	
Internal or statutory audit	Disclosed statement of the effectiveness of IA system;		AC ensures IA conducted with applicable audit standards;	<u>Not mentioned clearly in the code;</u>	
External audit	<u>Not mentioned clearly in the code;</u>	Appointed with opinion from audit	AC ensures EA conducted with applicable audit standards;	<u>Not mentioned clearly in the code;</u>	

		committee			
Disclosure and transparency	<u>Not mentioned clearly in the code;</u>	Statement of how BD operates; no. of meetings;	BD prohibited from disclosing firm's confidential information acquired during his/her service;	<u>Not mentioned clearly in the code;</u>	
Shareholders and Minority Stockholder	Consider the firm sustainability;	Take actions based on high moral values; comply with laws;	The firm considers interests of shareholders and stakeholders on a fairness principle; obtain information regarding to their investment;	<u>Not mentioned clearly in the code;</u>	
Accountability	Accountable CG;	Align interests of a firm with that of shareholders/stakeholders;	Accountable company performance;	<u>Not mentioned clearly in the code;</u>	
Leadership	<u>Not mentioned clearly in the code;</u>	Good CG leading to growth;	Act by BD;	<u>Not mentioned clearly in the code;</u>	
Employee	Equal opportunity in recruitment of employees and career development;	have performance indicators; fair treatment in promoting	Job description and responsibilities are well defined; Uphold to the business ethics; Prioritize the company interests above the personal and family economic interests;	<u>Not mentioned clearly in the code;</u>	
3 rd parties and conflicts of interests	<u>Not mentioned clearly in the code;</u>	Suppliers can obtain information relevant to their business;	Company's organ must be free from conflict of interest;	Make decision based on fair and just consideration;	
Code of ethics (conduct)	Based on company values and ethics;	Guide receiving gifts and donation; report unethical behavior;	Used as reference for employees in applying values and business ethics;	Promote the company culture;	
Group and subsidiaries	Comply with laws and regulations;	Create healthy political system;	Prevent corruption, collusion; consistent law enforcement;	<u>Not mentioned clearly in the code;</u>	

CG Code itself	Regulatory based approach;	Ethics-based approach;	Inconsistency of GCG can cause crisis to happen; the firm has statement of GCG implementation;	Create check and balance process, enforcing transparency and accountability ; promoting CSR;	
Management system	<u>Not mentioned clearly in the code;</u>	Transparency, responsibility, accountability, independence, fairness;	The firm may have risk policy and CG committee;	Sustainable growth of the company;	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

(Indonesian Corporate Governance Principles, 2006)

Exhibit 5. Survey of Importance in Corporate Governance

Relative premium: Measuring the value of good governance in 3 regions

Average premium that investors are willing to pay for a well-governed company, by region, percent



