Good Corporate Governance:
How Jamaica Will Enter the Global Village

Peter W. Jones

VOLUME IV

ECONOMIC DEVELOPMENT INSTITUTE
Information Booklet Series I
June 2003

GLOBAL THINKING RESEARCH & DEVELOPMENT

TABLE OF CONTENTS

The Economic Development Institute

"The essence of the knowledge is, having it, to apply it; not having it, to confess your ignorance. Ignorance is the night of the mind, but a night without moon or star".

Confucius.

"It is not the degree that makes a great man; it is the man that makes the degree great"

Nicoli Machiavelli.

The Economic Development Institute under the theme Global Thinking Research **was established in 2001. We are group of past students of the University of the West Indies living in and outside Jamaica. We came to the realization from when we were on the Mona Campus that in the** Information Age **we live in, successful people are those who have access to information. We formed a group to share in this** New Way of Thinking **and found it fruitful to our endeavours . Unfortunately, we had to restrict our information bases in many cases as our lecturers and tutors deemed it fit to remain in a vacuum of limitation with regards to the evolution of the** New Information Paradigm**. We were clearly ahead of our time. We have developed this new product called the** Information Booklet Series (which there is a need for), **the product provides** information on topical issues **in the areas of Management, Sports, Information Technology, Public Administration, Information and Communication, Economics, Economic Development, Social Development, Legal Education, Industrial Relations at competitive prices. We have kept it simple so that all can understand and appreciate. As such, we do not regard them as theses on the chosen areas and they do not seek academic recognition, however they do meet WIPO (World Intellectual Property Organization) Standards. We hope you will find the following informative and instructive and as usual your comments would be appreciated.**

Peter W. Jones
Executive Director

Acknowledgement

We thank the following Individuals and Organizations for their assistance and guidance with the preparation of this document: Association Des Entreprises Privees- AFEP, Mouvement Francaise Des Entreprises De France –MEDEF, Commonwealth Association for Corporate Governance (CACG), German Panel On Corporate Governance, Hong Kong Stock Exchange, International Monetary Fund (IMF) External Relations Department.

Introduction

The simple model of corporate structure in which shareholders provide the capital, the directors and the managers organize and run the business, and the employees do the work forms the basis of the system of corporate governance in countries, like ours, following the common law tradition.

By corporate governance we refer to the set of rules, regulations and institutions which control and govern the relationships between the company's shareholders, the board of directors and the board's controlling bodies, both internal and external to the company. Corporate governance is designed to govern the relationship between directors, shareholders, and the public based on the notion that the directors are accountable to the shareholders in their overriding duty to maximize profits. In addition to providing checks and balances between the interests of shareholders and the powers of the directors and professional managers, corporate governance should provide for banks and other companies to serve the interests of wider constituencies of stakeholders such as employees, consumers, depositors, and the public.

Jamaica in order to effectively interface with the global village has been forced to change its ethical mindset, which has deterred the practice of good corporate governance and its worldview of how to aggressively achieve business success in an era, which does business via the Internet and other forms of wireless communication making business real-time. In Jamaica those companies who have not listened to the wisdom of those who deemed fit to make radical changes as it was deemed then have become names in the business historical archives of Jamaica as these companies no longer exist.

Ethical dilemmas can sometimes skew the expected outcome for good corporate governance. Talk about ethics rests on the assumption that businesses ought to adhere to a socially responsible approach to decision making called the social responsibility approach. Proponents of this approach believe that corporations have societal obligations that go beyond maximizing profits. It is argued that because corporations are so powerful, they have an obligation to assume social responsibilities. Corporations should be managed for the benefit of their stakeholders: their customers, suppliers, employees and local communities as well as their owners. Corporate leaders bear a fiduciary responsibility to all stakeholders.

Flying in the face of the "politically correct" philosophy espoused at most institutions is a competing school of thought led by Milton Friedman of the University of Chicago. Friedman believes businesses sole duty is to make profits. " Businesses are in the business of maximizing shareholders' value by a prudent use of scarce organizational resources, as long as the activities of the business are within the letter of the law."

Although Friedman is exalted as one of the defenders of capitalism most business schools tend to discourage his views when it comes to ethics. **Do the board of directors of most companies in Jamaica still think like Milton Friedman?**

There are two major topics taught in ethics (but not limited to): relativism and stakeholder analysis. Stakeholder analysis provides a structure with which to confront ethical decisions. Relativism examines why we often ignore ethics in decision-making this note will concentrate on relativism.

Did an overt practice of relativism by boards of directors of certain companies in the 1990's lead to their demise?,

The proponents of relativism hold that we cant decide on matters of right or wrong, or good or evil. Things are rarely black or white. There are so many shades of gray. Relativism proposes that ethics are relative to personal, social and cultural circumstances in which one finds itself. Relativists are not torn by ethical dilemmas since they do believe that truth can be discovered through soul searching. There are four forms: Naïve, Role, Social group and Cultural.

The Naïve form holds that every person has his or her own standard that enables him or her to make choices. Therefore an executive at company X is not equipped to make a moral judgment regarding the actions of the Chief Executive Officer (CEO) of company Y, whose corporation is possibly selling harmful baby formula in developing countries.

The Role form distinguishes between our private selves and our public roles. The president of a fishing company may personally dislike the killing of dolphins in his company's tuna nets, but as a company executive, he must not let his feelings interfere with the best interests of the company.
The Social form is akin to the naïve form. In the produce industry, it could be "industry practice" to ignore child labour laws and employ small children to work in the field and miss school.
The Cultural form holds that there is no universal moral code to judge another's society's moral and ethical standards. As such, under apartheid in South Africa, gold and diamond mining activities by multinational corporations using "slave labour" in the mines could be justified.

Recent high-profile events internationally and wide-sweeping reforms have created an enormously challenging environment for corporate governance. Pressured by increasing demands for greater knowledge, independence, and accountability, corporate boards of directors are finding themselves under more intense scrutiny than ever. Strengthening the performance of both the board and company management is now a formidable task that requires extraordinary leadership.
Many boards worldwide and in Jamaica are seriously searching for answers to the following:

- what factors motivate senior executives—and what role does compensation play in this motivation?
- What characteristics define equitable compensation plans that also motivate? What distinguishes high compensation from overcompensation—and when is high pay justifiable?
- The determining of CEO compensation, designing compensation plans for other senior managers, and approving performance targets and compensation levels?
- What does an effective process for committee activities look like—and how should compensation consultants, the CEO or his/her representative, and the senior human resource officer be involved in the process? Also, how should the committee relate to each of these players?
- How should compensation plans be related to performance evaluation practices?

Perhaps most important, the opportunity to determine the extent to which their own board's compensation plans need rebuilding and to rethink their respective committee charters.

Audit Committees in a New Era of Governance is designed to prepare audit committee chairs and members, as well as CFOs, to operate successfully amid new regulations and emerging governance issues. This helps to understand the its impact on the roles, responsibilities, and liabilities of audit committees. It then encourages them to rethink their committees' activities and to formulate approaches for the effective resolution of specific challenges.

Other key issues to identify current and future challenges, foster necessary relationships, and accelerate required changes are:

• How should audit committees and management deal with the heightened demand for greater oversight and a higher level of financial and accounting expertise?
• How can audit committees improve transparency for investors?
• How should audit committees handle the impact of investor expectations on management financial reporting and disclosure procedures?
• What role, if any, do audit committees play in the investor relations process?
• How can audit committees better manage their relationships with the boards of directors, corporate management, internal auditors, and external auditors?
• What should the charters of company audit committees contain?

Ultimately, board members will gain valuable insights about the technical responsibilities and ethical considerations of audit committees and company management in ensuring performance accountability.

The answers to these questions should develop techniques, strategies, and action plans to improve governance performance, further their own board's development, and maximize individual contributions to company boards not only world –wide but in Jamaica.

Specific board issues in the overall context of structuring a relationship that facilitates cooperation between the board of directors and corporate management should include:

• Board composition and director selection
• Setting time-efficient agendas
• Conducting dynamic, constructive board meetings
• Role of the board in strategic planning and as an agent of positive change
• CEO evaluation and compensation

• CEO succession

• Dealing with unanticipated company crises or opportunities, i.e., takeovers, CEO firings, etc.

• Effective use of committees

• Designing performance scorecards to monitor business strategy and management performance

• Evaluation of the board and its members

• Director compensation and stock ownership

• Role of the board and audit committee in formulating an external financial reporting
and disclosure strategy

• Changes to the legal responsibilities of directors

Serious reflection of all of the above should be of importance to open debate on a new paradigm of corporate governance in Jamaica and change the mindset in order for us to be serious entrants to the Global Village.

Government Has to Lead The Way?

Clarity of Roles and Responsibilities

The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

1 The structure and functions of government should be clearly specified.

2 The responsibilities of different levels of government, and of the executive branch, the legislative branch, and the judiciary, should be well defined.

3 Clear mechanisms for the coordination and management of budgetary and extrabudgetary activities should be established.

4 Relations between the government and nongovernment public sector agencies (i.e., the central bank, public financial institutions, and nonfinancial public enterprises) should be based on clear arrangements.

.5 Government involvement in the private sector (e.g., through regulation and equity ownership) should be conducted in an open and public manner, and on the basis of clear rules and procedures that are applied in a nondiscriminatory way.

There should be a clear legal and administrative framework for fiscal management.

.1 Any commitment or expenditure of public funds should be governed by comprehensive budget laws and openly available administrative rules.

.2 Taxes, duties, fees, and charges should have an explicit legal basis. Tax laws and regulations should be easily accessible and understandable, and clear criteria should guide any administrative discretion in their application.

3 Ethical standards of behavior for public servants should be clear and well publicized.

Public Availability of Information

The public should be provided with full information on the past, current, and projected fiscal activity of government.

1 The budget documentation, final accounts, and other fiscal reports for the public should cover all budgetary and extra budgetary activities of the central government, and the consolidated fiscal position of the central government should be published.

2 Information comparable to that in the annual budget should be provided for the outturns of the two preceding fiscal years, together with forecasts of the main budget aggregates for two years following the budget.

3 Statements describing the nature and fiscal significance of central government contingent liabilities and tax expenditures, and of quasi-fiscal activities, should be part of the budget documentation.

4 The central government should publish full information on the level and composition of its debt and financial assets.

5 Where subnational levels of government are significant, their combined fiscal position and the consolidated fiscal position of the general government should be published.

A commitment should be made to the timely publication of fiscal information.

.1 The publication of fiscal information should be a legal obligation of government.

2 Advance release date calendars for fiscal information should be announced.

Open Budget Preparation, Execution, and Reporting

The budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks.

1 A statement of fiscal policy objectives and an assessment of fiscal sustainability should provide the framework for the annual budget.

2 Any fiscal rules that have been adopted (e.g., a balanced budget requirement or borrowing limits for subnational levels of government) should be clearly specified.

3 The annual budget should be prepared and presented within a comprehensive and consistent quantitative macroeconomic framework, and the main assumptions underlying the budget should be provided.

4 New policies being introduced in the annual budget should be clearly described.

5 Major fiscal risks should be identified and quantified where possible, including variations in economic assumptions and the uncertain costs of specific expenditure commitments (e.g., financial restructuring).

Budget information should be presented in a way that facilitates policy analysis and promotes accountability.

1 Budget data should be reported on a gross basis, distinguishing revenue, expenditure, and financing, with expenditure classified by economic, functional, and administrative category. Data on extrabudgetary activities should be reported on the same basis.

2 A statement of objectives to be achieved by major budget programs (e.g., improvement in relevant social indicators) should be provided.

3 The overall balance of the general government should be a standard summary indicator of the government's fiscal position. It should be supplemented where appropriate by other fiscal indicators for the general government (e.g., the operational balance, the structural balance, or the primary balance).

4 The public sector balance should be reported when nongovernment public sector agencies undertake significant quasi-fiscal activities.

Procedures for the execution and monitoring of approved expenditure and for collecting revenue should be clearly specified.

1 There should be a comprehensive, integrated accounting system which provides a reliable basis for assessing payment arrears.

2 Procurement and employment regulations should be standardized and accessible to all interested parties.

3 Budget execution should be internally audited, and audit procedures should be open to review.

4 The national tax administration should be legally protected from political direction and should report regularly to the public on its activities.

There should be regular fiscal reporting to the legislature and the public.

1 A mid-year report on budget developments should be presented to the legislature. More frequent (at least quarterly) reports should also be published.

2 Final accounts should be presented to the legislature within a year of the end of the fiscal year.

3 Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.

There needs to be Assurances of Integrity as such:

Fiscal data should meet accepted data quality standards.

1 Budget data should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments.

2 The annual budget and final accounts should indicate the accounting basis (e.g., cash or accrual) and standards used in the compilation and presentation of budget data.

3 Specific assurances should be provided as to the quality of fiscal data. In particular, it should be indicated whether data in fiscal reports are internally consistent and have been reconciled with relevant data from other sources.

Fiscal information should be subjected to independent scrutiny.

1 A national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts.

2 Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and all underlying assumptions.

3 A national statistics agency should be provided with the institutional independence to verify the quality of fiscal data.

Corporate Jamaica and the New Mindset

The duties/responsibilities of a director at common law can be conveniently discussed under two headings:

- Fiduciary duties of loyalty and good faith.
- Duties of skill and care.

A director's fiduciary duty of loyalty and good faith can be further broken down into four separate rules.

(a) Directors should act in good faith in what they truly believe to be in the best interest of the company.

(b) Directors should not abuse the powers conferred on them by the office they hold.

(c) Directors should not restrict their discretion in how they act.

(d) Directors should not, without the informed consent of the company, put themselves in a position where their personal interests are likely to conflict with those of the company.

The Australian case of Mills v. Mills (1938) establishes that the court can be quite liberal in determining reasonable expectations of directors' actions deemed to be in good faith. In Mills, it was stated that directors are "not required by law to live in an unreal region of detached altruism and to act in a vague mood of ideal abstraction from obvious facts which must be present to the mind of any honest and intelligent man when he exercises his powers as a director."

Even though it is well established by law that the duties of the directors are primarily owed to the company, this does not mean that there can be no circumstances in which the rights of creditors take primacy over those of the company.

Such circumstances would exist where a company has lost all its capital. In this situation shareholders have no financial interests and the directors have a duty to stop trading. As Lord

Diplock opined in Lournho Ltd. v. Shell Petroleum Co. Ltd. (1980), the principle that directors must act in the best interests of the company "are not exclusively those of its shareholders but may include those of its creditors." In West Mercia Safetywear Limited v. Dodd (1988), the Court of Appeal held that a director of an insolvent company must have regard to the interests of its creditors.

In an apparent move to strengthen the framework of determining directors' responsibilities, provisions in the new Companies Act would codify the common law standard of directors' duty of care and skill. Every director and officer of a company in exercising his powers and discharging his duties must act honestly and in good faith with a view to the best interests of the company.

It would also provide that in determining what are the best interests of a company, a director must have regard to the interests of the company's employees in general, its shareholders, and the interests of the community in which the company operates. This provision expressly recognizes a broad scope of stakeholders.

This introduces an objective test of care and skill from the Canadian model, stating that every director and officer of a company, in exercising his powers and discharging his duties shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Some of the problems of Management , especially top management which have led to the demise of companies in Jamaica is as follows:

- Lack of, or poor strategic planning
- Failures in the exercise of due diligence and care, specifically:
- Inadequate credit/investment assessment and monitoring;
- Excessive credit concentration;
- Inadequate capital levels;
- High and non-income earning levels of related party exposure;
- High and increasing levels of non-performing assets;
- Lack of, or non-compliance with proper internal control procedures and effective risk management principles; and
- Ineffective supervision of the management of these institutions by their board of directors.

When these issues are critically examined against the responsibilities of directors as I have previously outlined, it seems quite clear to me that several directors of distressed companies were found wanting in the execution of their responsibilities. I would suggest, however, based on my own experience and dialogue with some directors that many did not properly understand their role.

Consequently, I would suggest that there is a need for companies, to make affirmative efforts to select directors with the requisite knowledge and qualifications to actively and meaningfully contribute to the decision-making process. Further, an on-going programme of education must exist to allow directors to continually develop their knowledge base on issues related to the company's business. Moreover, beyond the exercise of good judgment in selection of directors, it is imperative that companies develop a culture of strong corporate governance.

In Canada, the Toronto and Montreal Stock Exchanges have adopted guidelines for effective corporate governance. The Toronto and Montreal Stock Exchanges require that each listed corporation incorporated in Canada or in a province of Canada disclose its approach to corporate governance with reference to these guidelines in annual reports and offering circulars. In the United Kingdom, corporate governance is the subject of principled discussion in documents such as the Cadbury and Greenbury Codes. In the United States, corporate governance is widely discussed by scholars and academics.

There is a need for companies in Jamaica to take a proactive role in facilitating improved governance on the part of their directors. The voluntary formulation of corporate governance as compared to that enacted by regulators will engender a deeper sense of commitment on the part of corporate management. In a dynamic, competitive environment it is imperative that directors and managers of corporations constantly review, evaluate and as necessary modify governance practices to ensure the effectiveness of their corporate governance, to guard against moral hazard, and to favourably compete in the marketplace.

The continuous development and evolution of a high standard of corporate governance should be a priority for companies in Jamaica.

To assist companies in developing these standards, I would suggest the following:

a)They should seek to obtain information on corporate governance practices of similar and successful institutions in Jamaica and the Caribbean as well as other commonwealth countries such as the United Kingdom and Canada.

(b) Companies should critically review their current corporate governance practices against those of the counterparts suggested above to identify weaknesses and opportunities for improvement. This review should be conducted where possible with the assistance of external consultants to ensure that it is as objective as possible.

(c) Companies should ensure that persons appointed to boards are of the requisite skill, knowledge, temperament and character necessary to ensure proper conduct and a meaningful contribution to the company's affairs.

(d) Companies should hold regular training and review sessions for directors, especially new directors, to ensure that they understand their role, the purpose and objectives of the company, and are keeping abreast of new standards in corporate governance. Directors should understand both the Financial Institution's business environment and the legal and regulatory framework within which the Financial Institution's activities operate.

(e) Companies can assist in keeping directors informed about industry trends and other matters by including them in management presentations on business activities and industry developments, bank counsel briefings or reports on legislative and regulatory changes, pending litigation, and emerging compliance or legal issues, and bank auditor briefings on major accounting or tax developments.

(f) Companies should develop a comprehensive formal program of individual director performance assessment and feedback. This should include the chairman of the board. Under this program, each director should receive detailed feedback on the quality of their contribution.

(g) Financial Institutions should develop and adopt a charter of expectations for directors which enunciates the specific responsibilities to be discharged by the bank directors and the individual roles expected of them. This charter should stipulate the personal and professional characteristics expected of all directors and provide benchmarks against which a director will be evaluated. These criteria could also provide a recruitment model for use in selecting new directors. Among the relevant criteria would be the institution's record in complying with laws and regulations, criticisms contained in audit and inspection reports and their resolution, management's responsiveness to board directives and policies, the timeliness, quality, and accuracy of management's recommendations and reports, and management's presentations to the board.

Good corporate governance requires the active responsibility and commitment of the board of directors directly and through its committees to the management of the company's business and affairs. Good corporate governance also requires sound ethics, integrity, judgment and values at the level of the board of directors and throughout the company.

Corporate Governance: A French Point of View

The recent Viénot Report on Corporate governance in France summarized their findings as follows: The Committee considered first the two issues for which the Ministry of Justice issued proposals on July 31, 1999, to wit, separation of the office of chairman of the Board of Directors from the office of chief executive officer, on the one hand, and disclosure of the compensation and options granted to corporate officers of listed companies, on the other hand.

Separation of the offices of chairman and chief executive officer

1. The Committee is favorable to the introduction in French law of an alternative allowing the Board of Directors to opt for combination or separation of the offices of chairman and chief executive officer, which option should always be subject to reversal by a further resolution of the Board of Directors.

As a result of such a statutory reform :

2. In the event of option for separation, the rules of operation of the Board will have to specify the duties assigned to the chairman of the Board of Directors, by delimitation in relation to the powers of the chief executive officer and those of the Board itself (frequency of meetings, agenda, presiding at the meeting of shareholders, monitoring of the corporation's operation, etc.).

3. In that situation, the chief executive officer will need to be a Director and be appointed by the Board upon the chairman's motion, will have full powers to act in all circumstances in the corporation's name, and will have the title of *directeur général exécutif* (chief executive officer).

4. Regardless of the election made, the rules of operation of the Board will have to specify clearly the
division of powers between the Board of Directors, on the one hand, and the chairman and chief executive officer (combination) or the chief executive officer (separation), on the other hand.
In particular, areas such as the group's indebtedness and its major acquisitions and divestments will have to be subjected to resolutions passed in due time by the Board of Directors of the parent company, even if they are not legally mandatory.
5. The statutory rules with respect to civil and criminal liability will need to be amended so as to provide for the situation where the Board of Directors elects to separate the positions of chairman and chief executive officer, so that the chairman of the Board of Directors, devoid of management prerogatives, could be held liable only in respect of misconduct connected with his personal duties.
6. The grounds for and justification of the election made by the Board of Directors between combination and separation of the duties will need to be stated in the annual report.

Disclosure of the compensation granted to corporate officers of listed companies

7. The annual reports of listed companies should include a chapter, drafted with assistance from the compensation committee, relating to disclosure to the shareholders of the compensation collected by the corporate officers.
8. The first part of this chapter should describe in detail the policy for determination of the compensation granted to the members of the general-management team : principles for allocation of the fixed and variable portions, criteria for determination of the basis for variable portions, rules for the award of bonuses.
9. The second part should specify the aggregate amount of compensation of all kinds collected by such corporate officers, broken down between the fixed and variable portions.
10. The third part should specify the aggregate and individual amounts of attendance fees paid to the Directors and the rules for allocation among them, and the rules for collection of attendance fees granted to members of the general-management team in respect of directorships held in group affiliates.

11. In addition, the Committee recommends that a statutory amendment allow the Board of Directors to resolve upon payment of all or part of the attendance fees due to Directors in shares of the corporation's stock.

Disclosure of stock-option or stock-purchase plans in listed corporations

12. The annual reports of listed corporations having granted options should include a chapter relating to such options in the part of the report dealing with the structure of and changes in the stock.

13. This chapter, prepared by the Board committee in charge of grant of the options, should describe the policy for the grant of options to all the beneficiaries and to the members of the general-management team. In particular, the nature of the options, the criteria for determination of the classes of beneficiaries, the frequency of plans, and the terms set by Board of Directors for exercise of the options, should be specified.

14. In addition, a recapitulating table should set out all the data provided for with respect to options in the « shelf document », and a statement of the discount granted or premium charged. A separate line should provide such information for the members of the general-management team in the aggregate, and equivalent data for the options granted to them, if applicable, in other group affiliates.

Directors

The Committee considers that without affecting the duration of current terms of office, the duration of the Directors' term of office, set by the by-laws, should not exceed a maximum of four years, in order to enable the shareholders to rule upon their appointment with sufficient frequency.

16.The terms of office should be staggered so as to avoid renewal as a whole and to make the replacement of Directors smoother.

17. The annual report should specify precisely the dates of the initiation and expiry of each Director's term, so as to highlight the staggering.

It should also mention for each Director his or her age, major executive position, and directorships in other listed corporations (other than group affiliates), and specify the names of all the members of each Board committee.

18. When a Director's appointment or the extension of his or her term of office is referred to the meeting of shareholders, the annual report and notice calling the shareholders should include, in addition to the statutory statements, a biographical notice outlining his or her resume.

19. The number of shares of stock held by each Director in his or her personal capacity in the corporation concerned should be entered in the annual report and notice calling the meeting of shareholders.

20. The Committee stresses the recommendation in the 1995 report, that a Director performing executive duties in a listed corporation should limit the number of outside directorships, and in any event abstain from holding directorships in more than five listed French or foreign corporations other than group affiliates.

Operation of the Board of Directors

21. The Committee points out the need for the Board of Directors to review on a periodic basis its membership, organization and operation. The existence of this review should be notified to the shareholders in the annual report.

22. The Committee considers that the definition of an independent Director contained in the 1995 report may be simplified as follows :

« A Director is independent of the corporation's management when he or she has no relationship of any kind whatsoever with the corporation or its group that is such as to jeopardize exercise of his or her free judgment ».

The independent Directors should account for at least one-third of the Board of Directors.

They should also account for at least one-third of the audit committee and appointments committee. The compensation and options committee, for its part, should have a majority of independent Directors among its members.

24. The independent Directors should be identified as such in the annual report.

25. The frequency and duration of meetings of the Board of Directors should be such as to allow in-depth review and discussion of matters within the Board's purview.

The same is true of meetings of the Board committees (e.g., audit, compensation and options, and appointments committees).

26. The number of meetings of the Board of Directors and Board committees held during the past financial year should be specified in the annual report, which should also provide the shareholders with appropriate information regarding the Directors' attendance at such meetings.

27. Corporations are bound to provide their Directors, if appropriate, with information prior to meetings (of the Board) and on a continuing basis (between meetings of the Board) which is sufficient, relevant and of first rate quality, and such as to enable them to perform their duties effectively.

Directors are bound to request appropriate information which they consider to be necessary in order to perform their duties.

Operation of the Board committees

28. Committees of the Board should be allowed the opportunity to approach, in performance of their duties, the corporation's main officers after informing the chairman of the Board of Directors, and subject to reporting to the Board. The Board committees should be able to request external technical reviews of matters within their purview, at the corporation's expense, after informing thereof the chairman of the Board of Directors or the Board itself, and subject to reporting to the Board.

30. The audit committee should submit every year to the Board of Directors a report :

concerning the amount of auditing and consulting fees paid by the corporation and its affiliates to entities in the network to which the statutory auditors belong, and the related percentage of the total amount of fees collected by such network during the year; concerning the assignment to entities in the network to which the statutory auditors belong of any assistance and consulting duties, material either in terms of importance for the corporation and its affiliates or in terms of the amount of related fees. Corporations should not entrust significant assistance or consulting assignments to entities in the network to which their statutory auditors belong unless that network is able to warrant that such assignment is not liable to impair the statutory auditors' independence and objectivity.

31. The audit committee should refer to the Board of Directors the issue of selection of the accounting standards for the consolidation of accounts. For such purpose, it should be provided with precise documentation drafted by the corporation's financial management under technical supervision by the statutory auditors, ensure that it is updated, and submit to the Board for review an advisory document highlighting all the consequences of the terms of the election.

32. The appointments committee (or an *ad hoc* committee) should draw up a plan for succession of the

executive Directors. The chairman should be a member of that committee, but not its chairman.

Financial disclosure

33. The Committee recommends that listed corporations ensure that they are able as soon as possible to publish :

estimated (provisional) consolidated annual accounts at the latest one month after the close of the financial year, if they are unable to draw up the final accounts within two months after the close of the financial year; final consolidated accounts at the latest three months after the close of the financial year; final consolidated half-yearly accounts at the latest two and a half months after the end of the first half if they are unable to publish estimated (provisional) accounts sooner.

The meeting of shareholders

34. The Committee recommends that corporations in future cease submitting to an extraordinary meeting of shareholders a resolution expressly permitting the use of delegations of authority to increase the capital after a take-over bid has been made.

Implementation of the recommendations

35. The Committee considers that it is necessary that listed corporations should specify clearly, in their

annual reports, compliance with the recommendations in the 1995 report and these recommendations, and explain, if applicable, the reasons for not implementing some of them.

Corporate Governance: Hong Kong SAR Best Practice Code

CODE OF BEST PRACTICE

The following guidelines are intended to form the skeleton of a code of best practice to which listed issuers should aim. The following items are not intended to be rules, which are to be rigidly adhered to. All issuers are encouraged to devise their own codes of practice in the interests not only of their independent non-executive directors, but also of the board of directors as a whole.

1. Full board meetings shall be held no less frequently than every six months. “Full” board meetings means meetings at which directors are physically present and not “paper” meetings or meetings by circulation.

2. Except in emergencies an agenda and accompanying board papers should be sent in full to all directors at least 2 days before the intended date of a board meeting (or such other period as the board agrees).

3. Except in emergencies adequate notice should be given of a board meeting to give all directors an opportunity to attend.

4. All directors, executive and non-executive, are entitled to have access to board papers and materials. Where queries are raised by non-executive directors, steps must be taken to respond as promptly and fully as possible.

5. Full minutes shall be kept by a duly appointed secretary of the meeting and such minutes shall be open for inspection at any time in office hours on reasonable notice by any director.

6. The directors' fees and any other reimbursement or emolument payable to an independent non-executive director shall be disclosed in full in the annual report and accounts of the issuer.

7. Non-executive directors should be appointed for a specific term and that term should be disclosed in the annual report and accounts of the issuer.

8. If, in respect of any matter discussed at a board meeting, the independent non-executive directors hold views contrary to those of the executive directors, the minutes should clearly reflect this.

9. Arrangements shall be made in appropriate circumstances to enable the independent non-executive directors of the board, at their request, to seek separate professional advice at the expense of the issuer.

10. Every non-executive director must ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot.

11. If a matter to be considered by the board involves a conflict of interest for a substantial shareholder or a director, a full board meeting should be held and the matter should not be dealt with by circulation or by committee.

12. If an independent non-executive director resigns or is removed from office, the Exchange should be notified of the reasons why.

13. Every director on the board is required to keep abreast of his responsibilities as a director of a listed issuer. Newly appointed board members should receive an appropriate briefing on the issuer's affairs and be provided by the issuer's company secretary with relevant corporate governance materials currently published by the Exchange on an ongoing basis.

14. This board should establish an audit committee with written terms of reference which deal clearly with its authority and duties. Amongst the committee's principal duties should be the review and supervision of the issuer" financial reporting process and internal controls. For further guidance on establishing an audit committee listed issuers may refer to "A Guide For The Formation Of An Audit Committee" published by the Hong Kong Society of Accountants in December 1997. Listed issuers may adopt the terms of reference set out in that guide, except that the committee may have a minimum of two members, or they may adopt any other comparable terms of reference for the implementation of audit committees. The committee should be appointed from amongst the non-executive directors and a majority of the non-executive directors should be independent.

Corporate Governance: A German Perspective

General questions of Corporate Governance

The purpose of Corporate Governance is to achieve a responsible, value-oriented management and control of companies. Corporate Governance Rules promote and reinforce the confidence of current and future shareholders, lenders, employees, business partners and the general public in national and international markets. The Supervisory Board, Management Board and Executive Staff of the Company identify themselves with these Rules and are contractually bound by them. They are part of the general obligation to observe other interests related to the corporate activity.

The Rules of the Code serve as general guidelines for Corporate Governance for quoted German companies. Quoted companies are all enterprises whose shares are officially listed on a German stock exchange or traded over-the counter.

The Rules, their acceptance, implementation and respective adjustments to the specifics of the individual Company shall be communicated in the Annual Report.

Due to the various legal systems, institutional parameters and traditions, there is presently no internationally accepted universal model for Corporate Governance.

The parameters for the Code are provided by codified law and leading cases, generally accepted national and international codes of good conduct and market practice. They include the directly relevant provisions of company and group law, in particular, the law governing stock corporations, financial accounting, banking supervision and the capital market as well as the Company's Memorandum and Articles of Association. From these derive the provisions, some of them detailed, with regard to the responsibilities and duties of the governing bodies: Supervisory Board (§§ 95-116 German Stock Corporation Act), Management Board (§§ 76-94 German Stock Corporation Act) and General Meeting (§§ 118-147 German Stock Corporation Act) as well as the code of conduct of the members of the governing bodies.

The essential points of the OECD Principles for Corporate Governance of May 1999 are covered as follows:

Protection of Shareholders' rights: Following the introduction of the German Act on Corporate Control and Transparency (KonTraG) in 1998, there are adequate provisions safeguarding the rights of shareholders through the comprehensive mandatory rules under the German Stock Corporation

Act. In particular, the following OECD points are covered by mandatory law (§ 23 German Stock Corporation Act):

full voting right for each ordinary share (§ 12 German Stock Corporation Act)
no impediments with regard to ownership or registration (§ 67 German Stock Corporation Act)
transferability of shares at any time (§ 68 German Stock Corporation Act)
participation, proxy and exercise of voting rights at General Meetings (§134 German Stock Corporation Act)
election of members of the Supervisory Board (§ 101 German Stock Corporation Act)
participation in company profits (§ 58 German Stock Corporation Act).
These points are mandatorily covered by German Law (§ 23 German Stock Corporation Act).
An authorization to increase the share capital with exclusion of shareholder participation rights in order to pursue either an acquisition or a share placement near the prevailing market price will only be exercised by the Management Board if the share capital increase does not exceed 10 % of the then existing share capital. In this calculation the re-utilization of any repurchased shares will be included.
Equal treatment of shareholders: The 'Equal treatment of shareholders' stipulated by the OECD is also in place for German companies. The precautionary measures against insider trading, self-dealing and disclosure of any personal interests in transactions or matters are extended beyond the legal requirements by the subsequent points 'II. Management Board' and 'III. Supervisory Board'.
Until the enactment of the German Takeover Law, the voluntary Takeover Code of the Capital Markets Expert Commission of the German Ministry of Finance applies. This Code is accepted by the Company.
In the case of repurchase of own shares according to § 71, subparagraph 1, No. 8 German Stock Corporation Act, the Company shall observe the principle of equal treatment of all shareholders.
Disclosure and transparency: The point 'Disclosure and transparency' of the OECD Principles is generally covered by law for German companies through the corresponding provisions on the obligation to provide and enclose information (§§ 20 - 22, 160, 328 German Stock Corporation Act; §§ 15, 25 German Securities Trading Act; §§ 285, 325 ff German Commercial Code; §§ 35, 39 German Antitrust Act; § 24 German Banking Act). In addition, the Management Board shall regularly and with due regard to equal treatment of all shareholders ('Fair Disclosure') report on all Company matters through Annual and Interim Reports, 'ad hoc' communications, analyst and press

conferences. The OECD information requirements are covered by these publicity undertakings. The Company shall adopt an accounting standard that is suitable for international comparison purposes.

As the Management Board and Supervisory Board of German companies have the decisive functions for Corporate Governance, the relevant points are dealt with in detail below:

Management Board

1.) **Responsibilities and duties**

a) In the management of the Company, the Management Board is bound by Corporate interest, Company policy and the Group's guidelines as well as the basic principles of proper management (§ 76 German Stock Corporation Act).

b) The Management Board develops, in consultation with the Supervisory Board, the strategy for the Group and is responsible for its implementation.

c) The Management Board is responsible for ensuring compliance with legal provisions within the Group and to ensure their observation by Group companies.

2.) **Information and disclosure requirements**

a) The Management Board will publish without delay any new facts arising in the sphere of the Company's activities which are not yet publicly known and, due to their impact on their financial position of the Company or its general course of business, are likely to impact significantly on the price of the Company's listed securities (§ 15 German Securities Trading Act).

As part of its regular communication efforts, the dates of major regular publications (such as annual and quarterly reports, General Meetings) shall be published in a 'Financial Calendar' (at least one year) in advance. The information published by the company shall also be available in the 'Internet'. This is to include the invitation to General Meetings, their agenda as well as shareholder initiatives and management comments hereto as well as voting results of such meetings. If possible, all publications are provided in the English language.

b) The company shall pursue the principle of equal treatment of all shareholders in the matter of information dissemination.

c) The regular financial reporting (annual and quarterly reports) will be timely. The quarterly reports contain segment reporting as well as results per share.

d) The Management Board shall inform the Supervisory Board on a regular
basis, in good time and comprehensively about all relevant matters regarding business development, risk exposure and risk management of the company and major group subsidiaries.
e) Should the business trend or risk exposure of the Group change significantly against plan, the Management Board must immediately inform the Supervisory Board through its Chairman, who will call an extraordinary Supervisory Board meeting if so indicated.

The Management Board shall list in the Notes to the Company Accounts the corporations in which the Company holds a minimum of 10% of the share capital. Exempt from this are participations that are of immaterial importance for the Company's asset, financial and profit situation.
Equally, any existing mutual shareholdings and any shareholdings in the Company which have been notified by third parties as well as the owner(s) of such shareholdings must be reported in the Notes to the Accounts.
g) As soon as the Company is notified (§ 25 German Securities Trading Act), or becomes otherwise aware that another party has obtained, exceeds or no longer holds 5, 10, 25, 50 or 75% of the voting rights in the Company, this will immediately be published by the Management Board.
h) In the Notes to the Company Accounts details with regard to the Management Board's interest in shares of the Company (including any existing option rights) and their changes in relation to the previous year have to be published.
3.) **Remuneration**
a) The remuneration of the Management Board and the Executive Staff shall include sufficient motivation to ensure long-term corporate value creation. This includes share option programmes and performance-related incentives related to the share price development and the continuing success of the company. In connection with the granting of share options and similar rights to members of the Management Board and the executive staff the following points shall be observed:
The initial exercise of the rights arising from share option programmes shall not be possible before two years since the grant. To document the incentive character as well as to balance the surrender of the subscription right by the shareholders, the exercise shall depend on achieving or exceeding relevant and transparent benchmarks (e.g. the development of an industry index).
The structure, total amount, exercise prices and exercise periods as well as the allocations of share options and similar rights in the reporting period shall be published in the Notes to the Company Accounts, separately by members of the Management Board and Executive Staff.

To ensure compliance with insider laws, suitable precautions like closed periods of time are implemented.

b) The fixed and variable remuneration elements of the Management Board shall be detailed in the Annual Report.

4.) **Rules governing conflicts of interest and own-account transactions**

a) In the running of the management of the company, the Management Board members must not pursue any own interest that could be in conflict with the interest of the Company.

b)Members of the Management Board must disclose to the Supervisory Board material personal interests in transactions of the Company and Group companies as well as other conflicts of interest. They must also inform their Management Board colleagues.

c) All transactions between the Company or any Group company and Management Board members as well as associated persons or companies must comply with normal industry standards. The transactions and the terms and conditions thereof must be approved in advance by the Supervisory Board. They may not run counter to the interests of the Company or any Group company. The granting of loans to Management Board members must be approved by the Supervisory Board with advance notice to the Management Board. In all such transactions, the Company shall be represented by the Supervisory Board.

d) Management Board members and senior Group executives may not exploit business opportunities available to the Company or Group companies for themselves or for the benefit of associated persons or companies.

e) Management Board members and senior Group executives are also prohibited from conducting transactions, conflicting with the interests of the Company or any Group company, for themselves or for associated persons. This prohibition also extends beyond their business duties.

Management Board members must disclose to the whole Management Board transactions (except daily life transactions) among themselves or with Supervisory Board members or senior Group executives. The transactions require the approval of the Supervisory Board.

f) Management Board members and senior Group executives are during their employment subject to a comprehensive prohibition of competition (Members of the Management Board: § 88 German Stock Corporation Act).

g) Any other activities of Management Board members, in particular the acceptance of Supervisory Board appointments, require the approval of the Supervisory Board. Any other activities of senior Group executives require the approval of the Management Board.
h) The purchase and sale of Company shares, options or other share derivatives by members of the Management Board and senior Group executives are subject to special rules. It is generally welcomed that the Management Board and senior Group executives document their identification with the Company through a shareholder status. However, they should refrain from frequent transactions and counter transactions which aim to achieve very short term gains (speculative deals). Appropriate measures such as closed periods for the purchase or sale of shares should ensure the observation of the provisions of the insider laws. The Management Board shall ensure the compliance through a Compliance Officer that shall report to the Supervisory Board at least once a year. Management Board members and Group employees may in connection with their activity neither request nor receive gifts or other advantages for themselves or third parties, if this could jeopardize the interests of the Group or the interests of customers.

Supervisory Board

1.) **Composition**

a) The proposals for election of Supervisory Board members to the General Meeting shall ensure that the proposed candidates have both the required knowledge and skills as well as the relevant professional experience.
To ensure efficiency, regard will be given to size and composition of the Supervisory Board. Board Members must make sufficient time available to exercise their activity in a diligent manner.
b) The Supervisory Board shall ensure independent advice and monitoring of the Management Board through a sufficient number of independent persons who have no current or former business association with the Group. This shall also be taken into consideration for the composition of the Supervisory Board committees. The proposal for election to the Supervisory Board shall not include as a matter of course the election of retiring Management Board members.
c) If a member of the Supervisory Board does not participate personally in more than half of the Board Meetings of any given fiscal year, this has to be notified in the Annual Report.
d) The remuneration of the Supervisory Board shall appropriately reflect the responsibility, the work performed and the increase in the corporate value. The total remuneration shall be listed in the Notes to the Company Accounts.

e) The Notes to the Company Accounts shall contain details of the shareownership (including existing option rights) of the Supervisory Board members and their changes in relation to the previous year.

2.) **Responsibilities and duties**

a) The Supervisory Board advises the Management Board on a regular basis regarding the management of the Company and the Group and monitors the achievement of the long term corporate goals (monitoring: § 111 German Stock Corporation Act). The Supervisory Board appoints the members of the Management Board and ensures an orderly longterm succession planning (§ 84 German Stock Corporation Act).

b) The Supervisory Board can subject certain transactions to its approval (§111 German Stock Corporation Act). This refers in particular to investment projects, loans, the establishment of subsidiaries as well as the acquisition or disposal of shareholdings above a certain size. The members are bound to confidentiality with regard to all specific information and company secrets.

d) The Supervisory Board issues its own Standing Rules and stipulates
the information and reporting duties of the Management Board.

e) The Supervisory Board mandates the Auditors to audit the Company and the Group annual accounts (§111 German Stock Corporation Act).

Particular regard shall be given to:

that the mandated Auditor has not achieved during the last five years with the Audit and advice of the Company (or with corporations where the Company is a shareholder with more than 20%) more than 30% of his total revenue. This should also not be expected for the current fiscal year, that no auditor is employed in the Audit that has issued the auditors confirmation for the Annual Accounts or Group Accounts in more than 6 instances in the 10 years preceding the audit, that no conflicts of interest exist for the Auditor.

All members of the Supervisory Board shall receive the Audit Reports in good time before the pertinent Supervisory Board meetings (§ 170 German Stock Corporation Act). Audit related meetings shall be held in the presence of the Auditors (§ 171 German Stock Corporation Act).

f) Contracts, in particular consulting contracts of the company with members of Supervisory Board require the approval of Supervisory Board (except every day transactions).

g) The Supervisory Board shall receive regularly (at least annually) a report by the Management Board with regard to donations exceeding an amount determined by the Supervisory Board.

3.) **Establishment of Committees**

The Supervisory Board shall establish in line with its Standing Rules various committees to deal with complex business matters. With regard to the composition of such committees, the Supervisory Board shall ensure the requisite professional experience. Incorporation and duties of committees are subject to the specific circumstances and the size of the Company. The following committees could be instituted:

General Committee: The General Committee shall advise the Management Board and prepare the decisions to be taken by the Supervisory Board. The General Committee deals with general policy matters for the Group. It discusses the strategy and planning for the Group and its business segments submitted by the Management Board on the basis of different scenarios and their feasibility. The General Committee assesses the internal state of the Group with regard to its operating strength, efficiency and potential to achieve the formulated targets. It reviews the Corporate Governance Rules and their compliance on a regular basis (generally once a year).

Accounts and Audit Committee: The Accounts and Audit Committee is responsible for matters pertaining to the accounting and auditing for the Company and the Group. The Committee evaluates the Auditor's reports and reports to the Supervisory Board on its assessment of the comments in the audit report, particularly with regard to the future development of the Group. It verifies the Management Board's assumptions on the budget figures for the Group and its business segments.

Important other documents issued to shareholders shall be presented before publication to the Committee.The tasks of the Accounts and Audit Committee regularly comprise:

- the preparation of the selection of the Auditor, the determination of major auditing issues, even if exceeding the legally required points and content of the Audit, as well as the determination of the Auditors' fee, - the preparation of the audit of the Annual and Group Accounts by the Supervisory Board, including the relevant business reports on the basis of the results of the audit and additional points raised by the Auditor, - the preparation of a report by the Management Board with regard to corporate donations exceeding an amount determined by the Supervisory Board, and, if applicable, - the discussion of partial auditing results during the year (e.g. of the internal control system),
- the discussion of Interim Accounts and the results of any audits

performed therefore.

Personnel Committee: The Personnel Committee deals with the personnel issues of the Management Board (including its succession planning). The Personnel Committee shall recommend with regard to the content of the employment contracts of the Management Board including their remuneration. In addition, the Committee is responsible for the approval of paid for outside company work by members of the Management Board. The granting of loans to members of the Management Board and the Supervisory Board shall also be dealt with by the Committee.

Nomination Committee: The Nomination Committee is in charge of the composition, size and balance of the Supervisory Board and the proposals for election to the General Meeting.

Market- and Credit Risk Committee: This Committee supervises the handling of market risks and credit matters of the Group. It handles loans and other transactions requiring its approval and is informed of loans requiring its notification. For urgent matters, decisions can be delegated to nominated Committee members.

Mediation Committee: German Stock companies that are subject to codetermination by law, are legally required to establish a Mediation Committee (§ 27 subpara 3 Co Determination Act of 1976). This Committee delivers proposals for the appointment of Management Board members if the required two thirds majority for the appointment or termination of Management Board members has not been achieved.

4.) Rules governing conflicts of interest and own-account transactions

a) The Supervisory Board members must disclose any conflicts of interest to the Chairman of the Supervisory Board or his deputy unless they retire for cause. In the event of conflicts of interests, the Chairman of the Supervisory Board or his deputy shall decide to whom the information should be forwarded and whether the member of the Supervisory Board in question shall participate in meetings.

b) In their decisions Supervisory Board members must not pursue their own interests or those of associated persons or companies, which are in conflict with the interests of the Company or any Group company.

They may not pursue for their own benefit business available to the Company or its Group companies. In the event of possible conflicts of interest, the interests of the Company and its Group companies must take priority and the Supervisory Board members concerned must abstain from voting.

c) All transactions between the Company, any Group company and Supervisory Board members as well as associated persons or companies must comply with normal industry standards. The transactions (except: daily life transactions) and their terms must be approved in advance by the Supervisory Board. They may not run counter to the interests of the Company or any Group company.

d) The granting of loans to Supervisory Board members by the Company or Group companies require the agreement of the Management Board and the Supervisory Board.

e) Supervisory Board members may, in conjunction with their activity, neither request nor receive gifts or other advantages for themselves or third parties, if this could jeopardize the interests of the Group or customers.

Corporate Governance: A British Commonwealth Perspective

"Many countries are concerned that globalisation will leave them behind. Our task is to ensure that the benefits of the global economy are shared widely among all our peoples."

***The Rt Hon Tony Blair,* Prime Minister, United Kingdom**

"If globalisation is to deliver its full benefits, the responsibility for reforms must not lie with developing countries alone.The developed world, too must open up its markets to products from the developing world."

Mr.Julian Olgivie Thompson, Former Chairman and Chief Executive, Anglo American Plc

"Business ethics is the single most important issue that needs to be addressed by business...and it is one which is of utmost concern to our stakeholders. We need to build in a sense of fairness in our decision-making - fairness to all our stakeholders."

Mr Rahul Bajaj ,Chairman and Managing Director Bajaj Auto Ltd. India

The Commonwealth Business Council has published corporate governance principles in association with the Commonwealth Association for Corporate Governance in the publication Principles for Corporate Governance in the Commonwealth: Towards Global Competitiveness and Economic Accountability. The Commonwealth corporate governance principles are given below

Commonwealth Corporate Governance Principles

Principle 1: Exercise leadership, enterprise, integrity and judgement in directing the corporation so as to achieve continuing prosperity for the corporation and to act in the best interest of the business enterprise in a manner based on transparency, accountability and responsibility;

Principle 2: Ensure that through a managed and effective process board appointments are made that provide a mix of proficient directors, each of whom is able to add value and to bring independent judgement to bear on the decision-making process;

Principle 3: Determine the corporation's purpose and values, determine the strategy to achieve its purpose and to implement its values in order to ensure that it survives and thrives, and ensure that procedures and practices are in place that protect the corporation's assets and reputation;

Principle 4: Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;

Principle 5: Ensure that the corporation complies with all relevant laws, regulations and codes of best business practice;

Principle 6: Ensure that the corporation communicates with shareholders and other stakeholders effectively;

Principle 7: Serve the legitimate interests of the shareholders of the corporation and account to them fully;

Principle 8: Identify the corporation's internal and external stakeholders and agree a policy, or policies, determining how the corporation should relate to them;

Principle 9: Ensure that no one person or block of persons has unfettered power and that there is an appropriate balance of power and authority on the board which is, inter alia, usually reflected by separating the roles of chief executive officer and chairman, and by having a balance between executive and non-executive directors;

Principle 10: Regularly review processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times;

Principle 11: Regularly assess its performance and effectiveness as a whole, and that of the individual directors, including the chief executive officer;

Principle 12: Appoint the chief executive officer and at least participate in the appointment of senior management, ensure the motivation and protection of intellectual capital intrinsic to the corporation, ensure that there is adequate training in the corporation for management and employees, and a succession plan for senior management;

Principle 13: Ensure that all technology and systems used in the corporation are adequate to properly run the business and for it to remain a meaningful competitor;

Principle 14: Identify key risk areas and key performance indicators of the business enterprise and monitor these factors;

Principle 15: Ensure annually that the corporation will continue as a going concern for its next fiscal year.

Conclusion

At **The Economic Development Institute** we have identified good corporate governance as a priority for Corporate Jamaica. We see it as a critical factor for a strengthened Public and Private Sector. Due to the various legal systems, institutional parameters and traditions, there is presently no internationally accepted universal model for Corporate Governance, as such we have examined different perspectives from across the globe and all point in the same direction, good corporate governance is the most effective corporate vehicle available which we can use to integrate effectively in to the global village. However, we caution that a Jamaican model best suited to catapult us forward should be explored, rather than adopting a foreign model fully.

Herein lies the opportunity for Jamaican companies to support this important issue of corporate governance by making it a priority in your respective companies. Your efforts to improve corporate governance will inure to the benefit of the entire Jamaica and will foster real economic development in order to meet the challenges of Globalization.