A SET OF LIMITED ASIAN PACIFIC CORPORATE GOVERNANCE STANDARDS AFTER FINANCIAL CRISIS - CASES IN JAPAN AND PHILIPPINES AND IMPLICATIONS FOR AUDITING

LE THI VIET NGA¹, LE THI HAN², DINH TRAN NGOC HUY³, NGUYEN HOANG⁴ & PHAM MINH DAT⁵

¹Faculty of International Economics and Business, Thuongmai University, Vietnam

²Banking University HCMC, Ho Chi Minh City, Vietnam

³Banking University HCM City Vietnam, Graduate School of International Management, International University of Japan, Niigata, Japan

^{4,5}Thuongmai University, Hanoi Vietnam

ABSTRACT

Up to now there are some researches done in the field of giving a framework of implementation of corporate governance standards after corporate scandals, negative market manipulation during the post-crisis periods. This paper mainly concentrates on empirical research for findings in this field, esp. Accounting scandals leading to bankruptcies and left lessons for building corporate governance standards, such as enhancing capability of internal and external auditing in firms.

First, it came up with two (2) groups of findings on corporate governance subjects in the post-crisis and post-scandal time. It found out that companies in these periods have certain corporate governance issues such as how to better organize an information disclosure system.

Second, it compared and identified differences in current and latest corporate governance standard system in two countries in Asian Pacific region: Japan and Philippines.

Third, this paper provided with a short summary of evaluation of current corporate governance principles in these two countries which can enable corporations to seek and to compare to their current codes.

Last but not least, it aims to realize a limited general set of standards of Asian Pacific corporate governance and give proper recommendations to relevant governments and organizations.

KEYWORDS: *Corporate Governance Standards, Board Structure, Code of Best Practice, Financial Crisis, Corporate Scandals, Market Manipulation, Internal Audit*

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INTRODUCTION

Many countries in Asian Pacific regions including: Japan and Philippines have made advancements in their corporate governance standards and regulations in recent decade. There are two (2) main point of time which is signaling the improvements made in the Asian countries' corporate governance policies. First period is the time during 1999-2003 after the Asian financial crisis taking place in 1997-1998 and second period is the current time, after the financial crisis 2007-2009 with impacts from US and Europe large economies. The Global corporate governance forum was organized and country's corporate governance council or committee or forum is also

established for recommendations and implementation of new key principles in this field. This book is trying to take an implementation – oriented writing style and focus on current corporate governance issues during and after impacts from scandals and crises.

Besides, thisbook 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 subjects.

The subsequent sessions are organized as following. First (1st) session is a literature review for some of corporate governance researches with impacts from corporate scandals, market manipulation and second (2nd) session is built with three (3) main themes of theories such as: corporate governance and financial crisis, corporate scandals and market manipulation. Next, (3rd), session is covered with a summary of methodology used in empirical results. The fourth (4th) session is focusing on main findings of this paper which include four (4) key findings on: a) Corporate governance issues after financial crisis, corporate scandals and market manipulation; b) Ways of Manipulation during Corporate Scandals; c) Actions to Prevent or Control Negative Market Manipulation; and lastly; d) Construction of a set of Limited Common Asian Pacific Corporate Governance standards. And last 5th session turns to our conclusion and recommendations to relevant organizations.

Then, continuously, a reference and web resources are introduced for further research and analysis. At last, there are exhibit session which covers some summary of this paper's analysis and comparison.

RESEARCH LITERATURE REVIEW

any researches so far are done in the corporate governance area. From the EU approach to corporate governance from IFC (2008), it shows that corporate governance is necessary for not only state-owned enterprises (SOEs) but also important for private sector to growth. In 2002, EU also issues the Code of Best practices and the 2006 Directive requires that each listed company should publish an annual corporate governance statement to what extent the company can comply with that code. Among its key principles is the separation of roles between the CEO and the Chairman as it stated "The Chairman and CEO roles should be separate and the CEO should not immediately become Chairman of either a unitary or a supervisory board". However, just few same works are performed in the Asian Pacific region up to now.

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.

The corporate governance model has an effect, both negative and positive, on the market and profits manipulation for particular company. 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. Allen, Franklin., Litov, Libomir., and Mei, Jianping., (2004) found strong evidence that large investors and corporate insiders possess market power which allowed to manipulate prices.

Therefore, after several financial crises, in 1997-1998 and in 2007-2009, and many corporate scandal cases, including different types of manipulation, it is necessary for performing more researches and reviewing of relevant corporate governance theories. U.S. House (2002) confirms in Enron case that there is a failure of the board in their fiduciary duties to shareholders. Though Zhang, Yi., (2006) states that other corporate governance characteristics such as board size, board independence and institutional ownership are not related to the probability of the firm committing fraud,

we need to do further research on corporate governance issues taking place after financial crisis and during corporate scandals time for additional details and recommendation. 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.

Theory of Corporate Governance, Scandal and Market Manipulation

Theory of Corporate Governance and Financial Crisis

Corporate governance is a scientific term understood in various ways. It is understood as laws, rules, corporate charter and policies which reflect the relationship between the corporation and its stakeholders, shareholders, creditors, boards, committee, employee and customers and the relationship between ownership and performance. In short word, corporate governance is a set of processes, customs, policies, and rules directing and controlling an organization. Li Wei An (2008) stated corporate governance evaluation is designed to make a rating and judgment of governance structures and mechanisms. On the other hand, 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.

After the crisis, ADB indicate that one of the roots of Asian financial crisis is the failure of corporate governance. Therefore, it is necessary to re-evaluate the corporate governance structures and mechanisms in the post-crisis and post-scandal periods. ADB also offers the ten core principles of corporate governance which aims to help investors and stakeholders to be armed with corporate governance standards, tools and skills which help them to classify businesses which comply superficially and those which have perfect commitment. OECD (2004) in the same post-crisis research stream, use Western legal and ethic concepts in which it indicated that corporate governance forms part of a wider macroeconomic environment where institutional structures and frameworks play a major role. 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. Also, the risk management system failed in many cases with errors in CG procedures rather than in the computed models. Therefore, OECD principles which are revised from the original 1999 Code of corporate governance , so far, has a wide effects on both OECD and non-OECD countries during and after financial crisis time.

Theory of Types of Market 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.

Besides, Allen and Gale (1992) shown trade-based possible manipulation taking place when it is ambiguous about whether share buyer has good information of firm's prospects or projects or simply manipulates the stock price for profit.

Moreover, Chatterchea, Akardev., Jerian, Joseph A., and Jarrow, Robert A. (1994) categorized types of market manipulation which the corporation should minimize into: a) action-based manipulation; b) information-based manipulation; and c) size-based manipulation. And Healy and Walhen (1999) indicate two main incentives for profit manipulation: a) contracts written in terms of accounting numbers; and b) capital market expectations and valuation. The profit manipulation can be divided into two (2) types: earning manipulation and falsification.

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. We can refer to report by GAO, the U.S Government Accountability Office, disclosed from 1997 to 2002 in US, there is more than (>) 10% listed companies at least one financial statement restatement. Greenberg (2002) and Peterson & Snow (2003) said scandal solutions entailed enforcing the independence of auditors and board of directors, hiring ethics officers or lawyers to ensure compliance or using new metrics to assess performance. John C. Coffee (2005) pointed U.S managements famously employed “rainy day reserves” to hold back the recognition of income excess in the market’s expectation to defer its recognition until later when there had been a shortfall in expected earnings.

Research Methodology

First, we classify corporate governance laws into a few different groups including: 1) Asian representative Corporate Governance group, here, we select two Asian countries: Japan and Philippines with lots of modification in their history of issuing their corporate governance principles; and we also use international standards of corporate governance for reference such as: ADB and OECD’s corporate governance principles and standards.

Second, we perform a qualitative analysis on each group then build general standards for corporate governance in each separate group. These standards represent common understanding and principles in each group.

Third, we compare each group’s general Corporate Governance standards together and provide a short summary of evaluation of each country or group’s standards, which is presented in the later session for Japan case and in Exhibit session for the rest countries.

Finally, we make a suggestion on what so-called common corporate governance principles for Asian Pacific which is aiming to create a basic background for relevant corporations interesting in corporate governance subject. This general corporate governance standards are based on the second reason is that they are built with some contents which enable the corporation to prevent or control problems of Corporation governance system of big corporations in different countries in the world identified through a previous corporate scandal and manipulation analysis. Additionally, it can be considered as the recommendation to relevant countries’ government and other relevant organizations for further steps, public policy and necessary evaluation. For a summary of our standards construction, see Exhibit 2.

Empirical Findings

A. Findings on Corporate Governance Issues after Financial Crisis, Corporate Scandals and Market Manipulation

First of all, we found out that the internal and external committee audit showed disadvantages and weak points during the audit process which lead to rooms for managers using manipulation tools to create an unreal financial picture of scandal companies. The reasons might be including: there still exists an insufficient information system or database which contribute to ineffective business decision making in those companies.

The second important corporate governance issue is that the corporate governance mechanisms is not complete and perfect in the aspect that controlling shareholders and group of minority shareholders participate into internal business issues of top management over the acceptable necessary requirements and therefore, it puts a lot of pressure on the

efficiency, the effectiveness of the business, also the higher ROI commitment on the shoulder of the board of directors and CEO without considering to the current business context. This leads to negative manipulation and unstable changes in the business's security market.

Third, among important covered issues is the timing issue of corporate annual reports announcement to the public is another corporate governance issue. It includes issues such as: a) common delays in delivering on-time annual financial statements to the public; and b) insufficient data or information announced to the public on company website at certain points in the fiscal year, especially during and after financial crisis or suddenly changing in the management board. So, this also relates to the validity and control of regulations in information management on the company website.

We can point it out another CG, corporate governance, issue. That is, the appraisal of following code of ethics of the company and industry in specific markets is not done with full of responsibility or is done just on the business surface. Or in other words, there still lacks of the appraisal of the role of the legal or compliance division in the company which contributes to the bad results on the corporate performance and scandals.

Last but not least, one major corporate governance issue existing as the main cause to corporate scandals of these companies is that there is a question on the quality of the management skill and talent of companies' CEO and his or her colleagues in the board of management. Or in another way, it is the issue of evaluating and appraising the efficiency and effectiveness of their management and governance capacity during both business growing stage and recession stage.

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 unusual contracts to inflate the company's revenues with a hope to trigger the company's stock price is done successfully by corporation such as *ELan* in the fiscal year 2001 (leading to its collapse later). Another example is *Xerox* during the fiscal periods 1997-2000.

Besides, the second manipulation technique used is the negative manipulation of expenses of the company by decreasing its expenses to get a high nominal profit. *Worldcom, Inc.*, has an under-reporting expenses and capitalizing its balance sheet. The amount of \$3.8b cash is recognized as capital expense, instead of operating expense in the fiscal year 2002.

B.2 - The Manipulation Techniques in both the Income Statement and Balance Sheet

The technique is used by the large energy company, *Enron*, in the year 2001, which is the hiding of its debt and therefore help to increase its profit of about \$1 billion. Or the manipulation trick is done by a Texas co., *Waste management Co.*, in which its nominal profits is manipulated or inflated by extending depreciation time of property and equipment in the year 2002.

B.3 - The Manipulation Techniques Relevant to International Accounting Practice Code

We can refer here the case of *ABB*, the share price collapsed since 2001, down to \$6 per share, after the company used GAAP to correct mistakes on operating income manipulation, so, this increases its loss of \$691 m.

C. Findings on Actions to Prevent or Control Negative Market Manipulation

Among proper actions to prevent and control negative market manipulation is the example in US and Europe. After the financial crisis, American and German companies try to modify mechanisms and suitable positions in the corporation's corporate governance system; and therefore, to nominate a CRO position, so –called Chief Risk Officer, who is taking care of risk issues relevant to risky investment deals. This action is considered as to magnify the role of Risk Management Division in many big corporations. In the same trend in Asian region, many big and medium corporations nowadays enhance their risk management division activities which are taking into account impacts from unexpected fluctuations of market conditions, price and inflation.

The next proper action for the corporation to perform is the duty of increase the awareness of the role of CSR in the corporation by education and training. This is also among active actions during the post-crisis period. Suitable reasons for doing it include, but not limit to, many corporations and even, some countries' corporate governance Code systems still not mention it fairly and clearly.

Continuously, It is necessary to re- evaluate a system of investors and shareholders governance index, their effect on business decision and performance and pressure on ROI of the company. Also the company should evaluate their roles and participation in shareholder meeting or company activities.

Then, the Exhibit 1 also shows us the tiny example of the role of building a business well-being in Greater China, which can be considered into constructing a corporate governance structure aiming to establish a sustainable business environment and preventing risks and frauds from corporate scandals and financial crisis.

Moreover, The Corporation in the post-crisis period needs to nominate suitable CFO or so- called an acceptable qualified chief accountants or CFO, with clarified main and sub quality factors. It should consider necessary adjustments in examining certified public accountants regulated by laws and suitable authorities as well.

D. Findings on Construction of a Limited Common Asian Pacific Corporate Governance Standards

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

D.1 - Group 1 – Asia Corporate Governance Standards Analysis

In Japan

One of major different features in the Japan 2009 revised principles is that it views the Company or Corporation as the whole entity in constructing its corporate governance standards. Therefore, it, the company, has a responsibility in developing and improving an internal check and balance system for the Auditors, Board and other groups make their business judgments. And it also guarantees necessary facilities such as human resources and infrastructures to support the audits.

Besides, the 2009 Code expands the interests from the corporation's shareholders to its stakeholders, in order to create a harmony relationship between the company and its stakeholders and to create corporate value and jobs. Here we can see the role of the corporation when it is looked at as the whole entity and take into consideration of building a corporate culture in favor of its stakeholders.

Additionally, The Japan Corporate governance principles have an ambiguous point when it describes the other relevant groups in supervising Management. And also, it still does not pay more attention to the supervisory roles and structure in favor of the CEO and Board.

In conclusion, the Japan principles cover a variety of issues which is based on a shareholders-oriented point of view.

Table D.0: Japan 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 Japan Code	Not mentioned clearly in the Japan Code	Refer to Internal Auditor part	Not mentioned clearly in the Japan Code	The Co. chose either auditor or committees system
Nomination committee	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	The Co. chose either auditor or committees system
Compensation or Remuneration committee	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	The Co. chose either auditor or committees system
CEO	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
The Chair	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
CEO and The Chair relationship	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
Corporate Secretary	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
Compliance officer	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
Board of Directors	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Appoint the management; Supervise, Evaluate Management; Prevent the occurrence conflicts of interest b.t The Co. and management; Develop a mutual monitoring system	Maximizing corporate value; Make judgments compliance with Laws and Regulations and accuracy of business operation conditions	
Executive director	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Involved in the Management part	Involved in the Management part	

Non-executive director	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
Independent director	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
CFO	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	
Management team	Representative directors and executive officers, representative executives and executives; or person involved in management of the co.	Not mentioned clearly in the Japan Code	Organize the Board of Directors, Auditors, Board of Company Auditors suitable;	Accurately and efficiently executing business	
Supervisory board	Auditors, Board of Directors, other groups as the Management supervisory board	Not mentioned clearly in the Japan Code	Refer to the relevant parts of Supervisory body	Refer to the relevant parts of Supervisory body	Not mention the Supervisors to the Board, but do mention the supervisory to Management
Internal control	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Develop and improve internal system	To secure the accuracy and promptness of disclosure	
Internal audit	Not mentioned clearly in the Japan Code	Depth knowledge of finance/accounting	Supervise , Evaluate Management;	Maximizing corporate value; Make judgments compliance with Laws and Regulations and accuracy of business operation conditions	
External audit	Highly independent outside auditors	Depth knowledge of finance/accounting (as be understood from the Code)	Coordinate with the internal audit and internal control division	Not mentioned clearly in the Japan Code	
Disclosure and transparency	Timely and accurate	Not mentioned clearly in the Japan Code	Enhance quantitative data on financial and operating results; qualitative information;	Periodic, interval, reliable, and comparable information to shareholders	
Shareholders and Minority Stockholder	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Elect the directors and auditors	Not mentioned clearly in the Japan Code	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

In Philippines

In the Philippines, the general corporate governance guide is called the Code of Corporate Governance which has a good foundation on reference criteria of corporate governance guidelines from World Bank and OECD principles of Corporate Governance. It is established in 2002 by SEC and revised in 2009 after the World Bank issuing the ROSC in 2006 (ROSC stands for Report on the Observance of standards and Code). It aims to strengthen the investor confidence, develop the capital market and help the corporate sector and Philippines economy to achieve the sustainable growth.

A short summary and evaluation of this revised Code is shown in the Exhibit 3.

Within the appropriate timeline and research objectives, this paper can not cover the changing features of the old 2002 Code, compared to the new 2009 Code, so this is its limitation. Below analysis is focusing on the Code that took effect on July 15th, 2009 in Philippines.

According to the revised 2009 Code, Corporate governance is understood as a framework of rules, systems and processes that govern performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders. This formed a general legal system governing the corporation and also provides good understanding for the authorities and auditors while still exclude the emphasis of CEO roles.

Besides, the internal control functions are separated from the internal audit's ones, with the goals covering the accomplishment of the company's goals, efficient operation, reliability of financial reports, and faithful; compliance with applicable laws and internal rules. The Code has a good point when it mentions the internal audit department in this revised 2009 version with an emphasis on objective assurance to add value to the company itself.

Next, the Board of Director is classified in 2 groups: executive and non-executive directors which involve the independent directors. Non-executive directors are appointed not to be Head of Department and not performing any work related to the company's operation. So, the co-existence of both independent and non-executive directors probably causes a misunderstanding or difficulty in separating and clarifying their duties.

Additionally, while The 2009 Code allow the unify of CEO and The Chair, it also describes clearly the roles of the Chair in the Corporation which still has points misleading the CEO in many cases of decision -making in the Company. The reason is that the CEO's qualification and responsibilities are not well and clearly defined, in regarding to the Chair's duties.

Another point is the organization of the Audit committee in the company. Though it provides a good definition on the composition of the board committee, it still had an overlap or might probably cause confusion between the roles of compliance and the roles of the audit division. One of the point show the importance of this body is the obligation to ensure that the internal and external auditors have unrestricted access to the company's records, properties and personnel.

Therefore, it will be better if the Code clarify more on the responsibilities of the Internal Auditor and the difference between them and the External Auditor when it mention the independent internal auditor in the appointment and organization of Internal audit department.

Moreover, in the light of the Code, we can see the detailed role of the Audit committee in the evaluation of non-audit work of external auditors which are difficult to some corporations, but we have to define the clear boundary again between a so-called non-audit versus audit works and the evaluation process as well.

Last but not least, the Secretary of the Corporation is pointed either its legal counsel or the one aware of laws and rules. After the financial crisis, it is necessary to conclude that this criteria should be updated for him or her as the sub quality factor in the below table. And it is quite helpful to suggest that he should ensure that the meeting members have accurate information, before, that facilitates an intelligent decision.

Finally, the 2009 Code highlight the role of the Compliance Officer in giving recommendation and measures to avoid the repetition of the Code or Rules violation.

In general, the Philippine Code 2009 built a good standard for the Internal Audit department and mechanisms. It clarifies the duty of the Internal Auditor in delivering an annual report on its activities, duties and audit plan covering risk and control issues. Besides, it, the Code, still has some more works to do with constructing a good standard for the CEO of the company, and the procedures for separating the Chair and the CEO in case they are different people. Also, it still has to clarify terms such as “other matters” or issues which cause ambiguous understanding for the Internal Auditor’s responsibilities. To be better in transferring the Code message to the Company’s Top management team, it should focus more on describing the separate functions between the Board of Directors and The CEO.

Based on the revised 2009 Code, each corporation can build its own corporate governance system including rules, procedures and principles in accordance to the Code.

Comparison between Japan and Philippines Corporate Governance Standards

Based on the above information, we can see the structure of the Japan revised 2009 Code of Corporate Governance is trying to be a more shareholder-oriented code. While in The Philippine 2009 Code, the structure put more attention to the Corporation governance structure and mechanisms, which includes an important issue of illustration of the roles of the CEO, The chair and the relationship between them.

The Japan Code refers to Corporate Governance as the framework for disciplining corporate activities. It is a quite short explanation when compared to the Philippine Code, the Corporate Governance is understood as a framework of rules, systems and processes in the corporation. Also, though it does not mention the CSR so much in both Codes, the Japan Code slightly points the role of local community in a coordination of interests among related parties when the company tries to achieve its profits. It is in the Japan Code that the term “modern economic society” is used in generating the Corporate Governance standards.

Moreover, the Japan Code is looking at the Corporation as an entity which means that it, the corporation as a whole, has greater transparency and fairness in adapting to market principles and shows interests in its social responsibilities. It also pays attention to the relationship between shareholders and management.

On the contrary, The Philippines Code is looking at the corporation governance structure and its components a stronger focus on the establishment the roles of Internal Audit and Audit Committee. While, the Japan Code, one more time, confirm its Code theme in considering the Corporation as a whole entity in developing its internal system, not directly refer to the Board ‘s roles, as mentioned in The Philippines’ one.

Another advantage in the Japan 2009 Code is the consideration of equal treatment all shareholders, minority and foreign shareholders, as a critical element in the Corporation’s corporate governance establishment. The Philippines Code

defines the rights of the company's shareholders which are a basic strong foundation to enable and harmonize the important relationship between the corporation and its shareholders.

Last but not least, one different point in The Japan Code, compared to the Philippines Code, is that it allocates the role of supervising the Management to a group of "Board of Directors, Auditors, Board of Company Auditors and other relevant groups". The Philippines also make a distinguished point when it illustrates the responsibilities of the Corporate Secretary in its 2009 revised version.

Another strong feature of the Code is taking care of roles of stakeholders and the company should not be irresponsible for its CSR which includes consumer and environmental protection.

Finally, The Japan Code form a typical three (3) corporate governance models in 2009 including: 1) A company with committees; 2) A board of directors centered around outside directors and; 3) Selection of outside directors and collaboration with board of company auditors, etc.

And Philippines also classify a three (3) committee corporate governance model in its revised 2009 code (see Exhibit 3)

The 1st Establishment of a so-called Limited Asia Representative Corporate Governance Standards

With the selection of Japan and Philippines as two Asian countries (limited) 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 to prevent or control problems of a corporate governance system of big corporations in different countries in the world identified through a previous corporate scandal and manipulation analysis.

Secondly, it should not be separated from the real practice of the Code of Corporate governance in the selected countries.

Thirdly, it includes contents that enable to counter corporate governance issues after the corporate scandals and financial crisis. It also functions as a summary of general corporate governance standards from these two Asian representative countries.

Therefore, the below table D.1 is trying to summarize what are general corporate governance standards in Japan and Philippines, two countries with certain advancement in their corporate governance procedures updating in Asia; therefore, we use the term "Limited Asia Representative Corporate governance standards" to represent for the common criteria. The term "general" here means the criteria mentioned below is better in the light of the author's appraisal, which is considered in the context that the financial crisis and the corporate scandals caused many errors in the system of Corporate Governance in Asia. It is also constructed in the way that being the better understandable criteria.

Table D.1: A Summary of A Limited Asia Representative Corporate Governance General Standards (Japan, Philippines Cases)

Subjects or Parties	Main Quality Factors	Sub Quality Factors
Audit committee	Director qualifications, independent director qualifications, and audit experience	Accounting and finance experience and backgrounds
CEO and The Chair	Clear functions between them	Allow a Unified duties between The Chair and CEO
Corporate Secretary	Be a country resident / citizenship; officer of the Company; appropriate administrative and interpersonal skills	Be loyal to the mission, vision and objectives of the Company; working knowledge of company's operation
Compliance officer	Understand rules, regulations and legal procedures	N/A (for further research and implementation)
Board of Directors	Establish a mutual controlling system to maximize corporate value	Should be given independent access to Management and Secretary
Independent director	Independent of management and free from any business/relationships	N/A (for further research and implementation)
Supervisory board to the Management	Auditors, Board of Directors, Compliance and other groups as the Management supervisory board	N/A (for further research and implementation)
Supervisory to the Board of Directors	Audit committee, Remuneration or compensation committee, Nomination committee	N/A (for further research and implementation)
Internal control	Secure the accuracy and promptness of disclosure	The corporation as the whole entity to develop its internal control system
Internal audit	Highly independent; Free from any interference from outside parties;	Depth knowledge of finance/accounting (as be understood from the Code)
External audit	Highly independent ; Depth knowledge of finance/accounting (as be understood from the Code)	Should be rotated /changed every 5 years
Disclosure and transparency	Timely and publicly disclosure (earnings, acquisition, off balance sheet transactions, remuneration)	N/A (for further research and implementation)
Shareholders	Clear agreement on the rights to the corporation business system (information, dividend, appraisal, etc.)	N/A (for further research and implementation)
The corporation as a whole entity	Develop and maintain good harmony relationship not only with shareholders, but also stakeholders	Develop and improve the internal system

CONCLUSIONS

In efforts to prevent and control the above analyzed corporate governance issues after crisis, scandals and negative manipulation, each country in this book is on the way to modify and revised their suitable Code of Corporate Governance and achieve important and different levels of corporate governance system, structure, mechanisms and positions. Philippines Code is mainly allocating the corporate governance system to the corporations' Board of Directors while Japan Code uses a shareholder-oriented philosophy and considers the company as the whole entity in establishing and maintaining its governance relationships.

As we can refer from the Exhibit 4 in the Asia CSR, Corporate Social Responsibility, survey done in 2007, from more than 455 respondents, the environment, Health and Safety and Governance are ranked from 1st to 3rd position, in

accordingly. Therefore, toward a building of a particular corporate governance system, each own corporation should comparatively and properly consider its social responsibility with these factors in a harmony coordination with the local community and other stakeholders.

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 corporate governance standards** in a limited Asian Pacific model with selected countries. It has some implications for further research and proper recommendations to relevant government and organizations.

Exhibit

(Source: Ip, P. K.: 2009, 'Developing a Concept of Workplace Well-Being for Greater China', Social Indicator Research 91)

Exhibit 1: Building a Well-Being Business.

Exhibit 2: Evaluation of Philippines Code Corporate Governance 2009

Subjects or Parties	Main Quality Factors	Sub Quality Factors	Responsibilities	Objectives	Note
Audit committee	Director qualifications, independent director qualifications, and audit experience	Accounting and finance experience and backgrounds	Monitoring compliance; assist Board in financial reporting and audit process, internal control system; oversight / supervise management in managing credit, market, operational , liquidity and other risks; review annual internal audit plan	In accordance to applicable laws, rules and regulations; Ensure the independent activity of internal and external auditor ; For the conformity with the company's objectives, accounting standards, tax, legal requirements;	At least 3 directors (Philippine code)

Nomination committee	See Director qualifications; not mention clearly who is qualified as the key Executive of the committee	Not clearly mentioned in Philippine Code	Review and evaluate qualifications of person nominated to the Board; access Board's procedures effectiveness in election of directors	Not clearly mentioned in Philippine Code	At least 3 members, include 1 independent director (Philippine code)
Compensation or Remuneration committee	See Director qualifications; not mention clearly who is qualified as the key Executive of the committee	Not clearly mentioned in Philippine Code	Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers	Ensure the compensation consistent with the company's culture, strategy and business environment	At least 3 members, include 1 independent director (Philippine code)
CEO	Not mentioned clearly in the Philippines Code	Not mentioned clearly in the Philippines Code	Not clearly mentioned in Philippine Code	Not mentioned clearly in the Philippines Code	Can understand from the Philippines Code as a Member of the Board
The Chair	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Ensure Board Meetings compliance with laws; maintain communication between Board and Management; supervise the meeting agenda; consideration of suggestion of CEO, Directors and Managers	Not clearly mentioned in Philippine Code	
CEO and The Chair relationship	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Should be separated ; Clear delineation of functions should be made	For a balance of power, increase accountability, better independent decision-making	Allow a Unified duties between The Chair and CEO in Philippine Code
Corporate Secretary	Resident (Philippine code), officer of the Company; appropriate administrative and interpersonal skills	Be loyal to the mission, vision and objectives of the Company; working knowledge of company's operation	Preservation of meeting minutes of Board and its Committees and other official records; inform the Board the meeting agenda	Ensure all Board's rules and procedures strictly followed by members	Can be the Compliance officer (Philippine code)

Compliance officer	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Report directly to the Chair of the Board; Monitor the compliance in the company with the Code, rules and report any violations; issue a certification every Jan 30 th on the compliance with the Code and explain any deviation	Not mentioned clearly in the Philippines Code	Can be the Corporate secretary in Philippine s case
Board of Directors	Not clearly mentioned in Philippine Code	Should be given independent access to Management and Secretary	Recommend to the stockholders the external auditor; Be transparent in conduct annual or special stockholder's meetings; Transparent and fair;	Not clearly mentioned in Philippine Code	Board size from 5-15 members , at least 2 independent directors (Philippine Code)
Executive director	The head of department or perform works related to company operation	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	
Non-executive director	None of the above (of executive director)	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	
Independent director	Independent of management and free from any business/relationships	Not clearly mentioned in Philippine Code	Independent of management and free from any business or other relationship	Not clearly mentioned in Philippine Code	
CFO	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	
Management team	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Provide Board with timely, adequacy information with background or explanation of meeting matters	Not clearly mentioned in Philippine Code	
Supervisory board	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	
Internal control	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	
Internal audit	Not clearly mentioned in Philippine Code	Free from any interference from outside parties	Report directly to the Audit Committee and to the regional or Headquarter for oversea branches;	Ensure the integrity of financial reports and protection of the company's assets (not clearly mentioned in Philippine Code, but understandable)	

External audit	Not clearly mentioned in Philippine Code	Should be rotated /changed every 5 years	Not clearly mentioned in Philippine Code	Not clearly mentioned in Philippine Code	
Disclosure and transparency	Timely and publicly disclosure (earnings, acquisition, off balance sheet transactions, remuneration)	Not clearly mentioned in Philippine Code	More transparent of internal working, easier to manage company asset	Not clearly mentioned in Philippine Code	
Shareholders and Minority Stockholder	Not mentioned clearly in the Japan Code	Not mentioned clearly in the Japan Code	Vote on all matters requiring their approval; right to information, dividend; Appoint a proxy; appraisal right	Not mentioned clearly in the Japan Code	
Note	The underlined part is describing some more works needed to be done for relevant subjects and parties.				

(Source: Loh Leong Hua & Ragayah Haji Matzin, Corporate Governance: Theory and Some Insights into the Malaysian Practice, 2007)

Exhibit 3: Corporate Governance Parties.

Exhibit 4: Asia CSR Survey from Participant Respondents

Factors	Overall results	
	Rank	Mean score
Environment	1	2.147
Health and safety	2	2.094
Governance	3	1.939
HRM	4	1.853
Corruption	5	1.843
Supply chains	6	1.684
Stakeholder dialogue	7	1.635
Policies	8	1.415
Reporting	9	1.358
Product responsibility	10	1.316
Partnerships	11	1.193
Community	12	0.980
Human rights	13	0.953
Standards	14	0.890
Philanthropy	15	0.501

(Source: Welford, Richard., Chan, Clifford., and Man, Michelle., A CSR Summary report in Asia, done in 2007, The University of HongKong –The research include 34 Universities, 34 Investors, 93 Social NGOs, 182 Business, 36 Government, 32 Media, 56 Environmental NGOs and others)

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BIOGRAPHICAL NOTES

Dinh Tran Ngoc Huy received MBA in International Management with Asian Development Bank scholarship from International University of Japan in 2005-2007 and PhD Finance with DIGS scholarship from College of Business, Chung Yuan Christian University from 2010-2013. He used to be MBA in General Management Exchange student at Tuck school of Business, Dartmouth College, New Hampshire, USA and aexchanged at Arhus Business School, Denmark in 2006. He used to work at foreign and Vietnam commercial banks including Citibank, SaiGon Commercial Bank and Bank for Investment and Development of VietNam from 2002-2005 and from 2007-2009. He is Visiting Finance lecturer at several Viet Nam Universities including University of Economics, Hung Vuong and Van Lang and IT Colleges at Ho Chi Minh city, Viet Nam in 2010. He also received a full MSc in International Banking and Finance scholarship from Lingnan University, HongKong. In 2008, he received a Lead Auditor Certificate for ISO 9001:2008 from GIC, UK and SMEs management assessment certificate from Asian Productivity Organization, Japan.