CORPORATE GOVERNANCE IN EMERGING MARKETS IN ASIA: CORPORATE MANAGERS' PERSPECTIVES

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Abstract

Good corporate governance ensures that managers provide all stakeholders with the information needed to make well-informed decisions. Western governments have enacted regulations designed to ensure the availability to accurate and timely information. While many developing countries have passed similar laws, the extent of their success varies. As a result, investors holding a controlling interest in a firm may not act to the benefit of non-controlling shareholders. To gain insights on the corporate mangers' view about corporate governance, the officers of 23 firms located in six developing countries in Asia were interviewed. The survey shows that there is a widespread agreement on the benefits of good corporate governance. And to a large extent, firms are taking steps to make their decision making ethical and transparent. The influence of government regulators, pressures from foreign investors and the firms' internal desire to practice good management are working to continually improve corporate governance.

Keywords: Corporate Governance, Emerging Markets, Management

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Introduction

In general, corporate governance refers to the set of customs, rules, policies, and processes that affect the way a company is directed or controlled. It includes the goals for which the corporation is governed, and the relationship among the firm's various stakeholders. These stakeholders include shareholders, employees, customers, suppliers, creditors, boards of directors, regulators, and the society in which the firm operates.[1] Thus, the key aspects of corporate governance include transparency of corporate structures and operations, and the accountability and responsibility of managers and the board of directors to the stakeholders.

Corporate Governance has been attracting significant public interest because of its importance for the economic health of corporations, the well being of its employees, and the welfare of society (Lou, 2007). Owners, directors, and managers are coming to realize the benefits of good corporate governance as it can lead to an increase in share price. Further, good corporate governance enhances a firm's ability to raise capital, hire employees, and buy and sell goods at home and abroad.[2]

What is Good Corporate Governance?

Most firms' managers work to accomplish two tasks. First, they enter the capital, labor, input, and output markets[3] and then use these resources along with the firm's assets to maximize shareholder wealth. Second, they distribute the profits earned among all shareholders, rather than just a few, in proportion of their share holdings. If transparency characterizes these activities, they have practiced good corporate governance.

Just as governments in free democratic societies require transparency so that the citizens can determine whether their interests are being served for deciding on how to vote in the next elections, corporations must also act in a democratic and transparent manner

[1] Dignam, A and Lowry, J (2006) provide a detailed perspectives on corporate governance.

[2] Investors, especially international investors are more inclined to invest in equity or lend money to companies that have transparent corporate structure, independent directors, restriction on related party transactions, and separate audit committee. (McGee, 2008)

[3] A firm uses a variety of markets to raise capital, hire employees, procure inputs and sell the goods and services produced by the firm.

so that their owners and lenders can make well-informed decisions about their current and future investments. This is what corporate governance is all about.[4]

While good corporate governance may not be easy to determine, deviant corporate governance is not difficult to spot. For example, after the fall of the U.S.S.R, Russia privatized the government owned enterprises and created stock markets. Even before the stock market crash of 1998, the market value of the two hundred largest listed companies in Russia totaled only $130 billion, even less than the market value of Intel Corporation. The low prices indicated grave corporate governance problems. These market prices reflected the investor fear that the corporate assets would be mismanaged—the firms would be badly run, profits would be siphoned off by the managers and insiders, and that managers would take on unproductive investments. The net effect of the poor corporate governance was that it inflicted real damage to the Russian economy. (Fox and Heller, 2006)

Importance of Good Corporate Governance

As noted above, good corporate governance can enhance the interests of the larger community while creating higher returns for shareholders. For example, some corporations voluntarily engage in socially responsible behavior precisely because it enhances shareholder value. They undertake philanthropic activities such as the financial support of colleges and universities, art galleries and museums, and homeless shelters and soup kitchens because management believes such activities create goodwill among customers—goodwill that exceeds their cost. Similarly, companies provide day care, fitness facilities, health care and vacation time to employees because managers believe that the improved employee-productivity and retention rates generated by these benefits outweigh their price tags. And a growing number of companies make eradication of disease, elimination of child labor, improving the lives of women in developing countries, promoting animal rights, protecting the environment, or engaging in other socially responsible activities part of their value proposition. (Martin, 2002)

Bad corporate governance is often characterized by related party transactions. In companies with entrenched management, such transactions are often driven by conflicts of interest that could-short change minority shareholders and the company itself. The mere appearance of self-dealing can cause the market to punish the company. Jian and Wong (2004) found that the frequency of related company transactions was negatively related to the firm value. Cheung and Rau (2006) found that the mere announcement of related transactions was associated with significantly negative abnormal returns in Hong Kong listed companies.

Corporate Governance and Shareholder Welfare

The major goal of corporate governance is shareholder welfare (wealth maximization). Shareholders are the true owners of the corporation and it is reasonable to expect that the corporation is run and governed for the best interests of the shareholders. Therefore, corporate governance must set controls on the actions and activities of managers to minimize (if not eliminate) the possibility of conflict of interests between the shareholders (principals) and the managers (agents).

Society too has a vested interest in good corporate governance. In a competitive economy, firms seeking to continually maximize shareholder wealth attempt to provide new and better products and services at competitive prices in order to sustain and increase their profitability.[5] Continuous improvements in products and services at affordable prices are what describe the quality of citizens' lives. Therefore, society also wants firms to be well governed because the profit motive of the shareholders, eventually, improves the welfare of all.

Corporate Governance Issues

Corporate governance in the West:

In western countries like the United States, United Kingdom, France, and Germany, corporate ownership is wide-spread and no single owner or group of owners has a large enough ownership-interest in the corporation to influence the firm's operations. The firm is run by professional managers who make the day-to-day decisions. The issue of corporate governance is more of a handling of the agency problem where management's interests are not always aligned with shareholder interests. Therefore, effective corporate governance becomes an issue of motivating managers to act in the best interests of the

[4] The Center for International Private Enterprise (2002) lists some of the important attributes of good corporate governance. www.cipe.org

- Risk reduction
- Increased performance
- Improved access to capital markets
- Improvement in marketability of goods and services
- Improved leadership
- Transparency and social accountability

[5] The difference in the value of the goods and services produced and the cost of the inputs is the value by which shareholders wealth increases. The increase in shareholder wealth, thus, is also the firm's value creation for the economy.

shareholders. The board of directors is supposed to be a conduit between the shareholders and the managers where the board, at least in theory, provides strategic leadership and supervises the actions of the management. However, often the CEO influences and even determines the board's composition and acts as the singular decision maker of the corporation. Although a large proportion of shares in western corporations are owned by institutions, these institutional owners often lack the interest or expertise to discharge their ownership responsibilities. Rather than exercising their votes to control the actions and direction of the corporation, they tend to vote with their feet—they sell their shares if they do not approve of corporate decisions, actions, or omissions. In sum, many institutional and even large individual shareholders act more as absentee landlords and hope that the tenants will protect their interests. The result is that managers, including the CEO, can do what they want to do with impunity.

Without appearing to micromanage the working of a corporation, regulators try to craft and implement regulations which will make managers more responsive to the welfare of the shareholders and responsible and accountable for their decisions and actions. For example, in response to corporate governance problems such as those highlighted by the Enron and WorldCom scandals, the U.S. Congress enacted the Sarbanes Oxley Act of 2002. The Act set new and enhanced standards for all U.S. public company boards, management, and public accounting firms.

Studies have found that compliance with government regulations creates advantages to the firm over and above the costs involved. One study of nearly 2,500 companies found that those with no material weaknesses in their internal controls or those that corrected issues in a timely manner experienced much greater increases in share prices than companies that did not (The Lord & Benoit Report, 2006). The report showed that the benefits to a compliant company in share price—increase of 10% above the Russell 3000 index—were greater than their Sarbanes Oxley Act's Section 404 costs. On the other hand, companies that reported internal-control deficiencies in both 2004 and 2005 experienced a share price decline of 5.7%. Markets appear to like companies that fix their deficiencies. Companies that reported internal control problems in 2004 but fixed them in 2005 had a share price gain of only 0.6% in 2004. But once the problem was fixed, their share price increased, on average, by 25%. Over the two year period, such companies experienced an average increase of 25.74%, only slightly less than the average increase in stock prices of 27.67% for the companies that reported effective controls in both the years.

Corporate Governance in Developing Countries:

Unlike the west, publicly traded companies in emerging markets are characterized by high ownership concentration—most of the stock is held by one or a few individuals. This concentrated ownership gives the controlling owners the power to negotiate and enforce contracts. However, it also allows them to engage in self-dealing without fear of challenges from the board of directors or the takeover markets. This unfettered power of the controlling shareholders prevents the outside, non-controlling shareholders from trusting a firm's financial statements to be a true representation of its operating performance and financial well-being. It may also encourage them to discount the stock price from what it might have been under a more robust regime of corporate control.[6]

Thus, the problems of Corporate Governance in emerging markets is very different than those in the western countries—in the west corporate governance means controlling the managers to be responsive to the welfare of the owners. In the emerging markets the problem is how to control the controlling shareholders and protect the interests of minority shareholders. [7]

The governments of several developing economies have made efforts to promote good corporate governance. For example, some have set up regulations and codes of conduct for corporations in order to improve the quality of corporate governance.

In 2004, The Organization for Economic Co-operation and Development (OECD) provided specific guidance for legislative and regulatory initiatives for good corporate governance in countries. Also, the World Bank has published over 40 studies on corporate governance in various countries that use the OECD principles. The OECD principles and the findings of these studies for some selected Asian developing countries are summarized in Appendix A.

Methodology

While developing economies have made great strides in setting up regulations and codes of conduct for corporations to improve the quality of corporate governance for the betterment of all, the authors deemed it important to explore the controlling owners'/managers' view of the importance of corporate governance. The authors were also interested in investigating the factors that encourage the controlling shareholders to act in the interests of all shareholders and not just theirs. During 2010, the

[6] The Organization for Economic Co-operation and Development (2009) has publishes a Guide for combating abusive related party dealings in Asia . This guide provides policymakers, regulators, shareholders and other stakeholders with ways for monitoring and curbing abusive related party transactions.

[7] The board of directors elected by the majority shareholders is only responsible to the majority (dominant) shareholders and such a board cannot be expected to protect the minority shareholders from the abuses of the controlling shareholders.

lead author travelled to India, Indonesia, Malaysia, Philippines, Thailand, and Taiwan to survey senior officers of publicly traded companies where a few shareholders control the majority of shares.

Understandably, the corporate managers were hesitant to share this kind of information. To encourage wider participation and candid discussions, the interview participants were given written assurances that their names and the names of their firms would be kept in complete confidence and would not be disclosed or mentioned in any report. The officers of 23 organizations volunteered and were interviewed. The countries and the numbers of firms interviewed included India (7), Indonesia (3), Malaysia (3), Philippines (4), Thailand (5) and Taiwan (1).

The notes from the interviews were analyzed for patterns and themes. The findings are provided below.

Corporate Managers' View of Corporate Governance

Interestingly most of the survey participants considered good corporate governance to be important and a significant part of their responsibilities and an important corporate goal. In general, they said that they make special efforts to increase the confidence of the investing public and the regulators assuring them that their firm is a good corporate citizen, follows the rules and regulations, and works to provide a high rate of return to all shareholders. Most interviewees suggested that regulations and competitive pressures are forcing companies to act ethically. The survey findings are paraphrased and summarized below.

1. The majority owners of corporations, even family owned corporations, need to please the outside (minority) shareholders because the day-to-day trading activity of minority shareholders sets the company's share value. The days when a firm's owners could determine their net worth from a look at their balance sheet are long gone. Today the net worth of the majority shareholders is determined by the trading activities of the minority shareholders. This reality forces the controlling shareholders to act in a manner that meets the approval of the minority shareholders.
2. Most respondents stated that the controlling shareholders regularly remind the senior employees of the need to act responsibly towards all stakeholders—minority shareholders, employees, and lenders. This is because if the firm is to grow domestically and internationally, it must continuously seek regulators' approval to sell new securities. Raising additional capital would become very difficult if the firm does not act ethically. Further a well governed company can more easily attract talent, suppliers, and capital.
3. Until recently the major manufacturers and suppliers had divided up their markets among themselves, usually based on geographical regions or on customer characteristics. Deregulation of financial and product markets have removed most barriers to entry and thereby have taken away the sense of security of long-life for their products. Today, companies must continuously improve their products and the manner in which goods are delivered to consumers. This means that to remain competitive, the firms must invest in new products, technologies, packaging, and advertising.
4. Many interviewee companies have voluntarily adopted stricter accounting standards and more frequent disclosures than those required by law. This is being done because they have learned that even though the minority shareholders do not have controlling voting rights, they vote with their feet. This hurts even more than the unfavorable vote at the annual meeting.
5. Colonial rule did not end for several developing counties until the mid 1900s. At that time, high marginal tax rates gave rise to a parallel black market. Firms found that avoiding taxes was as profitable as generating profits. The black market money became a part of almost all transactions; from manufacturers to retailers, all had an incentive to hide sales and income to save sales, excise, and income taxes. For example, an interviewee noted that in India, black money made up half or more of most real estate transactions. Individual investors shied away from the stocks of all but large multinational firms. All knew that the financial statements of family owned businesses were most likely fictitious. In more recent times, tax reforms and the reduction in tax rates have reduced the incentive to hide income to evade taxes.
6. The weak stock market performance in the U.S. and Europe, especially after the collapse of their real estate markets in 2007, forced western mutual funds, insurance companies, and pension funds to consider investing in developing countries for higher returns. These institutions require companies to observe much higher standards of disclosure. Continuing institutionalization of the capital markets has had an even stronger disciplining effect on the behavior of the entrenched owners.
7. Until recently, accountants, auditors, and dominant owners collaborated to evade taxes. These accountants served as the go-between the controlling shareholders and corrupt tax officers. Aware of this problem, minority shareholders had little faith in the statements generated by the chartered (certified public) accountants and auditors. However, tax reforms and the continued need of the firms to raise capital forced

the owners to present truthful financial results to the investing public. To provide credible financial reposts, highly reputed accounting firms such as Price Waterhouse Coopers, Deloitte Touche, and KPMG entered the emerging markets. These accounting firms charge high auditing fees but firms willingly pay the fees because the financial statements audited by these firms are considered to be more honest than those audited by smaller local auditing firms.[8]

8. Several companies in developing countries are now going to western markets to raise capital. This globalization of financial markets is requiring the local issuers of securities to quickly come up to international standards of corporate governance and disclosure.
9. Although not required by the local laws, some firms have voluntarily taken steps to provide confidence to the markets. For example, they have codified rules and procedures that govern related-party transactions. Most interviewees noted that all significant transactions in their firms now require two senior officers to sign off. And at least three bids are required for major purchases. In many firms, all large transactions where the winning bid was not the lowest one must be reported to the board along with an explanation why the minimum bid was rejected. As generally is the case in western countries, shareholder approval is sought for important corporate decisions[9]
10. Some firms are growing rapidly. The controlling shareholders of these companies find that they need to sell more equity to finance their acquisitions and expansion. As these companies grow, the founding shareholders' stake in the firm steadily declines. The companies' stock prices languish if they do not act in the interests of all the shareholders. Also, these firms may become takeover targets if they continue to be poorly managed.
11. Regulators in several countries have learned from the regulations and operations of U.S. and other western markets. They are introducing new regulations that force the owners and directors to govern the company in a manner that satisfies the regulatory requirements and all investors, both domestic and overseas.
12. In today's environment of increased international trade and increasing dependence on foreign suppliers and buyers, many survey interviewees noted that they cannot remain isolated in their own developing world. Their governments are passing legislations requiring companies to be more responsive and in-line with international standards about their relationship with employees and their impact on the environment and on the society. If the firms are to continue to exist in this integrated and changing world, they must become good corporate citizens regarding domestic and international stakeholders.
13. Managers and controlling shareholders owe a duty to minority shareholders to act in the best interests of all shareholders. Minority shareholders including some institutional investors often do not take interests in the activities of the company. The near collapse of some of the world's largest banks brought the reasons for the collapse into limelight. While greedy managers and brokers and poor regulation surely were the main reasons for the losses at the banks and other institutions, non-controlling shareholders also took a pass on discharging their obligation of oversight of the actions of the banks and to hold managers to account.
14. Two of the interviewees noted that their firms' stock prices can increase for reasons other than good management. Often the prices go up because of buying pressure from foreign investors. Though unjustified, management feels good and receives credit when prices increase, but when foreign investors lose interest and sell their holdings, management is blamed. Often, stock price increases cannot be attributed to management actions, nor can the price decreases. Because the domestic markets are small, even a small purchase or sale by foreign investors can cause it to fluctuate wildly.
15. Regulators are asking the auditors to provide more information to investors, which they are doing. But there is not a set format so that investors could assess the risk in the company business. One interviewee noted that "Our firm owns stock in two other companies. Even our

[8] One interviewee noted that it was puzzling that the market trusted these big accounting firms more than the local accountants who may have much more intimate knowledge of the functioning of a company. The big accounting firms hire young inexperienced accountants who audit the accounts and internal processes based solely on what their proprietary software tells them to audit. Because they do not have the experience, sometimes they miss important details. But, the interviewee added that so long as the market trusts them and the old accountants do not earn the respect from the market, firms will have to continue to use the big accounting firms to certify their statements. For example, the interviewee's firm used one of the big accounting firms as its auditors, although the parent company, which was not publicly traded, continued to use the small auditing firm it had been using for three decades.

[9] One interviewee in India noted that in late 2008 Ramalingam Raju, the Chairman and controlling shareholder of Satyam proposed buying two related companies for $1.6 billion in cash. The Board of Directors held a meeting and approved the transactions. There was no procedure in place to require shareholders' approval. The fate of Satyam could have been very different if shareholders were allowed to voice their opinion on these purchases.

accountants have a difficult time understanding the true nature of their operations."

16. Banks, especially after the financial meltdown of 2007, have been keeping a closer eye on their borrowers' operations and activities. They are asking firms to provide statements of their financial performance more often and in greater detail. They are also making more frequent visits to the borrowers' offices and factories to satisfy themselves of their good management and good financial health.

Summary and Comments

In general, the survey reveals that most interviewees considered good corporate governance important. They considered it a significant part of their responsibilities and an important corporate goal. Firms are making special efforts to increase the confidence of the investing public and the regulators. They are taking steps to assure investors and regulators that their firm is a good corporate citizen, that it follows all rules and regulations, and that it works to provide a high rate of return to all shareholders. The individuals interviewed believe that deregulation, institutionalization, and internationalization of product, labor, and capital markets have forced companies to act ethically. To act unethically is to risk extinction because of regulatory and competitive pressures.

Controlling shareholders and their firms' managers owe a duty to minority shareholders to act in the best interests of all shareholders, both majority and minority. However, minority shareholders also need to remain informed and vigilant, at the very least. Often minority owners, including some with large holdings, do not take any interest in the firm's activities. The result can be disastrous. For example, the recent near collapse of several very large banks can be blamed in part on greedy managers and brokers and poor regulation. At the same time, non-controlling shareholders share the blame by not providing oversight of the bank's managers. Rather than complain when the value of their investments decline, they should monitor the firm's managers and be proactive to restrain undisciplined managers and step in before losses occur.

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Appendix A

As mentioned elsewhere in the paper, investors, especially international investors are more inclined to invest in equity or lend money to companies that have transparent corporate structures, independent directors, restriction on related party transactions, and separate audit committees. McGee (2009)

The Organization for Economic Co-operation and Development (OECD) was established in 1961 to specifically promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

Pursuant to its stated goals, the organization developed *OECD Principles of Corporate Governance* which were endorsed by the Ministers of all OECD member countries in 1999. The OECD Principles have become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They have advanced the corporate governance agenda and provided specific guidance for legislative and regulatory initiatives in both OECD and non-OECD countries. The Principles have since been reviewed and updated (OECD, 2004). These principles are divided into the following areas:

I. Ensuring the Basis for an Effective Corporate Governance Framework:
The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

II. The Rights of Shareholders and Key Ownership Functions:
The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

III. The Equitable Treatment of Shareholders:
The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

IV. The Role of Stakeholders in Corporate Governance:
The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

V. Disclosure and Transparency:
The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

VI. The Responsibilities of the Board:
The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Thus, the aim of corporate governance reform is to create an enabling environment to ensure that that foreign and domestic long-term, stable capital is available to fund corporate growth and preserve private savings for retirement. The challenge for policymakers is to enhance market integrity by enforcing rules and regulations in a professional, timely, transparent, and consistent fashion.

The World Bank (2004) has published over 40 studies on corporate governance in various countries that use the OECD principles. The findings of these studies are primarily based on information provided by experts in the respective economies and has been verified and supplemented by information from other sources. Using the OECD guidelines as a template, these studies examine the corporate governance practices in 40 countries. The findings are classified in five categories.

O = Observed
LO = Largely observed
PO = Partially observed
MNO = Materially not observed
NO = Not observed

The findings for some selected Asian countries are summarized in Table 1.

Table 1

	India	Indonesia	Korea	Malaysia	Philippines	Thailand	Vietnam
Shareholder Right Issues:							
Protection of shareholder rights	O	PO	LO	LO	LO	LO	PO
Shareholder participation in decision making	O	PO	O	PO	LO	PO	PO
Shareholder participation and voting	O	LO	LO	LO	PO	LO	PO
Capital Structure and Arrangements-disproportionate control	LO	LO	LO	LO	PO	LO	PO
Market for corporate control	O	MNO	LO	LO	PO	PO	MNO
Costs and Benefits Of Voting Rights	MNO	MNO	PO	PO	PO	LO	MNO
Equitable Treatment of Shareholders:							
Equitable treatment of shareholders	PO	PO	LO	PO	PO	PO	MNO
Insider trading and abusive self-dealing	PO	PO	PO	LO	PO	LO	MNO
Disclosure of material interests	PO	PO	PO	LO	PO	LO	MNO
The Role of Stakeholders in Corporate Governance:							
Recognition of rights of stakeholders	O	PO	O	LO	LO	LO	PO
Opportunity for effective redress of grievances	PO	PO	O	LO	PO	LO	PO
Performance-enhancement mechanisms for stakeholder participation	O	PO	LO	LO	PO	LO	PO
Access to relevant information	O	PO	O	PO	LO	PO	PO
Disclosure and Transparency:							
Timely and accurate disclosures of all material matters	LO	PO	LO	LO	PO	PO	MNO
Standards of preparation, audit and disclosure information	LO	PO	PO	O	LO	PO	PO
Independent audit	MNO	PO	PO	LO	PO	LO	PO
Fair, timely, and cost effective access to information	LO	PO	O	LO	PO	LO	PO
Responsibility of the Board:							
Due diligence and care	LO	PO	LO	LO	PO	PO	PO
Fair treatment of shareholders	LO	PO	PO	LO	PO	LO	MNO
Ensure compliance with law	O	PO	PO	PO	PO	PO	MNO
Fulfillment of board functions	LO	PO	LO	LO	PO	PO	MNO
Independence from management	PO	PO	PO	LO	PO	PO	MNO
Access to accurate, relevant and timely information	O	PO	PO	LO	LO	LO	PO

Following the procedure adopted by McGee (2009), we assign point values from 4 to 0 to these categories. O is assigned a point value of 4, LO - 3, PO - 2, MNO - 1, and NO - 0. Table 2 converts Table 1 on that basis. Table 2 shows that the developing economies have made great strides in improving their corporate governance framework. By scoring 69 out of possible 92, India seems to have the strongest corporate governance in place. Malaysia, Korea and Thailand closely follow India. Only Vietnam, out of the seven courtiers included in the tables appear to need significant improvement in its corporate governance regulations and practices.

Table 2

	INDIA	INDONESIA	KOREA	MALAYSIA	PHILIPPINES	THAILAND	VIETNAM
SHAREHOLDER RIGHT ISSUES:							
PROTECTION OF SHAREHOLDER RIGHTS	4	2	3	3	3	3	2
SHAREHOLDER PARTICIPATION IN DECISION MAKING	4	2	4	2	3	2	2
SHAREHOLDER PARTICIPATION AND VOTING	4	3	3	3	2	3	2
CAPITAL STRUCTURE AND ARRANGEMENTS-DISPROPORTIONATE CONTROL	3	3	3	3	2	3	2
MARKET FOR CORPORATE CONTROL	4	1	3	3	2	2	1
COSTS AND BENEFITS OF VOTING RIGHTS	1	1	2	2	2	3	1
EQUITABLE TREATMENT OF SHAREHOLDERS:							
EQUITABLE TREATMENT OF SHAREHOLDERS	2	2	3	2	2	2	1
INSIDER TRADING AND ABUSIVE SELF-DEALING	2	2	2	3	2	3	1
DISCLOSURE OF MATERIAL INTERESTS	2	2	2	3	2	3	1
THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE:							
RECOGNITION OF RIGHTS OF STAKEHOLDERS	4	2	4	3	3	3	2
OPPORTUNITY FOR EFFECTIVE REDRESS OF GRIEVANCES	2	2	4	3	2	3	2
PERFORMANCE-ENHANCEMENT MECHANISMS FOR STAKEHOLDER PARTICIPATION	4	2	3	3	2	3	2
ACCESS TO RELEVANT INFORMATION	4	2	4	2	3	2	2
DISCLOSURE AND TRANSPARENCY:							
TIMELY AND ACCURATE DISCLOSURES OF ALL MATERIAL MATTERS	3	2	3	3	2	2	1
STANDARDS OF PREPARATION, AUDIT AND DISCLOSURE INFORMATION	3	2	2	4	3	2	2
INDEPENDENT AUDIT	1	2	2	3	2	3	2
FAIR, TIMELY, AND COST EFFECTIVE ACCESS TO INFORMATION	3	2	4	3	2	3	2
RESPONSIBILITY OF THE BOARD:							
DUE DILIGENCE AND CARE	3	2	3	3	2	2	2
FAIR TREATMENT OF SHAREHOLDERS	3	2	2	3	2	3	1
ENSURE COMPLIANCE WITH LAW	4	2	2	2	2	2	1
FULFILLMENT OF BOARD FUNCTIONS	3	2	3	3	2	2	1
INDEPENDENCE FROM MANAGEMENT	2	2	2	3	2	2	1
ACCESS TO ACCURATE, RELEVANT AND TIMELY INFORMATION	4	2	2	3	3	3	2
TOTAL (OUT OF 23X4 = 92 MAXIMUM POSSIBLE)	69	46	65	65	52	59	36