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## The Analysis of Limited Russian and North European Corporate Governance Standards after Global Crisis, Corporate Scandals and Market Manipulation

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*This paper mainly analyzes principles and standards of some international and North European corporate governance frameworks which are issued during or after the global crisis.*

*First, it looks at the United Nation Good corporate governance practices and analyzes its strengths and impacts on corporate governance model of a company.*

*Second, it compared the UN standards to generally accepted governance standards of Sovereign Wealth Funds. The paper finds out that during the global crisis time 2007-2008, despite taking care of risk management, there still lacks of certain governance standards in these 2 Codes. The, it analyzes some relative good corporate governance standards in Russia and a few North European countries including: Norway and Finland.*

*Third, this paper provides with a short summary of evaluation of these above 2 corporate governance principles in 2 groups which can enable corporations to compare to their current codes.*

*Last but not least, it aims to realize a limited general set of standards of corporate governance and give proper recommendations to relevant governments and organizations. Additionally, it includes a section for recommending corporate governance for developing countries including Viet Nam.*

**Keywords:** *corporate governance standards; board structure; code of best practice; financial crisis; corporate scandals; market manipulation; internal audit*

**JEL Classification:** G00, G3, G30

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## Introduction

There are, in fact, three (3) main periods which are signaling the improvements made in the worldwide countries' corporate governance policies. The first period is the time during 1999-2003 after the Asian financial crisis taking place in 1997-1998, the second period is years from 2005-2008, and the third period is the current time, after the financial crisis 2007-2009 with impacts from US and Europe large economies. OECD and ICGN also offered good recommendations on corporate governance standards for most of countries in the world. This research paper is trying to take an implementation – oriented writing style and focus on some international corporate governance practices and issues during and after impacts from scandals and crises. They are United Nation (UN) and Sovereign Wealth Funds (SWF) governance practices in 2006 and 2008. Furthermore, The Norwegian Code 2010 also tried to provide good corporate governance to enhance confidence in companies.

Besides, this research paper aims to provide a writing style to adapt to an understandable reading to most of readers in academic field who is both familiar and not familiar to the corporate governance subject.

## Research literature review

Until now, there are many researches in corporate governance field. Berle and Means (1932) identified that the problem of governance of managers comes from the ownership separation to a disciplinary function and a decision-making function. The Russian Code (2002) stated corporate governance influences economic entities and their ability to attract capital. Cremers and Nairs (2003) finds external governance, i.e., market of corporate control, and internal governance, i.e., shareholder monitoring, are strong complements. Gerard Chareaux (2004) said the objective of corporate governance theory is not about how managers govern, but about how they are governed. Malek Lashgari (2004) mentions corporate governance is concerned with managing the relationship among various corporate stakeholders, and common stockholders have the right to elect members of the Board. Abu-Tapanjeh (2008) pointed corporate governance has different meaning to different organizations. Li Wei An (2008) in a research of corporate governance said it is urgent matter to seek which governance model is more suitable for the governance environment where Chinese listed companies survive. Haslinda., & Benedict (2009) stated

the corporate governance theory began with agency theory, transaction cost and ethics related theories.

As Kirkpatrick, Grant., (2009) pointed out that even OECD corporate governance, short-called CG, principles needed to be review in key areas, including board composition and competencies, remuneration issues, etc., after the financial crisis. Lambert, Caroline., and Sponem, Samuel., (2010) research in France with a conclusion that management controllers play an important role in profit manipulation and the shareholder pressure influence the nature of the management controller's task such as reporting and budgetary control. Last but not least, Thomas Wuil Joo (2010) explains "corporate governance" is mainly concern the internal governance of corporation, i.e., the relationship among participants in the enterprise.

A short summary or evaluation of a few global governance Codes has not been done yet.

## **Theory of Corporate Governance, Scandal and Market Manipulation**

### ***Theory of manipulation***

Aggarwal, Rajesh K., Wu, Guonzu (2003) found out that potential manipulators can be corporate insiders, brokers, underwriters, large shareholders and market makers and stock prices rise throughout the manipulation period, prices higher when liquidity greater, and then fall in the post-manipulation period despite unclear evidence. They found that in a market with manipulators, more information seekers make \ it easier for a manipulator to enter the market and potentially worsen the market efficiency.

Besides, Mei, Jianping., Wu, Guojun., and Zhou, Chunsheng (2004) shown the manipulator is a large investor who is a price setter, rather than a price taker. He or she can pump the stock price by a series of buying orders, then, dumps the stock to make profit.

### ***Theory of corporate governance and financial crisis***

For simplicity, corporate governance is a set of processes, customs and policies, rules directing and controlling an organization. Allen, Franklin., and Gale, Douglas., (2002) identify that Good corporate governance in US and UK means firms pursuing the shareholders' interests while it involves pursuing the interests of all company's stakeholders including customers and employee as

well as shareholders, in Japan, France and Germany.

Moreover, Grant Kirkpatrick (2009) states in the OECD CG report that the financial crisis, for example 2007-2009, can be an important factor to failures of the CG system and the OECD CG principles need to be reviewed.

### ***Theory of Corporate scandals***

Cadette (2002), Madrick (2003) and Schwartz (2003) indicate that to gaudy earnings, options created outrage when top management or executives allow manipulation on quarterly report, resulted in short-term movements in stock prices, allowing sizeable personal profits despite probable future restatements of company earnings. In scandal examples of Enron, Qwest, many executives sold their stock when its price is high, while employees could not do so, because of access to privileged performance information.

Hence, corporate scandals may derive partially from false actions or manipulations of management or executives. In the scandal examples of Xerox or Worldcom, false accounting practices were taken into account when recognizing booking earnings for counterfeit transactions. Or in the case of Arthur Andersen, one of the Big Five, the auditing technique and procedures and professional responsibilities are main issues which cause failures in auditing Enron Corp which is filed for bankruptcy in 2001.

## **Research methodology**

First, we select 2 international corporate governance practices including: 1) UN governance standards; and 2) SWF governance practices; we call this is group 1.

We also use international standards of corporate governance for reference such as: OECD and ICGN's corporate governance principles and standards.

Then, we choose Norway, Finland and Russia which are representative for a limited North European group to analyze these countries' governance standards. We call this is group 2 "a relative group".

Second, we perform a qualitative analysis on each group code, then build general standards for corporate governance in two (2) above groups. These standards represent common understanding and principles in each group.

Third, we compare and provide a short summary of evaluation of the

2 groups' standards.

Finally, we make a suggestion on what so-called a short general corporate governance principles for Russia and a few North European nations. Additionally, it can be considered as the recommendation to relevant countries' government and other relevant organizations for further steps, public policy and necessary evaluation.

## **Empirical findings**

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

First of all, we found out that there is a lack of code of ethics or code of conduct.

The second important corporate governance issue is that the corporate governance mechanisms is not complete and perfect in the aspect that some codes mention mainly certain sides of governance such as disclosure and omit other sides.

Third, in the company, who has the right and how to prevent and control the manipulation actions which may come from either manipulators or executives and management team.

Last but not least, one major corporate governance issue existing as the main cause to corporate scandals of these companies is that who are qualified board members or management team members.

### ***B- Findings on Ways of Manipulation during Corporate Scandals Several Manipulation Techniques found out during corporate scandals involve, but not limit to:***

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

The use of inappropriate companies to inflate the company's revenues with a hope to inflate the company's stock price is done by a family corporation such as *Adelphia* in the late 1990s, which leads to its collapse in 2002. Another case, *Livedoor co.* in Japan, shows us that the management cooks its book and transfer profits from its consumer – related firm; so, the firm has earnings, not loss, and manipulate stock price.

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

The technique is used by the famous company in Japan, *Xerox*, in

the year 2001-2002. It manipulates its revenues or earnings by inappropriately classifying equipment rentals as long –term leases, by which it could accelerate the revenues instead of spreading out the rent. By manipulating its earnings, Xerox overstated its revenues up to \$2 billion. During the period 1997-1999, the firm has experienced the effect of the manipulation while its stock price increased up to a peak of \$60 per share, then, falling down.

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

We can refer here the case of *Nortel Co.* in Canada, in which the co. has violated the Canadian GAAP and changed its revenues recognizing policy. This helps the firm to manipulate its books. It also violated the Principle of Conservatism of GAAP by overstating the post-dot com earnings.

*B.4 - The manipulation techniques not relevant to all the above:*

We can refer here the famous case of *AOL Time Warner fraud*, in which the top executives of the firm used the money of the corporation for affecting stock price collapse, i.e., trick transactions, and then get large benefits by liquidating their shares in 2000-2001.

### ***C- Findings on Actions to Prevent or Control Negative Market Manipulation***

Among proper actions to prevent and control negative market manipulation is taking from the example of *Olympus Co.* in Japan. This case shows us that if the firm has had the qualified internal auditing, it could avoid the accounting fraud.

Moreover, The Corporation, generally, might consider changing its management team or executives. Once the management cooks its books and reports inappropriate profit figures, the team can be replaced. Last but not least, the company might consider using GAAP principles of recognizing revenues or of conservatism, and of recognizing long-term leases for avoiding negative manipulation in accounting and in the stock market.

### ***D- Findings on Construction of a Limited General Corporate Governance standards***

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

*<D.1> - Group 1 – Some International Corporate Governance standards  
<a> The United Nation governance standards analysis*

One of major different features in the 2006 UN Code is that it identified independent leadership of Board of management and focus on many aspects of information disclosure.

Besides, the Code emphasizes the two tier system of the Board organization including Board of management and Board of supervisory.

Additionally, The Code pays a lot of attention on disclosure roles and functions of the Board, which forms a new term “corporate governance disclosure”.

**Table D.o:** United Nation Corporate Governance general standards (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	Not mentioned clearly in the Code	Vary depends on size, complexity of the firm;	Review fair value computation; Can be used for preparatory work of the Board;	In conjunction with internal audit;	From the Code;
Nomination committee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Use external advisers to find new directors; Can be used for preparatory work of the Board;	Not mentioned clearly in the Code	From the Code;
Compensation or Remuneration committee	Not mentioned clearly in the Code	Clear distinction b.t Executive and Non-ex directors;	Can be used for preparatory work of the Board;	Not mentioned clearly in the Code	From the Code;
CEO	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Roles can be combined with those of the chair;	Not mentioned clearly in the Code	From the Code;
The Chair	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Roles can be combined with those of the CEO;	Not mentioned clearly in the Code	
CEO and The Chair relationship	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Roles can be combined;	Not mentioned clearly in the Code	

Corporate Secretary	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Compliance officer	Not mentioned clearly in the Code	“Comply or explain” mechanism;	Not mentioned clearly in the Code	Greater information access to stakeholders;	
Board of Directors	Two tier system; Executive and Non- executive directors;	Disclose high quality information of BD on financial results;	Clearly identify inherent risks; review fair value computation; oversee the process of F.S;	Not mentioned clearly in the Code	
Executive director	Not mentioned clearly in the Code	Composed of the Board;	Attend committee and Board meetings;	Not mentioned clearly in the Code	
Non-executive director	Not mentioned clearly in the Code	Not all are independent directors;	Attend committee and Board meetings; Some can join Board committees;	Not mentioned clearly in the Code	
Independent director	Not mentioned clearly in the Code	Not mentioned clearly in the Japan Code	Can have greater importance; Attend committee and Board meetings;	Not mentioned clearly in the Code	From the Code;
CFO	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Management team	Independent leadership;	Not mentioned clearly in the Code	Disclose material interests , approval process of related party transactions; have executive responsibilities;	Financial and operational results;	Understood from the Code;
Supervisory board	Not mentioned clearly in the Code	Can be independent external advisers;	Monitoring and supervision of the company’s management; Strategic direction of the company; Enhance directors’ ability to fulfill duties;	Support the structure, roles of governance;	From the code;



Internal control	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Used by The Board to mitigate risks;	Risk management objectives;	
Internal audit (I.A)	Not mentioned clearly in the Code	Effective;	Board determines scope and duties of I.A;	Report to the highest level of leadership of the enterprise;	
External audit	Independence; Integrity; Competency;	Duration of current auditors; Avoid interest conflicts in non-audit services;	Audit works and non-audit works; fees paid for non-audit works;	Provide objective assurance on F.S;	
Disclosure and transparency	How shareholders exercise their control rights; Control structure; comprehensive	Nature, type and elements of related-party transactions;	Consolidation requirements on F.S are conducted; Disclose significant related-party transactions; procedures of M&A;	Equality of disclosure; "substance over form";	
Shareholders and Minority Stockholder	One share one vote;	Equitable treatment of shareholders	Aware of type, number, duties of outside management positions held by individual director; Judge ability of directors;	Not mentioned clearly in the Code	
Financial reporting standards	Used International Financial Reporting Standards (IFRS); true and fair view;	Based on generally accepted accounting principles;	BD gives further explanations in MDA section;	Appropriately followed;	
Employee	Not mentioned clearly in the Code	Disclose employee involvement	Can elect supervisory Board; or nominate directors;	Not mentioned clearly in the Code	

Note	The underlined part is describing some more works needed to be done for relevant subjects and parties. MDA means Management Discussion and Analysis
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**<b> SWF governance standards analysis**

In Oct 2008, SWF or Santiago (Chile) principles of governance were published after the meeting of 26 IMF country members. They agree on generally accepted principles and practices (GAPP).

Besides, the 2008 SWF Code points the needed disclosure of legal relationship b.t SWF and bodies such as central bank, other enterprises.

Additionally, The SWF governance principles had paid attention to the organization of SWF (funds) and relevant public disclosure.

Despite of more details in investment governance, the SWF principles cover limited issues, compared to the UN Code.

**Table D.1:** SWF Corporate Governance general standards (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Might be included in the governance structure;	appropriate and effective division of oversight, decision making, and operational responsibilities;	Understood From the Code;
Nomination committee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Might be included in the governance structure;	appropriate and effective division of oversight, decision making, and operational responsibilities;	Understood From the Code;
Compensation or Remuneration committee	Not mentioned clearly in the Code	Compensation framework;	Might be included in the governance structure;	Sustainable long term value creation;	Understood From the Code;

CEO	appropriately qualified and well-trained;	Professional ethical standards;	Code of conduct formed; act in the best interests of SWF; can be appointed/ removed by governing bodies;	Not mentioned clearly in the Code	
The Chair	Professional ethical standards;	Can be supported by Vice Chairman;	Code of conduct formed;	Not mentioned clearly in the Code	
CEO and The Chair relationship	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Corporate Secretary	Not mentioned clearly in the Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Compliance officer	Sound legal framework;	Consistent with applicable laws;	SWF establishment clearly authorized under domestic law; forming legal division;	Not mentioned clearly in the Code	From the Code;
Board of Directors	appropriately qualified and well-trained;	Professional ethical standards;	Code of conduct formed; act in the best interests of SWF;	Accountability and operational independence;	
Executive director	Not mentioned clearly in the Code	May from private sector;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	From the Code;
Non-executive director	Not mentioned clearly in the Code	May from private sector;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Independent director	Not mentioned clearly in the Code	May from private sector;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	

CFO	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Management team	appropriately qualified and well-trained; reputable, creditworthy;	Professional ethical standards; can be external managers;	Code of conduct formed; undertaking investment activities in specialized instruments and markets; reducing costs of maintaining an asset mgt. operation; act in the best interests of SWF;	Accountability and operational independence;	
Supervisory board	Not mentioned clearly in the Code	Can compose of government authorities;	Form a governance structure, together with Board of Directors and Management;	Not mentioned clearly in the Code	
Internal control	Not mentioned clearly in the Japan Code	A framework to identify and manage risks;	Identify risk bearing capacity, risk tolerance level;	Adequate operational controls, strong risk management culture;	From the Code;
Internal audit	Not mentioned clearly in the Code	Independent audits;	Audit internally activities;	Not mentioned clearly in the Code	
External audit	Not mentioned clearly in the Code	Independent commercial auditor;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	From the Code and appendix;
Disclosure and transparency	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Publicly disclosure of general approaches to RM; Disclose policy purpose of SWF; legal relationship b.t SWF and state bodies;	Not mentioned clearly in the Code	

Shareholders and Minority Stockholder	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Exercise their ownership rights to protect financial value;	Not mentioned clearly in the Code	
Financial reporting standards	Audited annually;	In timely fashion;	Audited annually complied with intl. or national standards;	Not mentioned clearly in the Code	
Employee	appropriately qualified and well-trained;	Professional ethical standards;	Code of conduct formed;	Not mentioned clearly in the Code	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties. RM means Risk management.				

**Comparison between UN and SWF Corporate governance standards**

Based on the above information, we can see the UN Code shows a lot of information on disclosure such as disclosure of Board and of selection of external auditors, as well as scope of work of internal audit function. While, the SWF Code, many times, confirm the roles of risk management and control activities in SWF.

Another advantage in the UN Code is the consideration of Internet voting in meetings of shareholders. The Code encourages some voting technologies.

Last but not least, one different point in The SWF Code, compared to the UN Code, is that it connects risk management functions with investment activities. It means that, the Code specifies roles of risk management in more details.

**The Establishment of so-called Limited International Corporate Governance standards**

With the selection of UN and SWF as two governance codes which represent in the construction of general corporate governance principles and standards, we build the below table with the following criteria:

Firstly, it should have some attributes which enable the corporation or its Board to share and disclose better information with its stakeholders and shareholders.

**Secondly, it focuses on risk management functions and roles.**

Thirdly, it includes contents that enable corporations to identify gaps or differences with their existing codes.

Therefore, the below table D.1 is trying to summarize what are short general corporate governance standards. It is also constructed in the way that being the better understandable criteria.

**Table D.1:** A summary of A Limited International Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	Vary depends on size, complexity of the firm;	Might be included in the governance structure;
CEO and The Chair	Roles can be combined;	The Chair can be supported by Vice Chairman;
Corporate Secretary	N/A (for further research and implementation)	N/A (for further research and implementation)
Compliance officer	“Comply or explain” mechanism;	Sound legal framework;
Board of Directors	Independent leadership;	Two tier system;
Independent director	Attend committee and Board meetings;	May from private sector;
Supervisory board to the Management	Form a governance structure, together with Board of Directors and Management;	N/A (for further research and implementation)
Supervisory to the Board of Directors	Can be independent external advisers;	Can compose of government authorities;
Internal control	Identify risk bearing capacity, risk tolerance level;	Used by The Board to mitigate risks;
Internal audit	Board determines scope and duties of I.A.;	Audit internally activities;
External audit	Independence; Integrity; Competency;	Duration of current auditors; Avoid interest conflicts in non-audit services;
Disclosure and transparency	How shareholders exercise their control rights;	Information equally available to all shareholders;

Shareholders	Participate effectively in general meetings;	Aware of type, number, duties of outside management positions held by individual director;
Employee	appropriately qualified and well-trained;	Professional ethical standards;
The corporation as a whole entity	maximize the long-term return to shareholders	Can have ethics committee; Senior ethics officer;
The Code	Promote long term sustainability of the enterprise; clear and effective division of roles and duties;	Existence of Code of ethics; high level of integrity;

**<D.2> - Group 2 – Relative Russian and North European Corporate Governance Standards**

*<a> The Norwegian Code of Practice for Corporate Governance 2010*

One advantage of the Code is that it pays attention to duties of the nomination committee. For example, it stated the committee should note the Board’s report on performance.

Furthermore, it also shows the connection b.t the Code and the Public Company Act (PCA) or Securities Trading Act or Auditing and Auditors Act. For example, the 21-day notice deadline in PCA for general meeting. Also, while the relevant regulation allows 4-year term for Board, the Code suggests max 2 years term.

In the Norwegian Code 2010, it specifies that the Code may a little more restrictive than the Public Company Act in a sense that it allows 1 class, whereas the Act permits different classes of share. This can be considered as another advantage.

However, it would be better if the Code mentions more about qualities of CEO and compliance officer or secretary.

**Table D.2:** Norwegian Corporate Governance code 2010 (a short summary evaluation)

Sub-jects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
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Audit committee	Ensure the greatest independence for Board;	can be formed in smaller firms;	Present at the general meeting; receives plan from auditors annually;	Not mentioned clearly in the Code	
Nomination committee	Duties guided by the general meeting; at least 1 member not in the Board; avoid conflicts of interest b.t candidates and members;	Chair , members elected by GM; independence; composition reflects shareholders' interests	Present at the general meeting; present recommendations, answers; give information of members on web; elect candidates not proposed by board; use firm's resources; advice from outside;	Not mentioned clearly in the Code	
Compensation or Remuneration committee	Not mentioned clearly in the Code	Remuneration reflects boards' expertise, duties, time;	Set absolute remuneration limit for executive; remuneration guidelines for executive;	Not mentioned clearly in the Code	
CEO	Not mentioned clearly in the Code	Not in the nomination committee; not be a Board member;	May not make a decision at the expense of other shareholders;	Not mentioned clearly in the Code	
The Chair	The Chair of the board elected by corporate assembly;	Independent chairman for GM; have chairman for nomination committee;	The chairman of board elected by general meeting; ensure well-organized Board jobs; holding training for Board;	Not mentioned clearly in the Code	
CEO and The Chair relationship	Not mentioned clearly in the Code	Tasks may be delegated by Board;	Attend general meeting;	Not mentioned clearly in the Code	
Corporate Secretary	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	



Compliance officer	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Board of Directors	Valued by an independent expert (in take-overs); have sufficient time as director; male/female balance; background diversity;	Prevention of corruption; Present at the general meeting; not in the nomination committee; term max 2 years; teamwork;	Define corporate values, ethical guidelines; include CG in annual report; Consider each section of the code; how the firm meet the requirements; Set clear, predictable dividend policy; can own shares; lead strategic planning; value individuals and groups;	Sound corporate governance;	understood from the Code;
Executive director	absolute remuneration limit for executive;	Remuneration involves share, bonus, and has absolute limit;	Notify if they have direct/indirect interest in related transaction with the co.; can hold a big proportion of share;	Not mentioned clearly in the Code	
Non-executive director	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Independent director	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
CFO	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Management team	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Have independence responsibility in bid situation;	Not mentioned clearly in the Code	

Supervisory board	Not mentioned clearly in the Code	Use independent expert in take-overs valuation and explanation to public;	The corporate assembly supervises the board and executive management;	Not mentioned clearly in the Code	
Internal control	Effective operational arrangements;	Relating to Board supervision; in accordance with legislation;	Involves guidelines for CSR; annually reviewed by board and on shortcomings; reviewed by auditors with proposals for improvement;	Sound internal control and RM system;	
Internal audit	Not mentioned clearly in the Code	annually reviewed by board;	Board receives routine report;	Not mentioned clearly in the Code	
External audit	Not mentioned clearly in the Code	Knowledge, experience;	Present at the general meeting; once a year review internal control procedures;	Not mentioned clearly in the Code	From the code;
Disclosure and transparency	Information published to provide predictability to shareholders;	Firm information in both Norwegian and English considering shareholders;	Report CG in annual report; disclose dividend policy; Give information to nominate a candidate for a board on web;	Not mentioned clearly in the Code	
Shareholders and Minority Stockholder	Equal treatment; the firm only has 1 class of share; 21 day notice prior the GM;	The firm explains the justification from waiving the pre-emption rights; at least 2 Board members independent of main shareholders;	Can value whether the firm follows good CG; can anticipate the firm scopes; exercise rights as many as possible; use electronic means in GM;	Not mentioned clearly in the Code	Understood from the code and public co. act;

Financial reporting standards	In accordance with generally accepted accounting standards and actual situation;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Employee	Their rights included in CSR;	Not mentioned clearly in the Code	Follow ethical guidelines to communicate with Board;	Not mentioned clearly in the Code	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

**<b> Finish Code of Corporate Governance 2010**

One of its distinctions is mentioning information on board and committees and supervisory board that a firm needs to disclose in 5 years. Besides, the Code addressed its view of taking 2 statements: CG and remuneration statements of the company. It emphasizes the web disclosure on these. But, it still needs more information on corporate secretary or compliance officer.

**Table D.3:** Finish Corporate Governance code 2010 (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
Audit committee	At least 1 member have expertise in auditing or accounting; at least 1 independent of significant shareholders;	Expertise in internal audit, book-keeping, management;	Relevant to financial reporting and control; supervise financial reporting; evaluate compliance with laws;	Not mentioned clearly in the Code	
Nomination committee	Independent;	Consists of directors;	Presentation on directors at GM;	Not mentioned clearly in the Code	

Compensation or Remuneration committee	Not mentioned clearly in the Code	Majority be independent; can use external adviser;	Appoint managing director; remuneration schemes;	Not mentioned clearly in the Code	
CEO or managing director	Appointed/ authorized by board;	Not the chairman of the board;	Day to day management;	Ensure accounting practice comply with laws;	
The Chair	Not mentioned clearly in the Code	Perform a considerable amount of job;	Attends GM;	Not mentioned clearly in the Code	
CEO and The Chair relationship	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Subject to development phases, roles can be combined	Not mentioned clearly in the Code	
Corporate Secretary	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Compliance officer	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Board of Directors	Expertise, experience; Perform a considerable amount of job; both genders; at least 2 directors independent of significant shareholders	Interaction with shareholders in GM; elected in GM; 1 year term; receive sufficient information;	First time director and a sufficient board members attends GM; administration and proper organization;	Not mentioned clearly in the Code	
Executive director	Not mentioned clearly in the Code	May not in the nomination committee;	Operative management; remuneration disclosed;	Not mentioned clearly in the Code	

Non-executive director	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Independent director	Not mentioned clearly in the Code	Hold the majority of board;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
CFO	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Management team	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Supervisory board	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Remuneration , composition and operation disclosed;	Not mentioned clearly in the Code	
Internal control	Not mentioned clearly in the Japan Code	risk MGT a part of control system;	Monitored by audit committee; main features reviewed by Audit Committee; Define principles of internal control and risk MGT; risk valued by board;	Ensure profitable operations of the firm;	
Internal audit (IA)	Not mentioned clearly in the Code	Organization of IA functions disclosed;	Monitored by audit committee; instructions approved by audit committee;	Not mentioned clearly in the Code	
External audit	Not mentioned clearly in the Code	term not > 7 years; audit and non-audit service fees disclosed;	Present at GM; gives shareholders independent opinion on F.S;	Not mentioned clearly in the Code	From the code;

Disclosure and transparency	Reliable, up to date information distribution;	Insider administration systematically and reliably organized;	GM minutes presented on web; disclose contract benefits of managing director; disclose major risks and uncertainties;	Not mentioned clearly in the Code	
Shareholders and Minority Stockholder	Not mentioned clearly in the Code	Equal treatment; GM held after 6 month of fiscal year;	Extra GM organized if at least shareholders with 10% shares demand; ask questions in GM; elect board and auditors;	Not mentioned clearly in the Code	
Financial reporting standards	Not mentioned clearly in the Code	Done by auditor;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Employee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

**<c> Russian Corporate Governance Code 2002**

One of its distinctions is mentioning the issuing of the Code for joint stock companies will help them to access capital markets..

Besides, the Russian Code has an advantage when it suggests the company should have a strategic planning committee and the committee for conflicts settlement. Furthermore, it pays attention to roles of corporate secretary.

And it has advantages in mentioning ethical standards regarding to products, environment and safety. However it needs modifications on compliance officer and supervisory board roles.

**Table D.4:** Russian Corporate Governance code 2002 (a short summary evaluation)

Subjects or parties	Main quality factors	Sub quality factors	Responsibilities	Objectives	Note
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Audit committee	Unlimited access to firm information;	Meeting at least once a month;	Control financial and business operations; evaluate nominee auditor; questioned by shareholders; suggest independent auditor; opinions on errors of business and risks;	Ensure proper supervision of firm's financial activities	
Nomination committee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Compensation or Remuneration committee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Attract skilled experts; evaluate performance of BD and managerial board;	Not mentioned clearly in the Code	
CEO (or GD)	Elected through a transparent procedures; Have sufficient time; professional qualifications;	terms and contract conditions approved by board; accountability;	Present at shareholder meeting; resolve all corporate conflict matters not within authorities of BD;	Not mentioned clearly in the Code	
The Chair	Not mentioned clearly in the Code	Professional reputation; efficient interaction b.t board and other bodies in firm;	Chairman of GM answers directly; form board meeting agenda; organize work of committee; nominating board members for committee;	Ensure BD attains its objectives;	
CEO and The Chair relationship	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	

Corporate Secretary	Not mentioned clearly in the Code	Knowledge for proper performance and functions; not be affiliated person of firm and officers;	Ensure shareholder's access to company information; receive notice from CEO, managerial board if any conflicts of company interests; record the corporate conflicts; verify shareholders' information of owning shares; prepare for GM; assist board;	Not mentioned clearly in the Code	
Compliance officer	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Board of Directors	Accountability; authority defined in company charter; reputation; all access to necessary information;	Elected through a transparent procedures; knowledge, skill, experience; meeting minutes kept; have liability insurance;	Strategic management, effective control, accountability; Present at shareholder meeting; good faith; not disclose insider information;	The most efficient functions performance;	
Executive director	Not > ¼ board members;	Elected through a transparent procedures;	Member of board of director and managerial board;	Not mentioned clearly in the Code	
Non-executive director	Not mentioned clearly in the Code	Included in board;	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Independent director	Create objective opinion; independent judgment;	Involved in board; not a representative of the government;	Not serve as member of managerial board;	Increase investor confidence;	



CFO	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Management team	Have sufficient time; accountability;	terms and contract conditions approved by board;	Present at shareholder meeting; develop guidelines of operations;	Not mentioned clearly in the Code	
Supervisory board	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Not mentioned clearly in the Code	
Internal control	Independent of executive bodies;	As control over financial and business operation;	Approved by board;	Mitigate financial and operating risk;	
Internal audit(IA)	Not mentioned clearly in the Code		Efficient coordination with EA; questioned by shareholders;		
External audit(EA)	Not mentioned clearly in the Code	Honesty, competence;	Efficient coordination with IA; questioned by shareholders; disclose deficiencies in financial activity;	Not mentioned clearly in the Code	From the code;
Disclosure and transparency	Not mentioned clearly in the Code	Insider information controlled by the firm;	Not allow operations based on confidential information; disclose information on independent director; disclose shareholders' information with 20% or >5% shares;	Not mentioned clearly in the Code	
Shareholders and Minority Stockholder	Give objective opinion in GM; meeting agenda clearly defined;	Equal treatment for those own the same shares; receive dividend via bank transfer;	Not allow harm the rights of other shareholders; not misuse their rights; presentation at meeting; Exercise voting rights in a simple way;	Not mentioned clearly in the Code	

Financial reporting standards	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Financial and business plan approved by board;	Protect shareholders' capital and firm assets;	
Employee	Not mentioned clearly in the Code	Not mentioned clearly in the Code	Workplace healthcare, safety, labor efficiency mentioned in ethical standards; receive notes on working conditions;	Not mentioned clearly in the Code	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

## The Establishment of a Relative Russian and North European Corporate Governance standards

### *Comparison between the Russian, Norwegian and Finish Corporate Governance Principles*

Different from other Codes, there is some information on the corporate assembly in the Norwegian Code 2010. For example, its composition has 12 members elected by shareholders and employee. Besides, the independence of Board members also involves the meaning in which family or business not affect his/her decisions.

On the other hand, the Finish Code considers many descriptive information of the firm need to be disclosed.

Besides, the Russian Code pays much attention to a qualified independent director. Generally, there are parts missing information in all 3 codes (see the above tables).

After making comparison, the following table is constructed in the way that creates the better understandable criteria, or at least a few.

**Table D.4:** A summary of A Relative Russian and North European Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	opinions on errors of business and risks; Meeting at least once a month;	Unlimited access to firm information; Meeting at least once a month;

CEO	Day to day management; Tasks may be delegated by Board;	Present at shareholder meeting; resolve all corporate conflict matters not within authorities of BD; Not the chairman of the board;
The Chairman	Professional reputation; Perform a considerable amount of job; Tasks may be delegated by Board;	organize work of committee; nominating board members for committee;
Corporate Secretary	Knowledge for proper performance and functions; not be affiliated person of firm and officers;	receive notice from CEO, managerial board if any conflicts of company interests;
Compliance officer	Not mentioned clearly in the Code	Not mentioned clearly in the Code
Board of Directors	at least 2 directors independent of significant shareholders	Set clear, predictable dividend policy; have liability insurance; not disclose insider information;
Independent director	Involved in board;	Not serve as member of managerial board; not a representative of the government;
Supervisory board to the Management	Can be board of directors;	Not mentioned clearly in the Code
Supervisory to the Board of Directors	The corporate assembly supervises the board and executive management;	Remuneration , composition and operation disclosed; Use independent expert in take-overs valuation and explanation to public;
Internal control	main features reviewed by Audit Committee; Define principles of internal control and risk MGT; risk valued by board;	Risk MGT a part of internal control; annually reviewed by board and on shortcomings; reviewed by auditors with proposals for improvement;
Internal audit	Monitored by audit committee; instructions approved by audit committee;	Board receives routine report;
External audit	disclose deficiencies in financial activity;	audit and non-audit service fees disclosed; Honesty, competence; once a year review internal control procedures;
Disclosure and transparency	Information published to provide predictability to shareholders;	disclose shareholders' information with 20% or >5% shares;

Insider information	Insider information controlled by the firm;	Not allow operations based on confidential information;
Shareholders	Give objective opinion in GM;	Not allow harm the rights of other shareholders; not misuse their rights;
Employee	Workplace healthcare, safety, labor efficiency mentioned in ethical standards;	Their rights included in CSR;
Candidates in nomination	Competence, capacity and independence, education, business experience;	information given to shareholders before meeting;
The corporation as a whole entity	Define guidelines for CSR; set corporate values; create transparent mechanism for dividend payment;	Define scope of business, objectives, strategies; appropriate equity for objectives, strategy, risk;
The Code	Have a separate corporate governance statement;	"Comply or explain" approach

### ***<D.3> - The 1st Establishment of so-called Limited Russian and North European Corporate Governance Standards***

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

Before we come to set up a set of general limited standards of corporate governance, we need to review the standards combined in the previous two (2) groups:

The advantages of Group 1, but not limited to, disclosure standards, shareholders and supervisory board, though it still works more on duties of corporate secretary.

On the contrary, the Group 2 including 3 above countries has certain strong features. For example, the Russian code considered the company as a whole which could establish the easy to understand dividend payment policy for shareholders. Whereas the Finnish Code 2010 needs the company issues its own CG statement on matters such as: information on managing directors and duties, etc...Generally, both groups need more information on Supervisory board to management.

Based on the above analysis, we consider building comparative standards as below.

**Table D.5:** A summary of A Limited Russian and North European Corporate Governance standards

Subjects or parties	Main quality factors	Sub quality factors
Audit committee	opinions on errors of business and risks; Meeting at least once a month;	Vary depends on size, complexity of the firm;
Nominating committee	elect candidates not proposed by board; use firm's resources;	Use external advisers to find new directors; Can be used for preparatory work of the Board;
Numeration or Compensation Committee	Remuneration reflects boards' expertise, duties, time;	Attract skilled experts; evaluate performance of BD and managerial board; have remuneration statement;
CEO	Present at shareholder meeting; resolve all corporate conflict matters not within authorities of BD; Not the chairman of the board;	Day to day management; Not in the nomination committee; not be a Board member;
The Chair	organize work of committee; nominating board members for committee;	The Chair can be supported by Vice Chairman; professional reputation;
CEO & The Chair	Roles can be combined;	Tasks may be delegated by Board;
CFO	Not mentioned clearly in the Code	Not mentioned clearly in the Code
Corporate Secretary	Knowledge for proper performance and functions; not be affiliated person of firm and officers;	receive notice from CEO, managerial board if any conflicts of company interests;
Compliance officer	"Comply or explain" mechanism;	Sound legal framework;
Board of Directors	Set clear, predictable dividend policy; have liability insurance; not disclose insider information;	Two tier system; at least 2 directors independent of significant shareholders
Management team	develop guidelines of operations;	Have sufficient time;

Independent director	Involved in board;	Not serve as member of managerial board; not a representative of the government; May from private sector;
Supervisory board to the Management	Can be board of directors;	Not mentioned clearly in the Code
Supervisory to the Board of Directors	The corporate assembly supervises the board and executive management; Can compose of government authorities;	Use independent expert in take-overs valuation and explanation to public; Can be independent external advisers;
Internal control	main features reviewed by Audit Committee; Define principles of internal control and risk MGT;	annually reviewed by board and on shortcomings; reviewed by auditors with proposals for improvement;
Internal audit	Monitored by audit committee; instructions approved by audit committee;	Board receives routine report;
External audit	disclose deficiencies in financial activity;	Avoid interest conflicts in non-audit services;
Disclosure and transparency	How shareholders exercise their control rights;	Information published to provide predictability to shareholders;
Insider information	Insider information controlled by the firm;	Not allow operations based on confidential information;
Shareholders	Participate effectively in general meetings;	Not allow harm the rights of other shareholders; not misuse their rights;
Stakeholders	Disclose shareholders' information with 20% or >5% shares;	Pay attention to Public Company Act, Securities trading Act, etc...
Accountability	Information equally available to all shareholders;	disclose information on independent director;
Financial reporting standards	In accordance with generally accepted accounting standards and actual situation;	Audited annually complied with intl. or national standards;

Leadership	Board takes independent leadership;	CEO and Chairman in charge;
Employee	Workplace healthcare, safety, labor efficiency mentioned in ethical standards; appropriately qualified and well-trained;	Follow ethical guidelines to communicate with Board;
Candidates in nomination	Give information to nominate a candidate for a board on web;	Competence, capacity and independence, education, business experience;
3rd parties and conflicts of interests	avoid conflicts of interest b.t candidates and board members;	Board members holding some appointments note conflicts of interest;
The corporation as a whole entity	Define guidelines for CSR; set corporate values;	Can have ethics committee; Senior ethics officer;
The Code	Promote long term sustainability of the enterprise; clear and effective division of roles and duties;	Have a separate corporate governance statement; "Comply or explain" approach

## Conclusions

In efforts to prevent failures and control the corporate governance issues after crisis, the 2006 UN Code and the 2008 SWF Governance Principles were formed. Both Codes describes many aspects of disclosure.

As analyzed, the UN Code gives more information on committees and supervisory boards.

On the other side, SWF Code has a detailed description of recommendations to risk management in investment field.

On the other hand, in group 2, the Norwegian Code 2010 pays attention to take-overs and relevant duties of corporate employee. The Russian Code gives more information on corporate secretary roles.

In general, both Codes of 2 groups promote long term sustainable value for the corporation and emphasize roles of audit committee and internal control.

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 limited Russian and North European corporate governance**

**standards** in a limited global model with selected 2 above groups of Codes. It has some implications for further research and proper recommendations to relevant government and organizations.

### **Suggestion for developing countries including Viet Nam**

The above incorporated standards need to be re-evaluated before any organization in emerging markets including Viet Nam wants to use them for their own operation. It means that these standards are flexible, not strict. And they have to pay attention to quality factors relating to employee, management, and the company.

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