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REVIEW OF THE CORPORATE GOVERNANCE PRACTICES – AN INTERNATIONAL PERSPECTIVE

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ABSTRACT

Corporate governance has been a pivotal to the success of private investment and public good. Globally, the governments and private entities are engaged for the adoption of the best practices in the field of corporate governance and corporate regulation. Promotion of self regulation by the corporate entities has been the stressed point in every governance related law internationally. The corporate governance code and corporate discipline are evolving to new heights for the establishment of the sound governance mechanisms by the state governments globally. The executive compensation, the independence in the corporate boards, the training and awareness amongst the board members regarding the regulatory implications among others are some of the key issues which are being focused on by every corporate governance related law in any country. This study is a review of the corporate governance initiatives and regulatory mechanisms as evolved and adopted by Australia, United Kingdom, Singapore, South Africa and Malaysia.

CORPORATE GOVERNANCE MECHANISM IN AUSTRALIA

The corporate governance in Australia is being based on the following principles-
- Accountability
- Independence
- Transparency

The self regulation amongst Australian corporate entities has been attached to the adoption of the above mentioned practices and principles in order to establish good governance practices and adoption thereof by the corporate investors and managers.

The Australian Securities Exchange (ASX) has a specialized agency for the evolution of the corporate governance related best practices which is called as ASX Corporate Governance Council. The ASX Corporate Governance Council has evolved the Corporate Governance Principles and Recommendations in 2003 following the revisions in 2007, 2010 and 2014 for the effective governance of the corporate affairs by the corporate entities listed on the Australian Stock Exchange.

REVIEW

The ASX Corporate Governance Principles and Recommendations are reviewed here below-

- The proper disclosure and transparency in the financial reporting with reliability has been stressed upon by the Principles.
- The identification, addressing and management of corporate risk needs to be looked into by the corporate boards.
- The recognition of the investors' equity is to be ensured by the corporate managements.
- The independent composition of the corporate boards and their fair compensation needs to be ensured.
- The protection of the interests of the security holders needs to be ensured by the corporate managements.

MANDATE

The ASX Recommendations have been mandated with "if not, why not" tag. The corporate boards are to either implement these recommendations or to explain as to why these have not been implemented.

CORPORATE GOVERNANCE MECHANISM IN UNITED KINGDOM

The UK has adopted the first corporate governance mechanism in 2008 (UK Combined Code 2008). It was revised in 2010 and renamed as UK Corporate Governance Code 2010. The UK Corporate Governance Code got revised in 2012. The new UK Corporate Governance Code 2012 became effective w.e.f. October, 2012 as is applicable to all corporate entities listed in United Kingdom.

REVIEW

The UK Corporate Governance Code may be reviewed as below-

- The separation of the office of the Chairman and Chief Executive is mandated.
- The management and mitigation of the risk has been stressed upon by the code.
- The executive remuneration is to be fixed fairly.
- The directors' training is to be ensured by the corporate entities.
- Performance evaluation of the board members is to be carried out by the corporates.
- Sustainable, independent and reliable reporting is to be ensured.
- The independent auditors and directors need to be appointed by the corporate entities.

MANDATE

The UK Corporate Governance Code 2012 is applicable with "Comply or Explain" approach. Either the code is to be adhered to in totality or it has to be explained as why the code has not been adhered to in totality.

CORPORATE GOVERNANCE MECHANISM IN SINGAPORE

Corporate governance in Singapore is looked after by the Corporate Governance Committee of the Singapore Exchange. The Corporate Governance Code was firstly issued by the committee in 2001 followed by revisions in 2005, 2007 and 2010. The Monetary Authority of Singapore has revised the Code in 2012 and the new code became effective w.e.f. November, 2012.

REVIEW

The Corporate Governance Code may be reviewed as following-

- The provision of the Nomination Committee for the appointment of the directors has been provided.
- The division of the powers amongst the Chairman and CEO needs to be ensured.
- When the Chairman and the CEO are related, the provision of Half-Board Independent has been provided by the code.
- Access to informations by the directors is to be ensured at all time.
- The performance evaluation of the directors is to be carried out by the Nomination Committee and the same needs to be included in the Annual Report of the company.

MANDATE

The Corporate Governance Code is not compulsory in Singapore but the listed companies are covered under the 'comply or explain' approach. Every that company is required to adhered to the code which is listed on the Singapore Exchange without exception.

CORPORATE GOVERNANCE MECHANISM IN SOUTH AFRICA

King III has issued the corporate governance code in South Africa in 2009 which is called as King Code of Governance 2009. The is built upon the following principles-
- The leadership
- The transparency and corporate citizenship
- Sustainability

REVIEW

The King Code of Governance provides for the followings-

- The board of directors needs to be under ethical leadership and management.
- The independent directors need to be selected by the Nomination Committee.
- The clarity of the role of the Company Secretary should be there.
- The directors' appraisal is to be carried out by the Remuneration and Nomination Committee jointly.

- There should be an Audit Committee in every listed company. The Audit Committee should be headed by and independent non-executive director.

MANDATE

The 'apply or explain' approach is mandated by the code for the effective implementation of the best practices in the corporate governance.

CORPORATE GOVERNANCE MECHANISM IN MALAYSIA

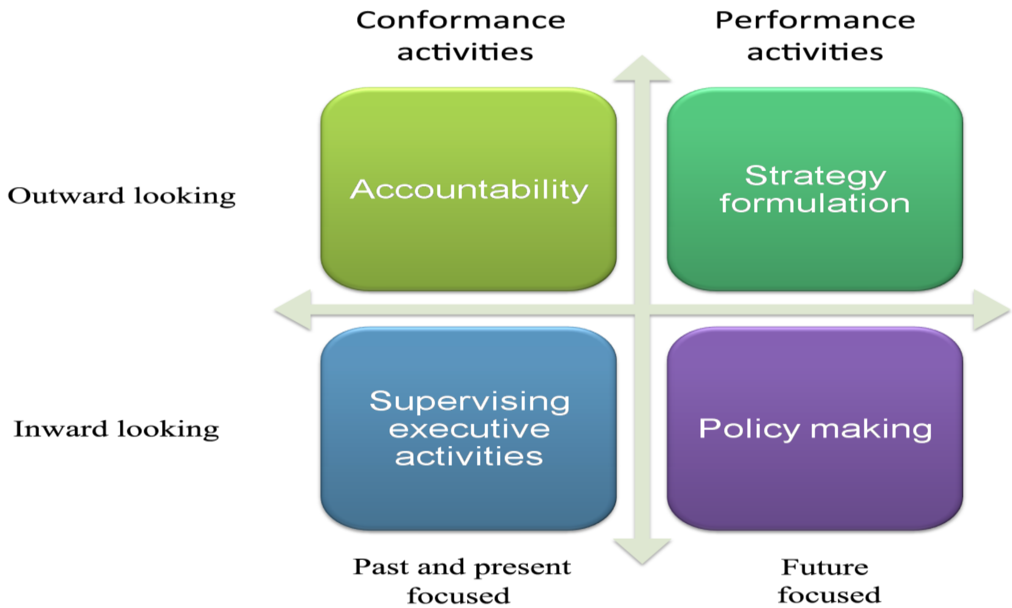
Securities Commission of Malaysia has issued Code of Corporate Governance in 2011 revising the original code of 2001 issued by the Malaysian Government. This code became effective in 2012 named as Malaysian Code of Corporate Governance, 2012. The Malaysian Corporate sector is expected to adhere to the same while managing their business and corporate affairs.

REVIEW

The Code provides the following recommendations-

- Separation of chairman and CEO is provided along with bifurcation of powers and duties to each.
- The compensation of the executive directors is to be fixed by the Remuneration Committee.
- The directors' training is to be arranged in order to create regulatory acumen amongst the members of the board.
- The risk management should always be taken by the corporate management seriously for the shareholders' wealth protection.
- The interests of the security holders need always be protected by the corporate boards.
- The internal control systems within the policies of the company should be provided with a specific treatment.
- The financial reporting should always be transparent and independent.

The same can be elaborated with the help of following chart:-



CONCLUSION

COMMON OJECTIVE-FRAMEWORK OF CORPORATE GOVERNANCE

Every code of corporate governance has stressed on the fact that the transparency and accountability should be taken care of while deciding upon the corporate practices to be adopted for the general conduct of the business.

The corporate governance has the dual approach of looking outward and looking inward. The corporate governance has the dual role of conforming and performing upon the policies and objectives. Both the past and present is to be looked onto by the corporate governance framework, the same has been adopted by the governments of the countries reviewed. All the policy frameworks and objective settings are suggested to be based on the 'conforming and performing' policy.

As discussed above, generally all of the above mentioned codes of the corporate governance have the transparency, independence and corporate citizenship to the core of the best practices in the field of the corporate governance. Every code of the corporate governance stresses upon the point of sustainability and reliability of the financial statements. The internal control system along with the risk management system is also in the core heading of the best corporate governance practices. The executive compensation and directors training are the other areas of the good governance practices in the corporate sectors worldwide. Every code of corporate governance includes the corporate sustainability as one of the result orientation to be achieved by the corporate units.

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