



# Corporate Governance

FIFTH EDITION

Christine A. Mallin

**OXFORD**  
UNIVERSITY PRESS



UNIVERSITÄT  
LIECHTENSTEIN

Bibliothek

# Contents

List of examples and case studies	xvi
List of figures	xvii
List of tables	xviii
List of abbreviations	xix
Glossary	xxi

## **1 Introduction** **1**

Barings Bank	1
Enron	2
Parmalat	3
Satyam	3
Royal Bank of Scotland (RBS)	4
Securify	5
China Forestry	5
Olympus Corporation	5
Petrobras	6

## **PART ONE Developments in corporate governance**

---

## **2 Theoretical aspects of corporate governance** **15**

Introduction	15
Theories associated with the development of corporate governance	15
Agency theory	16
Separation of ownership and control	17
Transaction cost economics (TCE)	18
Stakeholder theory	20
Stewardship theory	20
Other theoretical perspectives	21
The theories in context	22
Convergence	23
Conclusions	24

<b>3</b>	<b>Development of corporate governance codes</b>	<b>27</b>
	The growth in corporate governance codes	27
	Corporate governance in the UK	28
	Influential corporate governance codes	43
	Cadbury Report (1992)	43
	OECD <i>Principles of Corporate Governance</i> (1999) as revised (2004)	45
	World Bank	47
	Global Corporate Governance Forum (GCGF)	47
	International Corporate Governance Network (ICGN)	47
	Commonwealth Association for Corporate Governance (CACG)	48
	EU and corporate governance	49
	Basle Committee	51
	US corporate governance	53
	Delaware corporate law	53
	Employee Retirement Income Security Act 1974 (ERISA)	54
	Sarbanes–Oxley Act 2002	54
	Commission on Public Trust and Private Enterprise 2003	56
	NYSE Corporate Governance Rules (2003)	58
	Emergency Economic Stabilization Act (2008)	58
	NACD Key Agreed Principles to Strengthen Corporate Governance for US Publicly Traded Companies (2008)	59
	Dodd-Frank Wall Street Reform and Consumer Protection Act (2010)	59
	New York Stock Exchange (NYSE) Commission on Corporate Governance (2010)	60
	Non-Governmental Organizations (NGOs), public sector, non-profit organizations, and charities	61
	Conclusions	63

## PART TWO **Owners and stakeholders**

.....

<b>4</b>	<b>Shareholders and stakeholders</b>	<b>73</b>
	Shareholders and stakeholders	73
	Stakeholder groups	74
	Guidance on shareholders' and stakeholders' interests	77
	Roles of shareholders and stakeholders	83
	Conclusions	85
<b>5</b>	<b>Family-owned firms</b>	<b>90</b>
	Introduction	90
	Ownership structures around the world	90

27	Family-owned firms and governance	92
42	Smaller quoted companies	94
201	Unlisted companies	98
211	Conclusions	100
<b>6</b>	<b>The role of institutional investors in corporate governance</b>	<b>108</b>
142	Introduction	108
207	Growth of institutional share ownership	109
207	Influence of institutional investors	110
207	Stewardship	112
143	Development of guidance on institutional investors' responsibilities	113
143	UK Stewardship Code 2010 (revised 2012)	116
143	EU Shareholder Rights Directive 2014	118
143	Private equity and sovereign wealth funds (SWFs)	119
143	Institutional investors' relationship with investee companies	122
143	Tools of corporate governance	123
143	Corporate governance and corporate performance	130
143	Conclusions	133
<b>7</b>	<b>Socially responsible investment</b>	<b>144</b>
173	Introduction	144
173	SRI and corporate governance	145
173	Strategies for SRI	146
173	Institutional investors' policies	147
173	International guidance	152
173	CSR indices	154
173	Corporate social responsibility (CSR)	155
173	The impact on shareholder value	157
173	Conclusions	159
173	Conclusions	159
<b>PART THREE Directors and board structure</b>		
.....		
<b>8</b>	<b>Directors and board structure</b>	<b>177</b>
194	Introduction	177
194	Unitary board versus dual board	177
194	The UK Corporate Governance Code	178
194	The board of directors	180
194	Role of the board	181
194	Role, duties, and responsibilities	182

Chief executive officer (CEO)	183
Chairman	184
Senior independent director	185
Company secretary	185
Board subcommittees	185
Audit committee	186
Remuneration committee	188
Nomination committee	189
Risk committee	190
Ethics committee	191
Non-executive directors	192
Independence of non-executive directors	193
Contribution of non-executive directors	195
Higgs Review	195
Director evaluation	196
Succession planning	197
Board diversity	198
Conclusions	201
<b>9 Directors' performance and remuneration</b>	<b>213</b>
The directors' remuneration debate	213
Key elements of directors' remuneration	219
Role of the remuneration committee	220
Role of remuneration consultants	222
Performance measures	223
Remuneration of non-executive directors	226
Disclosure of directors' remuneration	227
International guidance on executive remuneration	228
'Say on pay'	232
Conclusions	234
<b>PART FOUR International corporate governance</b>	
.....	
<b>10 Corporate governance in Continental Europe</b>	<b>249</b>
Background	249
Germany	252
Denmark	260
France	265

Italy	271
Convergence or divergence	277
Conclusions	278
<b>11 Corporate governance in Central and Eastern Europe</b>	<b>289</b>
Introduction	289
Privatization process and its implications	290
The Czech Republic	292
Poland	299
Russia	304
Hungary	310
Conclusions	315
<b>12 Corporate governance in the Asia-Pacific</b>	<b>323</b>
Introduction	323
Japan	324
South Korea	332
Malaysia	336
Singapore	341
China	345
Australia	351
Conclusions	358
<b>13 Corporate governance in South Africa, Egypt, India, and Brazil</b>	<b>370</b>
Introduction	370
South Africa	371
Egypt	375
India	377
Brazil	383
Conclusions	389
<b>14 Conclusions</b>	<b>400</b>
Index	405