



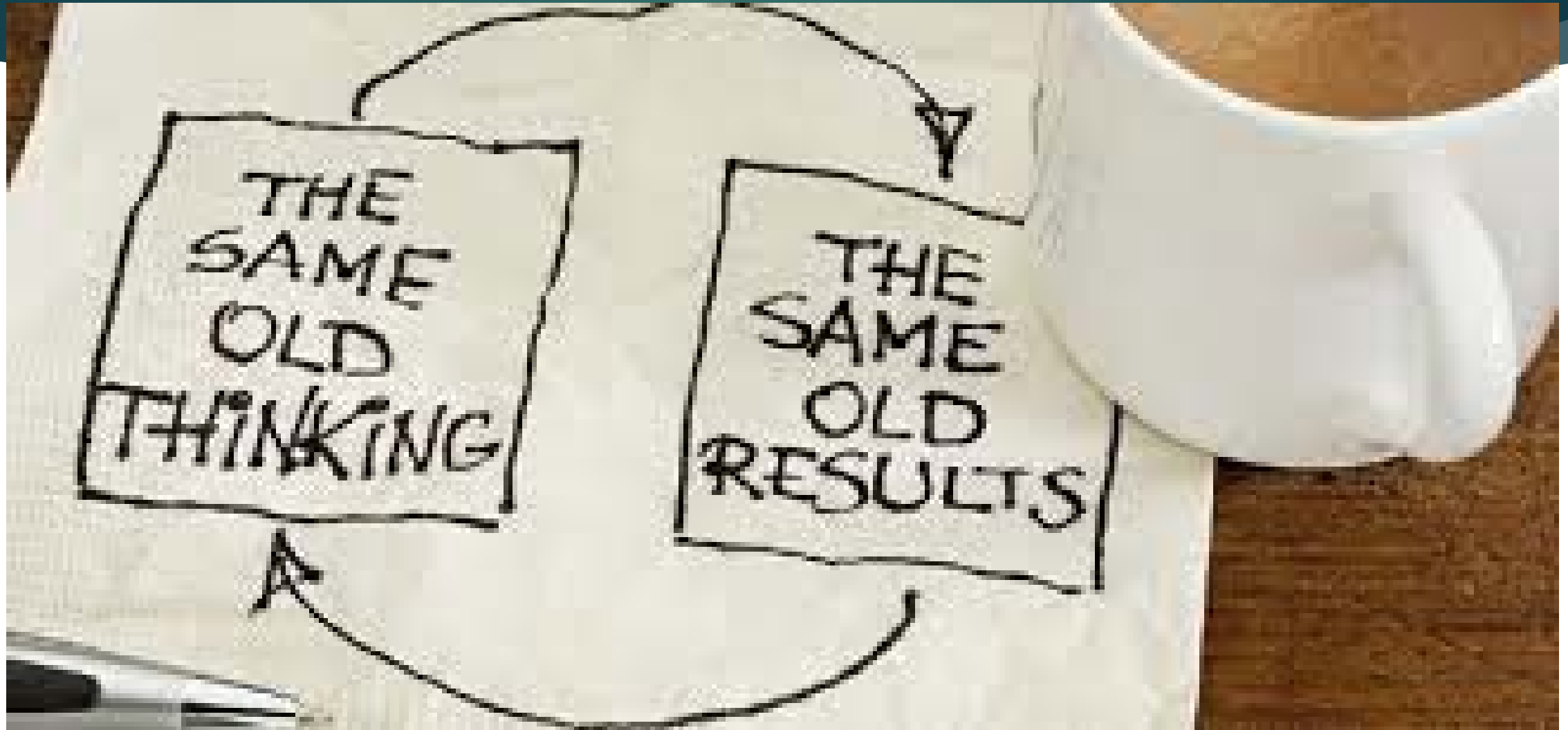
Good

Governance

It's your business


PROMOTING GOOD CORPORATE GOVERNANCE

PROF.DR.AUNG TUN THET



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RESULTS

- 
- ▶ **Being** Public
 - ▶ **Going** Public

 - ▶ Doing **Well**
 - ▶ Doing **Good**

Good Corporate Governance Practices

- ▶ **Not only** for public companies or large established companies
- ▶ **All companies** - small, private, and early stage ones – benefit

IMPORTANCE OF CORPORATE GOVERNANCE

- ▶ **New economy**
- ▶ **Growth of**
- ▶ *Private sector*
- ▶ *Capital markets*
- ▶ *FDIs*

Sustainable Businesses

- ▶ **Well governed** businesses
- ▶ Perform **better** than poorly governed peers
- ▶ **Transparent** and **professional** systems of direction and control
- ▶ Importance of taking **social** and **environmental** considerations seriously and **mainstreaming** them

Essential Good Corporate Governance Principles

- ▶ Lay **solid foundation** for management and oversight
- ▶ BOD **add value**
- ▶ Promote **ethical** and **responsible** decision-making
- ▶ Safeguard **integrity** in financial reporting
- ▶ Make **timely** and **balanced** disclosure

Essential Good Corporate Governance Principles

- ▶ Respect rights of **shareholders**
- ▶ Recognize and manage **risks**
- ▶ Encourage enhanced **performance**
- ▶ **Remunerate** fairly and responsibly
- ▶ Recognize **legitimate interests** of stakeholders

Best corporate governance practice = Best management practice

- ▶ **Essence** of success in business:
- ▶ *Clear and achievable **goal(s)***
- ▶ *Feasible **strategy** to achieve it*
- ▶ ***Organisation** appropriate to deliver*
- ▶ ***Reporting** system to guide progress*

Best corporate governance practice = Best management practice

- ▶ Achieving stakeholders' *goal(s)*
- ▶ Delivering success in **ethical** way
- ▶ **Holistic** application of good management

Corporate Governance

*"...process by which agencies are **directed and controlled.***

*... encompass **authority, accountability, stewardship, leadership, direction and control.**"*

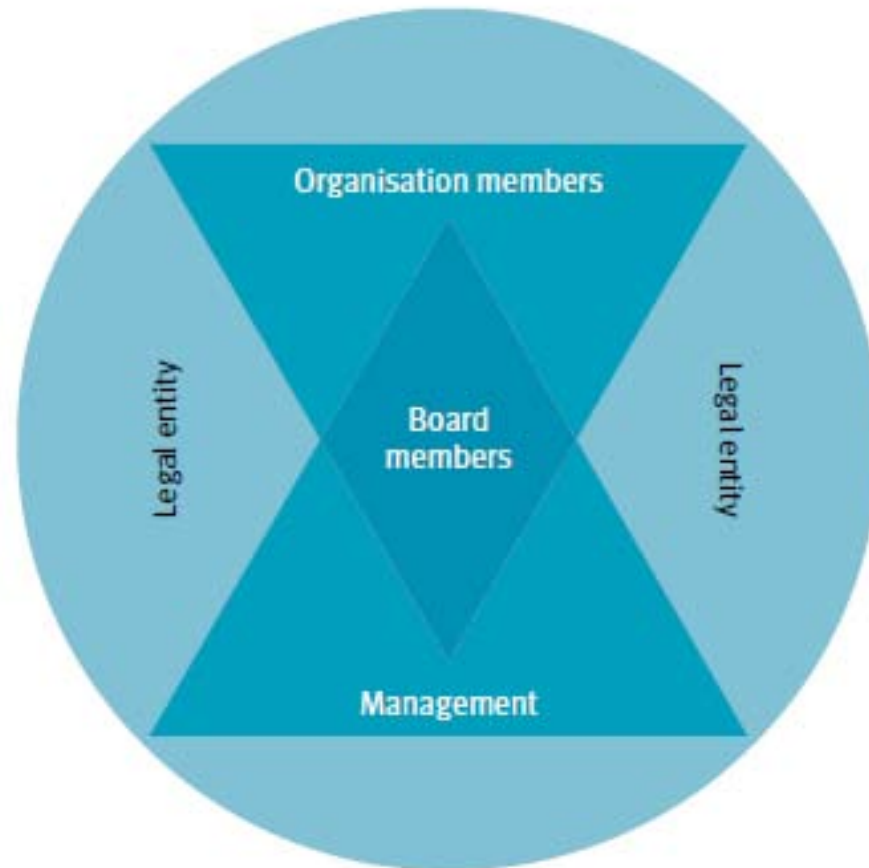
Effective Corporate Governance

- ▶ Achieve **objectives** and desired **outcomes**
- ▶ *Strategic and business **planning***
- ▶ ***Risk** management*
- ▶ ***Financial** management and reporting*
- ▶ ***Human resource** planning and control*
- ▶ ***Compliance** and **accountability** systems*

Good Corporate Governance

- ▶ **Framework** for establishing responsibility to people served
- ▶ Owners, members, clients and other **stakeholders**

Corporate Governance





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Good Governance: First Principles







Good Governance

Participatory

Rule of Law

Consensus Oriented

Equity & Inclusiveness

Transparency

Accountability

Responsiveness

Effectiveness & Efficiency

Information and Communication Technology

Corporate Governance





GOVERNANCE FRAMEWORK

MANDATE, VALUES AND ASSURANCE

Charter of
Responsibility

Core
Values

Code of
Business
Conduct

Policies, Procedures and Global Processes

Risk Management

ORGANISATION AND DECISION MAKING

Global Leadership Team and Councils

Corporate Governance Office

Local Management and Networks

Corporate Governance



Why Corporate Governance?

- ▶ Improved performance – **sustainability**
- ▶ Better access to **external finance**
- ▶ **Lower costs** of capital – interest rates on loans
- ▶ Higher firm **valuation**
- ▶ Reduced **risk** of corporate crisis and scandals

Why Corporate Governance?

- ▶ Greater impact in countries with weak **legal environments**
- ▶ **Compensate** for ineffective laws and enforcement
- ▶ Provide credible **investor protection**

Why Corporate Governance?

- ▶ Set of **behavioural** patterns
- ▶ **Normative** framework

Corporate Governance

- ▶ **Structures** and **processes** for direction and control
- ▶ **Relationships** among management, BOD, shareholders and other stakeholders

Corporate Governance

- ▶ Institutional **infrastructure** (laws, regulations, institutions and enforcement mechanisms)
- ▶ Highly **correlated** with better operating performance and market valuation
- ▶ **Stimulates** performance, generating higher returns and profitability

Corporate Governance

- ▶ Enhances **leadership**
- ▶ Demonstrates transparency and social accountability
- ▶ Transferring wealth between generations
- ▶ Protection of investors' interests

Corporate Governance Parties

1. Shareholders – **owners** of company
2. Directors – **guardians** of Company's assets for Shareholders
3. Managers – **users** of Company's assets

Four Pillars of Corporate Governance

1. Accountability
2. Fairness
3. Transparency
4. Independence

Corporate Governance

▶ Two elements

1. **Long term relationship** – checks and balances that necessary; incentives or motivation for managers and proper and smooth communication between investors and managers
2. **Transactional relationship** – managing authority and disclosure

Business Ethics

- ▶ Established **values and principles** to inform and conduct activities
- ▶ Permeate company's **culture** and drive strategy, business goals, policies and activities
- ▶ **Code of ethics** (CoE)

Elements of Corporate Governance

- ▶ Good **BOD** practices
- ▶ **Control** Environment
- ▶ **Transparent** disclosure
- ▶ Well-defined **shareholder** rights

Good BOD Practices

- ▶ Clearly defined **roles and authorities**
- ▶ **Duties and responsibilities** understood
- ▶ Well **structured**
- ▶ Appropriate **composition** and **mix** of skills

Good BOD Procedures

- ▶ **Appropriate**
- ▶ **Remuneration** in line with best practice
- ▶ **Self-evaluation** and **training**

Control Environment

- ▶ **Internal** control procedures
- ▶ **Risk management** framework
- ▶ Disaster **recovery** systems
- ▶ **Media** management

Control Environment

- ▶ Business **continuity** procedures
- ▶ Independent **external auditor**
- ▶ Independent **audit committee**

Control Environment

- ▶ Internal Audit Function
- ▶ Management Information Systems
- ▶ Compliance Function

Transparent Disclosure

- ▶ Financial Information
- ▶ Non-Financial Information
- ▶ International Financial Reporting Standards (IFRS)

Transparent Disclosure

- ▶ Companies **Registry** filings up to date
- ▶ High-Quality **annual report** published
- ▶ **Web-based** disclosure

Well-Defined Shareholder Rights

- ▶ **Minority** shareholder rights formalised
- ▶ **Well-organised** shareholder meetings conducted
- ▶ Policy on **related party** transactions

Well-Defined Shareholder Rights

- ▶ Policy on **extraordinary** transactions
- ▶ Clearly defined and explicit **dividend** policy



Best Corporate Governance Practices

Five Golden Rules

- ▶ Culture and public image shine
- ▶ Open, well and fairly run
- ▶ Public image reflect culture

Principles

- ▶ **Ethical approach** - culture, society; organisational paradigm
- ▶ **Balanced objectives** - congruence of goals of all interested parties
- ▶ **Each party plays part** - roles of key players: owners/directors/staff

Principles

- ▶ **Decision-making process** in place - reflecting first three principles and giving due weight to all stakeholders
- ▶ **Equal concern** for all stakeholders - some have greater weight than others
- ▶ **Accountability and transparency** - to all stakeholders

Five Golden Rules

- ▶ Over-riding **moral** dimension
- ▶ Business **morality or ethic** permeate entire operation from top to bottom
- ▶ **Embrace** all stakeholders

Five Golden Rules

- ▶ Integral part of good **management practice**
- ▶ Properly **run**

Five Golden Rules

1. **Ethics**: clearly ethical basis to business
2. **Align Business Goals**: arrived at through suitable stakeholder decision making
3. **Strategic management**: effective strategy process incorporates stakeholder value
4. **Organisation**: structured to effect good corporate governance
5. **Reporting**: provide transparency and accountability

Relationship between BOD and Management





Relationship

- ▶ Not between **employee** and **manager**
- ▶ BOD
- ▶ **Oversees** decisions taken by management
- ▶ Final **arbiters** of strategic direction and focus

Relationship

- ▶ BOD **responsible** for actions of management
- ▶ **Monitor** management
- ▶ Management take BOD **into confidence** about decisions

Relationship

- ▶ **Symbiotic**
- ▶ Each with each serving in **organizational ecosystem**
- ▶ Neither management nor BOD exist **without each other**
- ▶ Both **need each other** to survive and flourish

Relationship

- ▶ Significant **representation** of management in BOD
- ▶ Other BOD members study **decisions taken**
- ▶ No **agency problems, conflicts of interest** and **asymmetries** of information

Relationship

- ▶ BOD and management **coexist** together in harmonious manner
- ▶ Independent directors and directors **not affiliated** to management
- ▶ **Objectivity** and **separation** of directors belonging to management
- ▶ BOD **due diligence and oversight** over management



Corporate Governance and Expectations from Management

Corporate Governance

- ▶ **Roles and duties** of BOD
- ▶ BOD act as **oversight** authority
- ▶ **Expectations** from management

Expectations from management

- ▶ **Oversight** over actions
- ▶ **Guidance** from *professional* directors
- ▶ **Sharing** of accountability and responsibility between management and BOD



Fundamental differences between BOD and Management

DIMENSION	DIRECTORS	MANAGERS
Leadership	<ul style="list-style-type: none"> • Provide leadership and direction • Establish and maintain vision, mission and values 	<p>Implement strategy on behalf of BOD</p>
Decision making	<ul style="list-style-type: none"> • Determine future of organisation, strategy and structure • Protect assets and reputation • Consider how decisions relate to 'stakeholders' and regulatory framework 	<p>Implementing decisions and policies made by BOD</p>

DIMENSION	DIRECTORS	MANAGERS
Duties and responsibilities	<ul style="list-style-type: none">• Not managers• Long-term prosperity of company• Apply skill and care in exercising duty• Subject to fiduciary duties• Personally liable in both civil and criminal law	<ul style="list-style-type: none">• Fewer legal responsibilities

DIMENSION	DIRECTORS	MANAGERS
Relationship with shareholders	<ul style="list-style-type: none">• Accountable to shareholders and other stakeholders• Removed from office by them• Act as “fiduciaries” of shareholders• Act in best interests of company	<p>Appointed and dismissed by BOD</p> <p>No legal requirement to be held to account</p>

DIMENSION	DIRECTORS	MANAGERS
Ethics and values	Determination values and ethics	<ul style="list-style-type: none">• Enact ethos• Take direction from BOD



CEO Vs. Board of Directors

Titles

- ▶ Chairman, CEO, Executive Director
- ▶ BOD **guide** organizations
- ▶ CEO, or chief executive officer, holds **management** duties

CEO

- ▶ Top executive responsible for **operations and management**
- ▶ Doesn't **oversee** any one department or division
- ▶ Manages **executive team** oversees top-line directors and managers

CEO

- ▶ **Set** annual budgets, strategic management goals and profit targets
- ▶ **Serve** BOD
- ▶ Create **tactics** that support BOD strategies

BOD

- ▶ **Legal** responsibility
- ▶ Meet **chartered** mission requirements
- ▶ Guided by **bylaws**

BOD

- ▶ Members serve in several *specific positions*
- ▶ Secretary, vice chair and chair positions
- ▶ If CEO sits on BOD **subordinate** to Chairman

Board/CEO Relationship

- ▶ BOD authority to **hire, direct and terminate** CEO
- ▶ CEO make most of **day-to-day** management decisions, including **hiring, firing and purchasing**

Board/CEO Relationship

- ▶ BOD reviews CEO's work
- ▶ Preapproves major initiatives



Summary

What

- ▶ **Systems, principles and processes** by which company governed
- ▶ **Guidelines** on how company directed or controlled to fulfil its goals and objectives
- ▶ **Add value**
- ▶ Beneficial for all **stakeholders** in long term

What

- ▶ Management of company hence assumes role of **trustee**

Principles

- ▶ Integrity
- ▶ Fairness
- ▶ Transparent
- ▶ Necessary **disclosures and decisions**
- ▶ **Complying** with laws
- ▶ **Accountability and responsibility**

Principles

- ▶ Commitment to conducting business in **ethical** manner
- ▶ **Distinguish** between personal and corporate funds

Why

- ▶ **Confidence** associated with company
- ▶ **Criteria** that foreign investors depend on when deciding on which companies to invest in
- ▶ Operate more **efficiently**
- ▶ Mitigate **risk**

Why

- ▶ Safeguard against **mismanagement**
- ▶ Contributes to **development**



THANK YOU!