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THE BACKBONE OF EUROPEAN CORPORATE GOVERNANCE STANDARDS AFTER FINANCIAL CRISIS, CORPORATE SCANDALS AND MANIPULATION

DINH TRAN NGOC HUY*
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ABSTRACT: *The paper concentrates on several comparative standards in Europe, so-called a limited European set of standards on corporate governance.*

First, it looks at some groups of findings on corporate governance subjects in the post-crisis period. It found out that companies in these periods need to oversight their legal or compliance activities, besides suitable policies.

Second, it identified different points in latest corporate governance standard principles and systems in five (5) countries in European region: Germany, The UK, Denmark, Sweden and France.

Third, this paper provide with a summary of evaluation of current corporate governance systems in these above countries which may enable relevant organizations in re-evaluating their current ones.

Last but not least, it aims to illustrate a limited comparative set of standards of European corporate governance, so-called backbone, and give proper recommendations to relevant governments and institutions.

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

JEL Classification: M00; G01; G3

1. INTRODUCTION

The Danish 2010 Recommendation of Corporate Governance mentioned after financial crisis, there comes to a need to look at shareholders' and institutional shareholders' roles and rights. The Exhibit 1 shows us that recently there have been many changes in defining and controlling conflicts of interests, as well as clarifications of independence. In the light of different views on Corporate Governance and Company Acts, which are among interests

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of many organizations, after financial crisis 2007-2009, this paper mainly concentrates on analysis of Code of Best Practices for Corporate Governance in selected European countries and separates it from the analysis of relevant Company Act and Accounting regulations, which can be used as reference for further scopes. Despite of trying to select an easy-reading writing style, there is still some academic words need to be explained in further.

This paper is organized as following. First (1st) session is Research literature review, which gives us a summary of what has been done in this field. Next, second (2nd) session provides some theories in corporate governance and manipulation. The third (3rd) session handles with empirical research findings and performing a comparative analysis among different Codes.

And final (4th) session turns to the conclusion and policy suggestion. Last but not least, a reference and web resources are introduced for further research and analysis. At last, there are exhibit session which covers some summary of this paper's analysis and comparison. And a glossary notes is provided with information for reference.

2. RESEARCH LITERATURE REVIEW

Many researches so far are done in the corporate governance area in Europe. Hopt, Klaus J., and Leyens, Patrick C., (2004) pointed recent development trend in Europe Corporate Governance is specialized rules for listed companies and indicate growing convergence in internal control mechanisms independent of board structure. EU (2002) also issues the Code of Best practices and the 2006 Directive requires that each listed company should publish an annual corporate governance statement to what extent the company can comply with that code. Among its key principles is the separation of roles between the CEO and the Chairman as it stated "The Chairman and CEO roles should be separate and the CEO should not immediately become Chairman of either a unitary or a supervisory board". Noia, Carmine Di., (2009) at ECIIA Conference shows after the crisis 2009 in Europe, there is no definition of shareholder due to national jealousy of company law; no harmonization of record date; and no shareholder identification. And OECD (2009) confirmed that the financial crisis can be an attribute to failures and weaknesses in corporate governance system, including risk management system and executives salaries. After crisis 2007-2008, Erkens, David., Hung, Mingyi., and Matos, Pedro., (2010), found out that during crisis, firms with more independent boards raised more equity capital, which partially caused them to experience worse stock returns. Last but not least, AFG 2010 Corporate Governance (CG) Code, France, stated the European code should be completed so that basic CG guidelines were defined to encourage best CG practices in every field for all listed companies in European Economic Area. Furthermore, Exhibit 6 shows us different parties and components, internal and external, should be involved in a policy or system of corporate governance.

But, what is the backbone of European corporate governance standards?
Theory of Corporate Governance, Scandal and Market Manipulation

Theory of manipulation

Different ownership structure affects manipulation. In dispersed ownership regime, manager may have incentives to do some stock market manipulation. Baik, Bok., Billing, Bruce K., and Morton, Richard M., (2005) expressed SEC' concerns that managers can manipulate non-GAAP measures to mislead investors.

Theory of corporate governance and financial crisis

After the financial crisis 1998 and G7 meeting, World Bank said corporate governance involves a set of relationships between a company's management, its board, its shareholders and its stakeholders. Moreover, it is only part of the larger economic context such as macroeconomic policies and the degree of competition in product markets. The UK Financial Reporting Council (2010) stated corporate governance is about what the board of a company does and how it sets the values of the company, and is to be distinguished from the day to day operational management of the company by full-time executives. We can see, therefore, different approaches on corporate governance.

3. RESEARCH METHODOLOGY

First of all, we perform a comparative analysis of European corporate governance principles in each of two (2) different groups including: 1) European representative Corporate Governance group, here, we select two countries: The UK and Germany which have many modifications in their history of issuing corporate governance principles; and 2) Relatively good Corporate governance group including Sweden, Denmark and France; We also use international standards of corporate governance for reference such as: ADB and OECD's corporate governance principles as reference.

After that, we make a suggestion on what so-called common corporate governance principles for Europe which is aiming to create a basic background for relevant corporations interesting in corporate governance subject. Additionally, it can be considered as the recommendation to relevant countries' government and other relevant organizations for public policy and necessary evaluation. For a summary of our standards, see Exhibit sessions and the below table D.3.

4. EMPIRICAL FINDINGS

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

There are several popular issues including: the appraisal of following code of ethics of the company and industry in specific markets is not done with full of responsibility or is done just on the business surface. Or in another words, there still lacks of the appraisal of the role of the legal division in the company which contributes to the bad results on the corporate performance and scandals.

We can point it out another CG issue. It is, the internal and external committee audit showed disadvantages and weak points during the audit process which lead to rooms for managers using manipulation tools to create an unreal financial picture of scandal companies.

Continuously, there is an issue of legal and compliance with international accounting standards which is being used improperly by company's executives. In another word, it points a failure in the internal control system of the corporation. Also, there involves a matter of a sound process for decision-making which fails in some cases.

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:

Here, the managers of company use accounting practice to transfer some profit that over shareholder's expectation to the next fiscal year. Or the company's revenues are recorded when the company is not completing all services committed.

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

The corporation in this case tends to use more debt than equity when the positive Net Present Value (NPV) of its projects arises. Or Lehman Brothers (2008) is accused of using another company, Hudson Castle, for its accounting manipulation which means transferring its asset and risks.

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

We can see two (2) below different popular accounting rules on treatment "impairment" term which may mislead the company.

In IFRs: Impairment is recorded when an asset's carrying amount exceeds the higher of the asset's value-in-use (**discounted present value of the asset's expected future cash flows**) and fair value less costs to sell.

And in GAAPs: Impairment is recorded when an asset's carrying amount exceeds the **expected future cash flows** to be derived from the asset on an undiscounted basis.

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

Manipulation can happen when the individual or company sells share when the price is high and buy back when low price to maximize the return.

C - Actions on Preventing or Controlling negative manipulation

Necessary actions to prevent or control negative market manipulation are, but not limited to, periodically re-evaluation of Code of Best Practices, reviewing reports of corporate governance and enhance internal system and mechanisms.

D - Findings on Construction of a Limited Common European Corporate Governance standards

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

D.1 - Group 1 – Europe representative corporate governance standards analysis

In The UK

It is said that The UK Code of Corporate Governance has affected the US principles in Sarbanes Oxley Act (SOA) 2002. The Code is modified and reviewed several times since its first version in 1992, and up to now the latest modification is from the combined Code 2008 to the Code 2010. Its goal is to enhance the effective and prudent management to deliver long term success and its role is critical in guiding UK corporations toward a sustainable business.

One of its main characteristics is enhancing the roles of shareholders in appointing directors and auditors. Also, it pays attention roles of the 2nd party in any business, the board of directors, especially in the leadership role.

Among its advantages include the interaction between the Chairmen and the company's investors which is encouraged to increase transparency. And it stated the leadership role of the Chairmen in leading the Board effectively.

It is a good point in the Code that the board's decision should not be taken by individual or small group. Especially, the 2010 Code emphasizes the role of the Chairmen, compared to and more than, the CEO. Different from most of Asian Codes, there is a job specification for Chairman appointed by nomination committee.

Besides, one of its distinguished features is to describe the features of the annual report with "comply and explain" requirements, for example, the number of meetings of board and its committee and director's attendance.

On the other sides, it still needs to clearly identify several matters such as: the basic and advanced rights of shareholders, the clear border among leadership roles of The Chair, The CEO and The Board, the sufficient size of the Board. Also still there is a matter of how the chairman realizes the strengths and weaknesses of the board.

In general, the 2010 Code has a "comply and explain" style with the attention paid to the way the Code is built itself. In addition to, it also functions as the helpful guidelines for the relevant companies to take into action. And it suggests additional part to cover in the Code relevant to institutional shareholder treatments. For more information such as key overlaps between the 2010 Code and other disclosure rules, please see Exhibit 8.

TABLE C.0 – *The UK Corporate Governance general standards (a short summary evaluation)*

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	At least three independent non-executive directors	<u>Not mentioned clearly in the Code</u>	Monitor effectiveness of internal audit and integrity of financial report; review internal financial controls and external auditor's independence; recommend to board to remove or reappoint external auditor	Monitor objectivity and effectiveness of audit process, with relevant UK regulations;	Two members in small co
Nomination committee	Majority of independent non-executive directors	<u>Not mentioned clearly in the Code</u>	evaluate the balance of skills, experience, independence and knowledge on the board; process to nominate board; appointment of chairman;	<u>Not mentioned clearly in the Code</u>	
Compensation or Remuneration committee	At least three independent non-executive directors (might involve chairman)	Avoid rewarding poor performance; Avoid pay more than necessary	Judge where to position their co compared to others;	Sufficient Numeration levels to attract, retain and motivate directors	Two members in small co
CEO	<u>Not mentioned clearly in the Code</u>	Should not go on to be chairmen	Support the Board; Contact shareholders;	<u>Not mentioned clearly in the Code</u>	decided by board to be chairmen and consult in advance with shareholders
The Chair	Ensure adequate time to discuss all agenda items; promote a culture of openness and debate;	Enhance interaction with investors, shareholders, as understood from the Code; Job specification; Ensure formal, full induction for new director joining on board;	Leadership of board; report personally in annual statements how the principles relating to the role and effectiveness of the board; Member of the Board Committees; Meeting with non-executives and senior independent director; Set board's agenda; regularly review director's training and development need; discuss governance and strategy with major shareholders;	Effectiveness leadership and communication; Ensure directors receive accurate and timely information; Ensure views of shareholders communicate with board;	
CEO and The Chair relationship	Should not be the same individual	<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>	All directors have access to advice and services; Appointed and removed by board;	Ensure good flow of information among the board and its committees and between senior management and nonexecutive directors; facilitate induction; advise the board through chairman	<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	appropriate balance of skills, experience, independence and knowledge of the company Thinks deeply, thoroughly about tasks on a continuing basis; half of board is non-executive, independent directors;	Enhance interaction with shareholders; frankness and openness in issues discussion; update and refresh skills and knowledge	Set company's strategic aims; leadership; Supervise management, report to shareholders; Support the CEO; Ensure necessary financial and human resources in place to meet co's objectives;	In accordance to laws, regulations and shareholders; Maintain mutual respect and openness; Act in the best interests of the company	

Executive director	Continuing and high quality efforts, time allocation; update and refresh skills and knowledge	Formal and transparent remuneration policy	<u>Not mentioned clearly in the Code</u>	Maintain mutual respect and openness; Act in the best interests of the company	Understood from the Code
Non-executive director	Continuing and high quality efforts, time allocation;	update and refresh skills and knowledge	Develop proposals on strategy; scrutinize management performance; determine appropriate remuneration for , appoint, and remove executive directors;	Maintain mutual respect and openness; Act in the best interests of the company	Understood from the Code
(Senior) Independent director	Continuing and high quality efforts, time allocation;	update and refresh skills and knowledge	Member of the Board Committees; senior acts as intermediary between chairmen, board and shareholders	Act in the best interests of the company; A sounding board;	
CFO/Finance Director	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	Contact shareholders;	<u>Not mentioned clearly in the Code</u>	
Management team	<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>	
Supervisory board	<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	<u>Not mentioned clearly in the Code</u>	Transparent arrangements between board's risk management principles and auditor	Maintained by Board; Review of financial, operational and compliance controls conducted by board;	<u>Not mentioned clearly in the Code</u>	
Internal audit	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	Effectiveness of Activities Monitored by audit committee;	<u>Not mentioned clearly in the Code</u>	
External audit	<u>Not mentioned clearly in the Code</u>	Relevant ethical guidance on non-audit services;	Policy of non audit services implemented by audit committee;	<u>Not mentioned clearly in the Code</u>	
Disclosure and transparency	Formal, transparent procedure to appoint the new director to Board; CG states main feature of risk management and internal control relating to financial reporting process;	Communicate by AGM between Board and investors; AGM Notice sent to shareholders 20 days before meeting	The Chairman interact with investors through annual report; annual report states how board operated and which decisions taken by board and which delegated to management	<u>Not mentioned clearly in the Code</u>	
Shareholders and Minority Stockholder	Enhance interaction with the board; mutual understanding of co's objectives	Remember the purpose of good corporate governance	Appoint directors and auditors; Remember the size and complexity of the co and risks it faces;	<u>Not mentioned clearly in the Code</u>	
Accountability	A balanced and understandable assessment of company's position and prospects	Nature of business and risks understood by Board	Annual re-election for all directors; Maintain sound risk management and internal control by Board	<u>Not mentioned clearly in the Code</u>	Encouraged for small firms
Leadership	Clear division between operating the board and operating the business	<u>Not mentioned clearly in the Code</u>	Performed by the Board, CEO and Chairmen, understood from the Code	<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. Smaller listed companies can ignore some provisions.				

In Germany

Germany has lots of changes in their Code annually since 2007, 2008, 2009 and the latest version in 2010 aims to make it, the governance system, understandable and transparent.

It includes roles of different stakeholders in setting the goals of its 2010 Code.

A short summary and evaluation of this revised Code is shown in the Exhibit 3.

Different from UK Code, the 2010 Code emphasizes the participation of employees in the Board of Supervisory (SB).

Besides, it pays attention to analyze the operation of GM and how it adds value to the company, as well as the involvement of financial service providers.

Another different point is the function of review MB compensation regularly is allocated to SB. The Code highlights the compensation oriented toward sustainable growth of enterprise.

However, the CEO's qualification and responsibilities are not well and clearly defined, in regarding to the Chair's duties. Additionally, another matter is the organization of the Audit committee in the company. Though it provides a good description on the duties of committee, it still had an overlap with SB or might probably cause confusion between the roles of compliance and the roles of the audit. (see Exhibit 8).

In short summary, Strengths of the German 2010 Code are, but not limited to, analyzing roles of the supervisory Board in enterprise, as well as recommendations for proper criteria of compensation structure, both for MB and SB. Though the Code mainly guides listed corporations, it involves recommendations to non-listed firms as well.

Comparison between German and the UK Corporate governance standards

Based on the above information, we can see different stakeholders and related parties when the Commission or Council tries to enhance its code. It is in the 2010 German Code that the term "social market economy" is used in generating the Corporate Governance standards.

While, the 2010 UK Code take into account of roles of leadership, separated, and accountability.

Another advantage in the German 2010 Code is the criteria for pay out of compensation of MB members noted with common level compared to peer companies.

On the contrary, the UK Code illustrates roles of The CEO, Chair in more details. While Germany enhances roles of SB's chair.

Another strong feature of the German Code is pointing Corporate Governance Report to cover, in an understandable way, compensation system for MB members.

Next, German made a good point when it clarifies duties and roles of not only SB but also MB. While UK Code put more emphasis on executive directors.

And Germany also mentions extra functions of SB such as its approval of extending loans in its revised 2010 code (see Exhibit 3).

Both Codes has same "comply or explain" element as stated directly in the UK Code. In German Code, it requires that the MB and SB has to comply with proper corporate management. On the other hand, both Codes do not describe roles of Secretary and Compliance officer in details.

The 1st Establishment of a so-called Limited European Representative Corporate Governance standards

With the selection of The United Kingdom and Germany as two European countries (limited) which represent in the construction of general corporate governance principles and standards, we build the below table with the following criteria:

Firstly, it includes contents that enable firm to encounter corporate governance issues after the corporate scandals and financial crisis. It also functions as a summary of general corporate governance standards from these two European representative countries.

Therefore, we use the term “Limited European Representative Corporate governance standards” to represent for the common criteria. The term “limited” here means the criteria mentioned below is better in the light of the author’s appraisal, which is considered in the context that the financial crisis and the corporate scandals caused many errors in the system of Corporate Governance in Europe. It is also constructed in the way that being the better understandable criteria.

TABLE C.1 – *A summary of A Limited European Representative Corporate Governance general standards*

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	At least three independent non-executive directors, and one or two members in smaller co.	specialist knowledge and experience in application of accounting principles and internal control process
CEO and The Chair	Should not be the same individual	Effectiveness leadership and communication; Ensure views of shareholders communicate with board;
Corporate Secretary	Ensure good connection and flow among the board and its committees and between senior management and non-executive directors;	Ensure directors receive accurate and timely information;
Compliance officer	N/A (for further research and implementation)	N/A (for further research and implementation)
Board of Directors	cooperate closely to Supervisory Board (strategy) in writing and electronic; independently managing;	N/A (for further research and implementation)
Independent director	Continuing and high quality efforts; refresh skills and knowledge;	N/A (for further research and implementation)
Supervisory board to the Management	Respect diversity; take necessary training;	Participation of selected employees
Supervisory to the Board of Directors	Respect diversity; take necessary training;	N/A (for further research and implementation)
Internal control	Transparent arrangements between board’s risk management principles and auditor	N/A (for further research and implementation)

Internal audit	Effectiveness of Activities Monitored by audit committee;	N/A (for further research and implementation)
External audit	Policy of non audit services implemented by audit committee;	N/A (for further research and implementation)
Disclosure and transparency	Accounting standards reflect "true and fair" view; Open discussion between Board and Supervisor;	Using Internet in communication with investors and shareholders
Shareholders	Mutual understanding company's objectives; Remember the size and complexity of the co and risks it faces;	Enhance communication with Board and Chair
The corporation as a whole entity (enterprise)	Explain how its actual business practices consistent to the principles and contribute to governance; Provide necessary resources for developing its directors' knowledge and capabilities	Directors acts in the best interests of the company; equal shareholders treatment

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

During the financial crisis 1997-1998 and 2007-2009, France, Sweden and Denmark are among good countries with little impacts from the crisis storm and have many improvements in their Corporate governance Codes.

France's Corporate Governance standards analysis:

France has several movements in adjusting their Code of Corporate governance from 1997, 2001, 2003, 2008 and here we concentrate on its latest version, the 2010 AFG, so-called French, Code.

Good recommendations involved in the 2010 Code include, but not limited to, careful attention to the shareholders' rights and general meeting, in which video conference and e-means can be used for distant communication. Also, it suggests a few criteria, in detail, which enables shareholders to vote for a candidate in BD or SB.

Besides, it is more directly than other Codes that the Code states the Executives should include the environmental and social policies of the company in their report delivered to GM.

In addition to, it make, compared to other codes, another distinguished point of not supporting cross-management duties and cross-shareholdings in order to maintain transparency and independent managing.

Another minor point is the exclusion of CFO and CEO and Chair's descriptions.

For a summary on corporate governance factors, please refer to the Exhibit 4.

In summary, the description of different types of compensation and clarifications of independence and free from conflicts of interest are among good sides in the French Code 2010 while it does not analyze well roles of compliance officer or CEO.

Sweden's Good Corporate Governance principles analysis:

The Sweden Corporate Governance Board has modified the Code over years 2005, 2008, 2009 (consultation) and now, the 2010 version, with an attention to shareholders and

board's duties. (See Exhibit 9). It states the decision making made by simple majority vote at the GM. Besides, there are three (3) decision making bodies mentioned, which provides a better view than other Codes.

One of its advantages is the direction of making it applicable and provide clear norm for good corporate governance in Swedish listed companies.

Different from the French Code, here, the CEO roles are presented. For example, CEO must present issues outside the scope of day-to-day management to BD.

According to the code, the clarification of CG report such as division of tasks among BD members is another good point.

Generally, The 2010 Sweden Code strengthens the roles of BD and shareholders in creating values for the company. And same as the UK Code, the 2010 Sweden Code provides a comply or explain approach, which allows the company to select alternatives and explain it. It is in the Code that it requires the BD composition suitable to appropriate development phase and the company's operation. On the other hand, it still needs to clarify the leadership of the Chair different from CEO and compliance officer's roles for better understanding.

Please see the Exhibit 7 for more information.

Danish's Good Corporate Governance principles analysis:

The Danish Committee on CG has updated the new version, which is in compliance with OECD's principles, in April 2010 from previous ones, in 2008, 2003 and 2001, the original one. Its purpose is to enhance practical tools and useful recommendations for companies.

It enables shareholders to facilitate their rights by giving their views and decision at GM. And besides clarifying the duties of the chairmen, it also mentions another person, the deputy chairman who is able to act in case the chairmen's absence.

Different from Sweden Code in which it describes the independent director, the Danish recommendation clarifies the independent SGB, or Supreme governing body whose members are elected by employees. Last but not least, it refers to a remuneration policy which needs to indicate the reasons for remuneration.

In short, the Danish Code let the company decide whether to establish internal audit and other important issues and it clearly describe two (2) governing bodies. However, it would be better if it explains roles and relationship of CEO and compliance officer and between the Chair and CEO.

5. COMPARISON

The 2010 French Code mentions several good points such as: electronic voting, clarifying rights of shareholders and note them about right to regroup to send resolution at the GM and a GM operation means of allowing answers to shareholders' questions written on co.'s web as a way to operate the GM, as well as criteria for voting. (see Exhibit 11). It also mentions an executive committee which is regularly forgotten in other Codes.

Same as the French Code, 2010 Sweden Code emphasizes the role of shareholder's meeting or GM and it encourages active involvement from shareholders. Besides, it clarifies

roles of CEO in the aspect that he or she might be different from the BD's Chair. It also enhances the task of statutory auditor in examining whether BD or CEO carry out any action resulting in liability for damages. Among its different points includes the introduction of board procedures.

On the other hand, the Danish 2010 CG Recommendation, which is influenced by British models of executives and non-executives, comes up with the structure of "supreme and central governing body". Different from the Sweden Code, the day to day management task is delivered to Board of Director, BD, not CEO.

Therefore, based on above analysis, here we try to build a set of common standards.

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

This following table is built with the consideration of comparative analysis of three (3) selected above countries.

TABLE C.2 – *A relatively Good Corporate Governance standards*

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	At least one third (1/3) free from conflicts of interest;	Majority independent of management, with at least one (1) independent of major shareholders;
CEO and The Chair	CEO Appointed, evaluated and dismissed by BD, GM and Chair; Separated functions;	Chair ensure BD's work well-organized and efficiently conducted;
Corporate Secretary	N/A (for further research and implementation)	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	Day to day management; Diversity of boards in education, gender, background;	No fewer than three (3) members; at least two (2) members be independent of company's major shareholders;
Independent director	Independent opinion on tasks covered; Acquire knowledge of operation and market;	N/A (for further research and implementation)
Supervisory board to the Management	N/A (for further research and implementation)	N/A (for further research and implementation)
Supervisory to the Board of Directors	ensures high standard information sent to public	Act in the best interests of company
Internal control	Adequacy of Internal control ensured by BD;	N/A (for further research and implementation)
Internal audit	Independent, competent and thorough; Audit report in accordance with relevant legislation;	Not be governed by Board or executive MGT;
External audit	Audit report in accordance with relevant legislation;	Independent, competent and thorough

Disclosure and transparency	cross-management duties in contradiction with transparency and independent decision making;	Clear and understandable remuneration policy;
Shareholders	Decide on appropriation of profits and losses; Elect board and auditor;	right to submit resolution; Well-informed of the company situation;
The corporation as a whole entity	Be interested in CSR	Maintain good relationships with stakeholders;

D.3 - The 1st Establishment of a so-called European Limited Comparative 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 European Representative Corporate Governance standards are, but not limited to, clarifications roles between Chair and CEO, and secretary and views from the corporation as the entity.

On the contrary, the relative Good Corporate Governance Group standards states board of directors' tasks and its operation, as well roles of the chairmen.

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

Based on the 1st Establishment of a so-called relative Good Corporate Governance standards and The 1st Establishment of a European Representative Corporate Governance standards (above establishments), we consider to build comparative standards for a limited European Corporate Governance system.

TABLE C.3 - *The European Limited Comparative Corporate Governance standards*

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	with specialist knowledge and experience in application of accounting principles and internal control process	Majority independent of management, with at least one (1) independent of major shareholders;
Nominating committee	evaluate the balance of skills, experience, independence and knowledge on the board; process to nominate board;	Evaluate skills, knowledge of governing bodies, BD members;
Numeration or Compensation Committee	Numeration policies to attract and retain competent members;	Propose decisions electoral and numeration matters to GM;
CEO and The Chair	Effectiveness leadership and communication; Ensure views of shareholders communicate with board;	CEO Appointed, evaluated and dismissed by BD, GM and Chair;
CFO	N/A (for further research and implementation)	N/A (for further research and implementation)
Corporate Secretary	Ensure good connection and timely flow among the board and its committees and between senior management and non-executive directors;	

Compliance officer	N/A (for further research and implementation)	N/A (for further research and implementation)
Board of Directors or Management Board	cooperate closely to Supervisory Board (strategy) in writing and electronic; independently managing; day to day management;	Diversity of boards in education, gender, background, experience;
Independent director	Continuing and high quality efforts; refresh skills and knowledge;	Continuing and high quality efforts; refresh skills and knowledge;
Supervisory board to the Management	Respect diversity; take necessary training;	
Supervisory to the Board of Directors	Respect diversity; take necessary training;	ensures high standard information sent to public
Internal control	Transparent arrangements between board's risk management principles and auditor	Review of financial, operational and compliance controls conducted by board;
Internal audit	Effectiveness of Activities Monitored by audit committee; Audit report in accordance with relevant legislation;	Independent, competent and thorough
External audit	Independent, competent and thorough	Policy of non audit services implemented by audit committee;
Disclosure and transparency	Accounting standards reflect "true and fair" view; Open discussion between Board and Supervisor;	Clear and understandable remuneration policy; Using Internet or electronic GM;
Shareholders	right to submit resolution; Well-informed of the company situation;	Elect members of Supervisory Board and auditors;
Stakeholders	Maintain satisfactory engagement between Board and investors;	stock options' resolution of executives different from that of employees
Accountability	Nature of business and risks understood by Board;	BD ensures independent judgement;
Leadership	Separate and clearly descriptions of leading business operation different from leading board	Belongs to Chair, CEO, SGB and SB
The corporation as a whole entity	Business is a going concern; Explain how its actual business practices consistent to the principles and contribute to governance; Provide necessary resources for developing its directors' knowledge and capabilities	Co.'s sustainable value creation in conformity with a social market economy approach
The Code	Take an "Explain or Comply and understandable" approach	N/A (for further research and implementation)

(Note: source are based on corporate governance standards of group <D.1> and <D.2> and the appraisal of these standards)

6. CONCLUSION

Among several key corporate governance issues is the setting of a compensation policy, and therefore, a sound organization of compensation and numeration committee. As we see from Exhibit 10, though guidelines for compensation pay out are referred to, the op-

eration of numeration committee may be differently organized to achieve sound results (see our above analysis and table), or stated clearly proper criteria as in German Code. To do this, the Code should have certain characteristics, so-called Code's backbone, that we summarize above such as an "explain and understandable" attribute.

While the Sweden 2010 Code tries to create good and clear descriptions of roles which are different among owners, board and management. And the Danish Code leaves an optional decision for Supreme governing body of the company on issues of establishing internal audit function. Besides, the UK and France Code also identify different and separated roles and functions between CEO and the Chair.

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 corporate governance standards** in a limited European model with selected countries. It has some implications for further research and proper recommendations to relevant government and organizations. Please see Exhibit 5.

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GLOSSARY AND NOTES

AGM	Annual General Meeting, (and GM, in which can be facilitated by Internet tools)
AFG	Association Francaise de la Gestion financiere
CGB	Corporate Governance Board
GM	General Meeting (see above) or Shareholders' Meeting
AGM	Annual General Meeting
CG	Corporate Governance
DG	Directorates Governance
SB	Supervisory Board
BD	Board of Directors
SGB	Supreme Governing Body (SB and BD)
CGB	Central Governing Body (SB and BD)
CEO	Chief Executive Officer, or Chief Executive
CFO	Chief Financial Officer, or Finance Director
MB	Management Board
AC	Audit Committee
CNC	Compensation or Numeration Committee
NC	Nominating Committee
SEC	The Securities and Exchange Commission
MGT	Management
BM	Board Meeting
AR	Annual Report
IA	Internal Audit
RM	Risk Management
IC	Internal Control

EXHIBIT

EXHIBIT 1 – *Changes in Company Law and Regulations recently*

	Comply or explain with principles or codes	Defining audit functions and limits on auditors	Improving transparency	Defining and controlling conflicts of interest	Improving or easing voting, greater role for AGM	Role for independent directors
Belgium		+		+	+	+
United States		+	+	+		+
Spain	+	+	+	+		
Germany	+		+		+	
Austria		+				
Ireland		+				
Finland						
Portugal				+		
Netherlands	+	+	+		+	
Greece		+	+	+		+
Czech Republic		+	+	+	+	
Australia			+			
Turkey		+			+	
Poland	+	+	+	+		
Switzerland	+	+	+	+		+
United Kingdom			+			
Italy			+	+	+	+
Hungary						
Sweden					+	
Mexico	+		+			+
Korea			+	+	+	+
France			+		+	
Canada		+			+	
Japan		+	+		+	+
Denmark						
Slovak Republic						
New Zealand			+			
Norway						
Luxembourg						
Iceland						

+ indicates a recent (last year or two) legal or regulatory change.

Source: Country submissions to OECD and OECD Company law and corporate governance data base.

EXHIBIT 2 – The Model of Construction of A So-Called Comparative European corporate governance standards

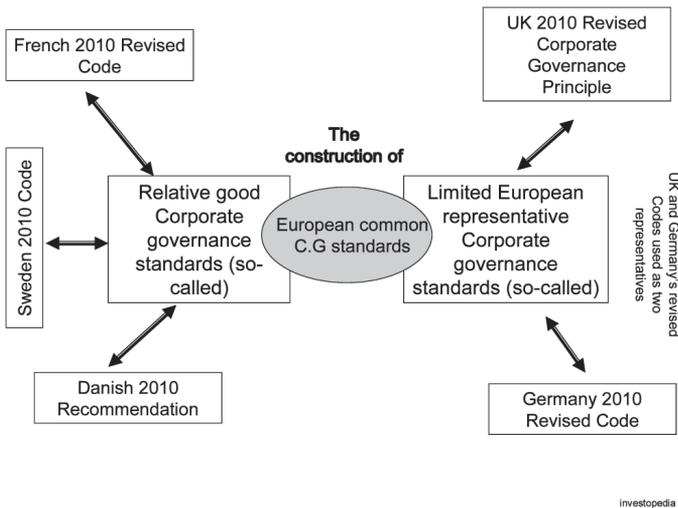


EXHIBIT 3 – Evaluation of German 2010 Code Corporate Governance

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	Set up by SB; chairman with specialist knowledge and experience in application of accounting principles and internal control process	The chairman different from Chairman of SB	Examine consolidate financial statements; as understood from the Code; handles issues of risk management, accounting and compliance;	<u>Not mentioned clearly in the Code</u>	
Nomination committee	Formed by SB;	Compose Exclusively of shareholders' representatives	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	
Compensation or Remuneration committee	Belong to the SB, , as understood from the Code	Belong to the SB, , as understood from the Code	Belong to the SB, , as understood from the Code	Belong to the SB, , as understood from the Code	
CEO	<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, or the chair of SB, as understood from 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>	<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>	<u>Not mentioned clearly in the Code</u>	A single body;	<u>Not mentioned clearly in the Code</u>	Possible Alternative, by European Company

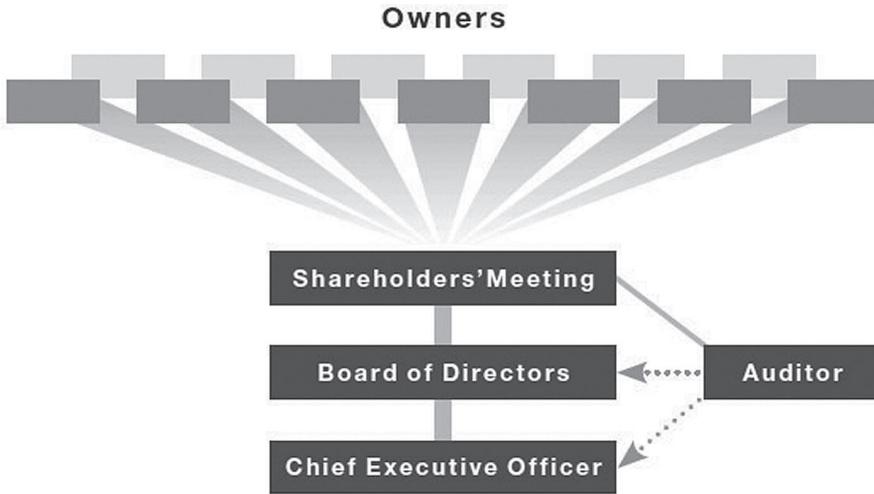
Executive director	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	
Non-executive director	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned 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 (Board)	Inform to SB important matters: business development, risk management	cooperate closely to SB (strategy) in writing and electronic; independently managing; age limit;	Managing enterprise; Submit financial statements to GM; provide sufficient information to SB;	Good corporate governance; Act in the best interests of company, as understood from the Code	A Chairman of MGT Board
Supervisory board	Members of Supervisory Board elected by shareholders; cooperate closely to Management Board	one-third (1/3) or one half (1/2) are employees; respect diversity; take necessary training; age limit;	Appoint, supervise Management Board; decisions of fundamental importance of enterprise (changes of asset, earnings situation); approve extending loans to members of MB and SB; review MB compensation system; Examine consolidate financial statements;	Good corporate governance; appropriate compensation levels; Act in the best interests of company, as understood from the Code	A Chairman of Supervisory Board is a shareholders' representative in enterprise with more than 2000 employees
Internal control	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	Risk management and risk controlling ensured by MB	<u>Not mentioned clearly in the Code</u>	
Internal audit	<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>	
External audit	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	Send statement to SB or AC about where and which business, financial and personal relationship exist between auditor and executives; mainly contact with SB;	<u>Not mentioned clearly in the Code</u>	
Disclosure and transparency	<u>Not mentioned clearly in the Code</u>	Open discussion between MB and SB; Internet for communication with investors and shareholders	Accounting standards reflect "true and fair" view; MB discloses conflicts of interests to SB; insider information disclosed by MB; interim, half year, quarterly and annual financial reports informed to shareholders;	<u>Not mentioned clearly in the Code</u>	
Shareholders and Minority Stockholder	<u>Not mentioned clearly in the Code</u>	Send notification of GM by electronic means; use Internet for GM;	Elect members of Supervisory Board and auditors; one vote each share; resolve appropriation of net income at GM, inter-company agreement;	<u>Not mentioned clearly in the Code</u>	No share carry multi votes
Accountability	<u>Not mentioned clearly in the Code</u>	<u>Not mentioned clearly in the Code</u>	Belongs to MB and SB, as understood from the Code	<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>	Belongs to MB and SB, as understood from the Code	<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. Either dual-board or single board can be successful with intensive interaction.				

EXHIBIT 4 – *Evaluation of French Code of CG 2010*

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	At least one third (1/3) free from conflicts of interest;	One (1) BD or SB member with Financial and accounting expertise;	Risk analysis; Assessment of external auditor's work; control finance and accounting information;	<u>Not mentioned clearly from the Code</u>	There is a chairman
Nomination committee	At least three (3) members of BD or SB	At least one third (1/3) free from conflicts of interest	Appoint board members, directors; join in assessment of board's performance	<u>Not mentioned clearly from the Code</u>	
Compensation or Remuneration committee	Chairperson and majority of members free from conflicts of interest	<u>Not mentioned clearly from the Code</u>	Design compensation types with fixed and variable pay; examine compensation of executives;	<u>Not mentioned clearly from the Code</u>	Management and employees may not be member
CEO	Separated from the chair;	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
The Chair	Separated from the CEO;	<u>Not mentioned clearly from the Code</u>	Report internal control procedures to GM; full discretion to vote as proxy;	<u>Not mentioned clearly from the Code</u>	
CEO and The Chair relationship	Separated functions;	Free conflicts of interest lead director appointed if they are same	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Corporate Secretary	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Compliance officer	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Board of Directors	Diversity of boards in education, gender, background; board members with executive duties outside limited to two and five for non-executive directorships;	Directors representing employee shareholders' nominated by shareholders; regular board member training; one third (1/3) of board free from conflicts of interest	Answer shareholders in GM how they function; supervise compensation decision making; formal annual assessment of board's performance;	Determine future of company; board's strategy and action consistent with sustainable development of the co.;	
Executive/ Representative director	Limited to two for non-executive directorships in BD	Not in favor of executives with cross-management duties and cross-shareholdings;	Inform to GM key issues: co.'s medium and long term strategy, debt and dividend distribution policy; attending GM; keep large amount of company shares or stock options (at risk); fully delegate their shareholdings' management;		There is an executive committee, as understood from The Code
Non-executive director	Limited to five for non-executive directorships in BD	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	There is non-executive chairperson;
Independent director	<u>Not mentioned clearly from the Code</u>	Independent judgement	Be informed about the rights and duties for their position;	<u>Not mentioned clearly from the Code</u>	As understood from the Code
CFO	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	

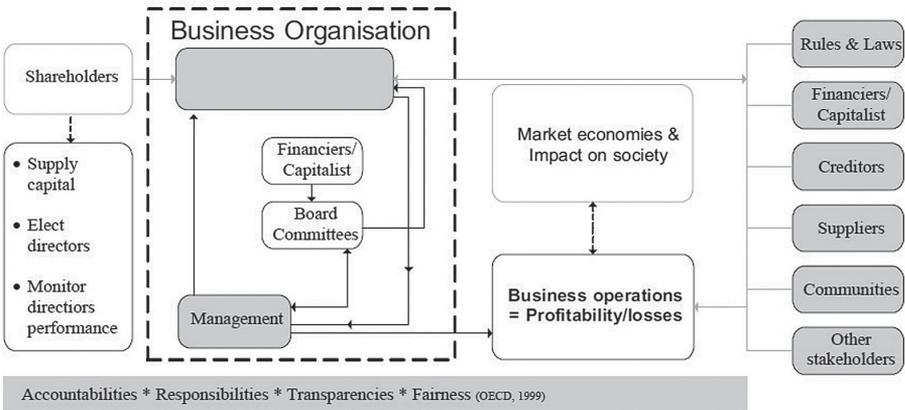
Management team	Investment manager be independent;	Documents published in advance of board meetings	Supply BD with information useful for his or her duties (strategy, compensation);	<u>Not mentioned clearly from the Code</u>	
Supervisory for the board	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	supervise compensation decision making; ensures high standard information sent to public	<u>Not mentioned clearly from the Code</u>	As understood from the Code
Supervisory for the managers	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Internal control	<u>Not mentioned clearly from the Code</u>	Regular communication between board head and risk depart.'s head	Procedures Reported in GM by the chairperson of the Board; AC oversight it;	<u>Not mentioned clearly from the Code</u>	
Internal or statutory audit	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
External audit	<u>Not mentioned clearly from the Code</u>	Assessment made by AC;	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Disclosure and transparency	Transparent compensation; Avoid use of ambiguous language;	cross-management duties and cross-shareholdings in contradiction with transparency and independent decision making;	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Shareholders and Minority Stockholder	As many shareholders attending GM as possible;	they be informed as soon as possible; can use electronic means or videoconference for GM;	GM can dismiss BD or SB; summary and full reports needed in GM; right to submit resolution; not in favor of anti takeover measures (minority shareholders' interests);	<u>Not mentioned clearly from the Code</u>	
Accountability	Board ensures independent judgement;	Board noted about their duties and rights;	SB and BD ensures high standard information sent to public	<u>Not mentioned clearly from the Code</u>	
Leadership	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	<u>Not mentioned clearly from the Code</u>	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

EXHIBIT 5 – Three (3) Factors Corporate Governance Decision Making model in The 2010 Sweden CG principles



(source: 2010 Sweden Code and Company Acts)

EXHIBIT 6 – Corporate governance parties



Accountabilities * Responsibilities * Transparencies * Fairness (OECD, 1999)

(Source: Loh Leong Hua & Ragayah Haji Matzin, Corporate Governance: Theory and some insights into the Malaysian Practice, 2007)

EXHIBIT 7 – Evaluation of Sweden Corporate Governance Principles 2010

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	No fewer than three (3) members;	Majority independent of management, with at least one (1) independent of major shareholders;	Procedures written by board, if applicable;	<u>Not mentioned clearly in the Code;</u>	
Nomination committee	At least three (3) members, one is committee chair;	At least one (1) member be independent of largest shareholders; can have BD member;	Nominate a chair for GM; Propose decisions electoral and numeration matters to GM; Propose candidates for the post of chair, BD member;	Ensure the co.'s has access to the competence at appropriate cost;	
Compensation or Remuneration committee	BD chair may be remuneration's chair;	<u>Not mentioned clearly in the Code;</u>	Prepare principles of remuneration; monitor and evaluate remuneration programs;	<u>Not mentioned clearly in the Code;</u>	
CEO	Appointed, evaluated and dismissed by BD;	May be member of BD but not BD's chair;	One key decision making body; Charge of liability decided by GM; day-to-day MGT; Obligated to follow BD's instructions; right to attend and speak at BM; Evaluated by BD;	<u>Not mentioned clearly in the Code;</u>	
The Chair	<u>Not mentioned clearly in the Code;</u>	Ensure BD update and develop its knowledge from co.'s operation;	Organize and lead work of board; ensure new BD member receive training; in consultation with CEO;	Ensure BD's work well-organized and efficiently conducted;	The chair of the BD
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>	<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	No fewer than three (3) members; at least two (2) members be independent of company's major shareholders;	Delegate tasks to individuals or non member of board; written Rules of Procedure; Devote necessary time and care;	One key decision making body; Board fee and Charge of liability decided by GM; Organization and business management duties; May delegate decision making to committee; written instructions to CEO; guidelines to govern co.'s ethical conduct;	Ensure external communication open, accurate and reliable and relevant; ensure satisfactory process of monitoring co.'s compliance with laws;	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	Engaged entirely / predominantly in board	Devote necessary time and care;	Independent opinion on matter covered; Acquire knowledge of operation and market;	<u>Not mentioned clearly in the Code;</u>	
Independent director	Whether he/she has significant business relationship with company;	Whether has been CEO or employee or auditor; Devote necessary time and care;	Independent opinion on matter covered; Acquire knowledge of operation and market;	<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	<u>Not mentioned clearly in the Code;</u>	No member of executive MGT is board member;	<u>Not mentioned clearly in the Code;</u>	<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>	The committees, as understood from the Code	<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	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	Adequacy of Internal control ensured by BD;	Company's financial reports in accordance with legislation and accounting standards;	
Internal or statutory audit	Not be governed by Board or executive MGT;	Review MGT of board and CEO;	Appointed by GM; be a controlling body; Examine accounting practices; report to owners at GM;	Audit report in accordance with relevant legislation; whether AR reflects accurate co.'s position	
External audit	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	Auditor fess decided by GM;	<u>Not mentioned clearly in the Code;</u>	Understood from The Code
Disclosure and transparency	Minutes of GM posted on web; formally and openly remuneration processes;	GM meeting information posted on web in conjunction with 3rd quarter report;	Announce nomination committee members' names on web; Post CG report on co.'s website;	Create maximize transparency to shareholders, capital market and society;	
Shareholders and Minority Stockholder	GM held in 6 months of fiscal year end;	Active shareholders' participation; major shareholders hold 10% or more share votes	GM is One key decision making body; Vote by proxy or by no of shares owned; Decide on appropriation of profits and losses; Elect board and auditor;	A healthy balance of power between board, owner and executives;	Minority Shareholders Protection by The Company Acts
Accountability	<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>	
Leadership	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	By the BD, as understood from the Code;	<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.				

EXHIBIT 8 – Summary of Key Overlaps in the UK Code of Corporate Governance

Disclosure and Transparency rules	2010 Code
D.T.R 7.1.1.R	Provision C.3.1
D.T.R 7.2.5.R	Provision C.2.1

EXHIBIT 9 – Summary of Key Changes in the Sweden 2010 Code of Corporate Governance

Items	2010 Code
Internal Audit	Requirement to explain lack of internal audit (removed)
Internal Control	Production of an internal controls report, rule 7.4

(Source: Sweden Code 2010)

EXHIBIT 10 – *Some Sound Compensation Policies*

Items	Recommendation
Factors of pay out	Payout of compensation incentives should be based on risk-adjusted and cost of capitaladjusted profit and phased, where possible, to coincide with the risk time horizon of such profit. (III)
Factors of pay out	Incentive compensation should have a component reflecting the impact of business unit's returns on the overall value of related business groups and the organisation as a whole. (IV)
Transparency of pay out	The approach, principles and objectives of compensation incentives should be transparent to stakeholders. (VI)

(Source: Institute of International Finance (2008b), *Final Report of the IIF Committee on Market Best Practices: Principles of Conduct and Best Practice Recommendations*, Washington, D.C).

EXHIBIT 11 – *Summary of Criteria when shareholders vote on BD or SB member in the AFG Code of Corporate Governance*

Criteria	Note
CV	Current functions, appointment
Free of Conflict of interest	relationship between the company where the candidate is principally employed and the company he/she is a candidate.

EXHIBIT 12 – *Evaluation of Danish Recommendation on Corporate Governance 2010*

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee (Board committees)	Not sufficient if SGB acts as audit committee;	<u>Not mentioned clearly in the Code;</u>	Monitor and report to SGB on accounting and risk matters;	Increase efficiency and improve quality of the SGB's work	Understood as Board Committees, from the Code
Nomination committee	<u>Not mentioned clearly in the Code;</u>	Established by SGB;	Describes qualifications of two (2) governing bodies; Evaluate skills, knowledge of governing bodies members; report to SGB;	<u>Not mentioned clearly in the Code;</u>	
Compensation or Remuneration committee	Not consult with the same external advisers as BD;	Established by SGB;	Proposals for remuneration policy;	Attract and retain competent members;	
CEO	<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	Evaluated by different person;	Efficient communication between SGB and BD and shareholders;	Scheduling of meeting for the year; Ensure members update knowledge of the co.;	Ensure knowledge and skills of individual member used in the best manner for the co.;	
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>	<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 (the supreme <i>and the central</i>)	SGB assess whether its composition and skills of its members reflects, or needed to be update, demands posed by the co.	Know shareholders' attitude, interests and views; independent SGB;	Day to day management; <i>supervise the executive board</i> ; Evaluate whether capital structure is in interests of shareholders; SGB approve procedures for BD; Maintain overall MGT and control; <i>Identify most important business risks</i> ;	Ensure ongoing communication with shareholders; <i>Ensure follow-up on the co.'s strategic goals</i> ; Ensure financial report in accordance with current legislation and applicable standards;	<i>Italic words for the BD in central governing body</i>
Executive/Representative director	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	All be present at GM;	<u>Not mentioned clearly in the Code;</u>	As understood from the Code
Non-executive director	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	All be present at GM;	<u>Not mentioned clearly in the Code;</u>	As understood from the Code
Independent director	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	Mentioned in independent SGB, as understood from the Code;	<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	<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>	
Supervisory for the board	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	A body involved in SGB and CGB;	<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 (risk committee)	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	SGB decided whether there is a need for risk committee	Effective RM or IC;	
Internal or statutory audit	Independent, competent and thorough	<u>Not mentioned clearly in the Code;</u>	AC decides whether there is a need for Internal Audit;	<u>Not mentioned clearly in the Code;</u>	As understood from the Code
External audit	Independent, competent and thorough	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	As understood from the Code
Disclosure and transparency	Openness and transparency of important remuneration matters; risk management included in annual reports;	No. of SGB's Meetings and some personal information disclosed in annual report;	Annual report disclose special skills of SGB member; Clear and understandable remuneration policy;	<u>Not mentioned clearly in the Code;</u>	
Shareholders and Minority Stockholder	Well-informed of the company situation;	Make it easy for dialogue with management	The ultimate decision maker (public co.); exercise rights at GM; GM as forum for communication and discussion; remuneration policy accepted by GM;	Co. To be competitive and value-added;	Minority Shareholders Protection by The Company Acts
Accountability	<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>	As understood from the Code
Leadership	<u>Not mentioned clearly in the Code;</u>	<u>Not mentioned clearly in the Code;</u>	SGB be responsible for;	<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. Its 2010 involves mainly recommendation .				