accountability 48, 49, 100  
in dual board systems 299
Accounting Oversight Board 15, 16
acquisitions and mergers see mergers and acquisitions
agency costs of government-controlling shareholder 223–6
Airport Company
  background 169–70
  best practice 173–4
  management board 170, 172–3
  supervisory board 170–73
see also Poland
Aldama Report 84–5
annual general meetings 48
apartheid 286, 300–301
argumentation 117–18
  pro/contra relation 119
argumentation rationality 106, 136–7
  detail-founded change actions 118, 119, 136–7
  global-founded change actions 118–19, 136, 137
  qualified-founded change actions 118, 119–20, 137
  unfounded change actions 118, 137
Arthur Andersen 13, 14
asset stripping 189, 229–33, 240, 281
Association of British Insurers (ABI) 37, 50
audit committees 15, 47, 48, 85
auditor rotation 73
auditors
  conflicts of interest 99
  corporate 249
  external 73, 77
  independence of 73
  providing non-auditing services 15
  regulation of 15, 16
statutory 57, 71–2, 73
Australia, on exploration 12–13
Automatic Company
  background 174
  best practice 177
  management board 174, 176–7
  ownership structure 174
  supervisory board 174–7
see also Poland
Aventis 104, 108, 109
  argumentation 129–32, 137–8
  board structure 133
  key figures (31 Dec 2003) 110–11
  reasoning 127–33
see also Sanofi-Synthélabo and Aventis
awards 82, 288
bad practice 70
BBC Money Programme, reactions to Shell affair 27
best practice 47–9, 78, 83
  CEO/chair separation of roles 47, 68, 97, 133
  communication with shareholders 48
  foundations of 47
  institutional investors’ role in 49
  monitoring senior management 58
see also Codes of Best Practice; disclosure; transparency
Best Practice in Public Companies (2002) 169, 173–4, 177, 182–4
Big Bang framework 246, 249
blockholders 58, 241
blue-chip companies 58
board structures 298–300
China 242
  effect on corporate performance 209–12
France 108–9
Germany 299
Italy 57
Japan 248
Netherlands 17, 299
Poland 160
Singapore 191–2, 193–4
South Africa 298
Spain 84
stakeholder model 300–301
UK 17
see also dual board systems; unitary board systems
boards of directors 57
regulation to control actions of 14
size, importance of 198
boards of statutory auditors 57, 71–2, 73
Boynton, Judith 23, 26, 27
BP 31, 32, 33–4, 35
bribery 10
Brinded, Malcolm 25
Cadbury Code 16, 84
Cadbury Report 16, 47
CalPERS 14, 24
Cambridge Energy Research Associates 34
Canada, oil reserves 33
Carrier
background 166–7
management board 168
supervisory board 167–9
see also Poland
cash asset stripping see asset stripping
CEOs
compensation 200–201, 202–6
financial incentives 202–6
chair/CEO, separation of roles 47, 68, 97, 133
change actions 117–20
China
blockholders in dual role 219
board structures 242
corporate reform 241–2
development of corporate governance 218, 220, 241
market environment 221
other receivables 232
publicly-owned corporations 218
tax system 228–9
township and village enterprise (TVE) sector 219, 220
transitional period 218
weak legal environment 219, 241–2
see also Kelon
CMS (controlling-minority structure) 224
code of conduct, Turkey 281
Code of Corporate Governance, Singapore 189–96, 202
accountability and audit 192–3
board matters 191–2, 193–4
communication with shareholders 193
disclosure 195
remuneration matters 192, 194–6
Codes of Best Practice
Aldama Report 84–5
Best Practice in Public Companies (2002) 169, 173–4, 177, 182–4
Cadbury Report (1992) 16, 47
Olivencia Report 84
codes of practice 16–17, 300
Combined Code (2003) 16–17, 47–8, 52
Commercial Company Code (CCC) 160–61, 170, 172
Commercial Law, Japan, revision of 249–50
Committee on the Financial Aspects of Corporate Governance 47
see also Cadbury Report
communications
central issue of corporate governance 105–6, 135–6
managers to shareholders 48, 107
Company Act, Italy 57
company law reform, US 13–16
Company Law, Spain 85
compensation, executive 200–201, 202–6
comply or explain rule 84, 281
confidence of stakeholders, maintaining 49, 105, 302
confidential information 74–5
conflicts of interest 15, 247, 248
conglomerates, family-owned, case study see v-NET
CONSOB (2002) 72, 75
contra-arguments 126
control mechanisms 105
Index

corporate governance
central and Eastern Europe see Poland; Russia
definition 104–5, 247
in developing countries 241, 281
Europe see France; Germany; Italy; Netherlands; Spain; UK
South Africa see South Africa
South East Asia see China; Japan; Singapore
Turkey see Turkey
corporate governance codes 16–17, 55
Principles for Corporate Governance in the Commonwealth 300
Corporate Governance Committee (CGC) 189, 191
corporate governance systems
dual board 2, 17, 57, 108, 298–9, 300–301
market-based 247
relationship-based 247
stakeholder model 300–301
unitary board 2, 57, 298–300
corporate performance in relation to board structure 209–12
corporate scandals 7, 13–14, 47, 48, 218
corporate social responsibility 52–3, 261
cross-shareholdings 84, 247, 248, 254
Crude oil prices 34
data propositions 117
Davis Polk and Wordwell investigation 25, 30
Davis Polk Report 25, 30–31
De Villiers Commission of Inquiry 286
derecentralization 24
deregulation of capital markets, Japan 249–50
detail-founded change actions 118, 119, 136–7
see also argumentation rationality
developing countries, corporate governance 241, 281
directors
independent 191, 193, 240
international 303–5
non-executive 47–8, 66, 299–300
disclosure 74–5, 189–90, 195, 202
importance of 49
necessity for 105, 135
Dow Jones Global Index 82
Draghi Reform (1998) 57, 71–2, 73
dual board systems 2, 17, 57, 108, 298–9
accountability in 299
benefits of 300–301
lack of clarity in 300
see also unitary board systems
dual class shares 84
dual listings 15
Dutch Stock Exchange 17
East Asian financial crisis 187, 246
electricity utilities
international comparisons by capacity and sales 287
rated by generation capacity 289
see also Eskom
electricity, world prices and sales 288
employment for life 247, 248
Enron 13
environmental issues 13, 50, 52–3
Eskom
apartheid, and impact of 286, 300–301
awards 288
background 284–9
board of directors 298–9, 300–303, 304
conversion into company 294–8
development of South Africa, role in 286–7
Electricity Council 294, 295, 297, 300–301
governance structure 294–6, 302
government’s role in 296–7
international electricity utilities, comparison with 287, 289
performance 290–93
restructuring 289–98
stakeholders’ concerns 295
see also South Africa
Eskom Act 294–5, 300
estimating reserves 22–4
ethical issues 50
Europe, corporate governance see individual countries
executive compensation 194–6, 200–201, 202–6
external auditor rotation 73
external auditors 73, 77
Exxon Mobil 24, 33, 34–5
family-owned enterprises 270, 281–2
financial analysts 15
Financial Big Bang 246, 249
financial crisis, East Asia 187, 246
Financial Reporting Council 16
financial scandals 47, 48
Financial Services Authority (FSA) 28–9, 54
Financial Times, reporting on Shell 36
forecasting oil reserves 24, 36
Form 6k filing 15
France
board structures 108–9
Commercial Code 108, 133
decision-making, labour influence on 134
see also Sanofi-Synthélabo and Aventis
FTSE e-TX Index 82
gas reserves 7
Germany 109, 134, 247
GLCs see government-linked corporations
global-founded change actions 118–19, 136, 137
see also argumentation rationality
Global Reporting Initiative (GRI) 99
globalization 303
golden shares 61, 87, 99
good practice 49, 55, 70
see also best practice
governance codes see codes of practice
government
as controlling shareholder 223–6
local benefits from owning industrial company 228
ownership of control 240
government-linked corporations (GLCs) 188–9, 207
Greencool Technology Holdings Co. Ltd 234–6
see also Kelon
Guangdong Kelon Electrical Holdings Co. Ltd see Kelon
Hong Kong Stock Market 220, 222
hostile takeover bids 104, 126
see also Sanofi-Synthélabo and Aventis
Ibex-35 Index 82, 86, 93, 97, 98, 99
independent directors 240
independent regulators
Accounting Oversight Board 15, 16
Financial Reporting Council 16
Indra
adjusted stock market returns 89, 90
Annual Corporate Governance Report 83, 99
auditors, external 99
awards 82
best practice 97, 99–100
blockholders 93–4, 95–7
board of directors 95–7, 98
board of directors’ committees 97–8, 99
CEO/chairman separation of roles 97
corporate responsibility 99–100
dividends, evolution of 91–2
efficiency 88–9, 96
employment, evolution of 89–91
General Shareholders’ Meeting 98–9
golden share 99
governance structure 93–100
history of 86–93
Ibex-35 Index companies, comparison with 93, 97, 98, 99
leverage, evolution of 91
ownership structure 93–4
performance 92, 95
privatization 82–3, 87–93
profile 82–3
profitability 87–8, 96
remuneration 98
restructuring 87, 88
shares 82, 93–5, 94–5
stakeholders, commitment to 99
transparency 99
see also Spain

Indra Sistemas, SA see Indra
insider-dominated systems 57, 240
institutional investors 48, 49–50, 249
see also shareholders
institutional ownership, UK 49–50
Institutional Shareholders’ Committee (ISC) (2002) 50
insurance companies 49
integrity, Shell report on 10–11
internal control systems 48, 246
in Japan 248, 261–2
US-type 246–7
international directors 303–305
International Energy Agency 35
Investor Relations 82
investors, individual 49
Italian Stock Exchange 58, 75
Italy 57–8, 76
accountability and monitoring 65
best practice 58
board structures 57
Company Act (2004) 57
external auditors 73
institutional investors 58
regulations 57
slates system 66, 77
see also Draghi Reform (1998);
Preda Code (1999, 2002);
Telecom Italia

Jacobs, Aad 20, 39
Japan 247–50, 260–63
Big Bang framework 246, 249
board structure 248
Commercial Law, revision of 249–50
comparison between Sony and
Toyota 260–63
corporate auditors 249
deregulation of capital markets
249–50
employment for life 247, 248
financial system reform 246, 249
internal control 246–8, 261–2
shareholder activism 248–9
transparency 260
see also Sony; Toyota

keiretsu companies 247, 248
Kelon
asset tunnelling 218, 228–33, 236, 240
background 218–21
collapse of 226–33
government as controlling owner
228–33, 240–41
internal power struggles 227–8
management incentive schemes,
failure of 226–8
managerial agency problems, 226–7
performance 221, 227, 238
sales and operating profits 229–30,
237–8
shareholding structure 222, 223, 225
takeover by private owner 233–9, 241
see also China

legislative reforms, Spain 85
listing requirements, New York Stock
Exchange 15–16
local government, benefits of owning
industrial firm 228
London Stock Exchange 17, 36, 39
Lukoil 35

M&As see mergers and acquisitions
Madrid Stock Exchange General
Index 86
management boards
financial incentives 202–6, 226–7,
241
role of 299
managerial decisions about change actions 117–18
measurement of argumentation
rationality of 118–20
market abuse 29
market-based systems 247, 249–50
market control mechanisms 104
measurement concept 117–20
mergers and acquisitions 32, 104,
107–8, 117, 135
Middle East oil fields 35
minority shareholders see
shareholders, minority
mobility of skills 303

National Association of Pension
Funds (NAPF) (1999) 50
Netherlands 17, 30, 299
New Combined Code 16–17, 20
see also Codes of Practice
Index

New York Stock Exchange (NYSE) 30, 58, 66
- listing requirements 15

*New York Times* 23

Nigeria 11, 12, 23, 36
- nomination committees 47

non-executive directors 47–8, 66, 299–300

Norsk Hydro 24

North Sea gas fields 24

North Sea oil fields 35

Northern Russia Electric Company (NREC)
- background 146–8
- best practices code 149
- board of directors 149–52
- controlling shareholder, power of 146–8, 150, 153, 155, 156
- General Director, responsibilities 145, 150, 151–4, 155–7
- governance practices 148–9, 156–7
- governance structure 147
- ownership structure 147, 148
- privatization 146–7
- senior management structure 147
- shareholders 147, 149, 155, 156
- shares, trading of 147

NYSE see New York Stock Exchange

Office of National Statistics (2005) 49

oil companies
- calculation of reserves 24, 33–4
- exploration and production 31–2, 35

oil crisis 11

oil exploration 31, 32, 34–5

oil production, Russia 35

oil reserves 31
- calculation of 33–4
- declining 34–5
- forecasting 24, 36
- overbookings 26
- proven 7, 26, 33

Olivencia Code 84, 95, 97

Olivencia Report 84

Olivetti 60–61, 62

one-tier governance structures see unitary board systems

Ormen Lange gas field 23, 24

other receivables 232

Oxbridge, Lord 25, 30–31, 38

Parmalat case 58, 70

pension funds 14, 24, 27, 49, 50, 249

Perestroika 146

Persian Gulf 34

pharmaceutical industry 107–8

Poland
- Act on State Enterprise Privatization 160
- best practice 169, 173–4, 177
- legal framework 160–61
- management boards 160–61
- supervisory boards see Polish supervisory boards
- supervisory mechanisms in absence of supervisory board 163–4

*see also* Airport Company; Automatic Company; Carrier; Polish supervisory boards

Polish supervisory boards 160–66, 177–9
- absence of, supervisory mechanisms applied 163–4
- best practice 182–4
- and management board relationship 176–7, 178
- practice of, a case study 166–77
- role of 160, 178
- as source of added value to the company 166–9
- in subsidiaries, top management expectations 165–6
- where company is listed on the Stock Exchange 174–7
- where there is no ownership/management separation 162–3
- where there is ownership/management separation 164–6
- where there is participation of the State Treasury 169–74

popular capitalism 86


Premier Farnall 52

privatization
- and efficiency 91–2
- and employment 89
- importance of corporate governance in 92–3
- and leverage 91
- in Spain 82–3, 85–6
proven oil reserves
  definition 7, 26
  estimating 33
  see also oil reserves
pyramidal structures 60, 61, 83–4, 188–9, 196
qualified-founded change actions 118, 119–20, 137
  see also argumentation rationality
re-statements of accounts 14
reasoning, principles of 117–18
  see also argumentation rationality
regulations, reviews of 13–17
regulators, independent
  Accounting Oversight Board 15, 16
  Financial Reporting Council 16
relationship-based systems 247, 248
remuneration 194–6, 302
remuneration committees 47, 48
Rongqi Township Economic Development Company 220
  see also Kelon
Royal Dutch Petroleum 39
  board committees 19
  boards of directors 17
  merger and unification with Shell Transport and Trading 38–9
as part of Royal Dutch/Shell group 17–18, 36–7
shares 7
supervisory board 20
  see also Shell; Shell Transport and Trading
Royal Dutch/Shell group see Shell
rule propositions 117
Russia
  competition among electricity wholesalers 146–7
  oil reserves 35
Russian Trading System Stock Exchange 147
Sanofi-Synthélabo 104, 108, 109
  argumentation 117–18, 121–5, 137–8
  board of directors 134
  key figures (31 Dec 2003) 110–11
  reasoning of 120–27
  see also France; Sanofi-Synthélabo and Aventis
Sanofi-Synthélabo and Aventis
  argumentation by Aventis 129–32
  argumentation by Sanofi-Synthélabo 117–18, 121–5, 137–8
  background 104, 107–9
  key figures (31 Dec 2003) 110–11
  reasoning of Aventis 127–33
  reasoning of Sanofi-Synthélabo 117–18, 120–27, 137–8
  revised offer 133–5
  takeover battle 104, 112–17
Sarbanes-Oxley Act 14–16, 30, 58
scandals 7, 13–14, 47, 48, 218
Securities and Exchange Commission (SEC) 16, 23, 25, 37
  investigation into Shell 27, 28–9, 31, 33
  investigation into Shell, criticism of 33
  rules on booking reserves 24, 26, 33, 34
self-regulation 16
  see also codes of practice
separation of CEO and chair 47, 68, 97, 133
shareholder activism 246, 248–9
Shareholder Voting Working Group (SVWG) 50
shareholders 58
  controlling 58, 61
  minority 58, 61, 66, 71, 226, 279–80
  relationship with board 48
  rights of 98–9, 279–80
  trust in managers 107
  see also institutional investors
shares, voting 50
Shell
  Annual Report (2001) 9
  in Australia 12–13
  background 8–9, 17
  booking of reserves 37
  business principles 9–11
  CEO/chairman separation 29
  Committee of Managing Directors (CMD) 25–7, 31
  complexity of organizational structure 37
  corporate governance 17–21, 29–30
corporate social responsibility 9–11
credit rating 40
Davis Polk and Wordwell investigation 25–7, 30
decentralized management 23, 24
dual boards, unification 30, 38, 40
dual company structure 33, 36–40
employee morale 33, 36, 41–2
fines 28–9
Group Audit Committee (GAC) 20, 25, 30
institutional investors 21–2, 31, 37, 40
investigation by SEC 22, 37
investigation, internal 25–7, 29, 30
legal action against 28–9
merger and unification 38–9
misbooking of reserves 40
in Nigeria 11, 12, 23, 36
non-executive directors 29
profits 8–9, 34
proven reserves 12, 21–2, 23, 33–4, 40
recovery, difficulties for 35–6
remuneration 25, 28
reputation 8, 32–3
reserves, estimating 22–4, 27, 29, 30–31
reserves, finding new 31, 33, 34–6
Reserves Replacement Ratio (RRR) 26
scandal, response to 29–30
share prices 21, 34, 37, 40
shareholders 36, 39, 40
whistleblowing 10–11, 26–7
see also Royal Dutch Petroleum; Shell Transport and Trading
Shell Transport and Trading board of directors 19–20
chairman 11–12, 17, 21
corporate governance arrangements review 20–21
merger and unification with Royal Dutch Petroleum 38–9
as part of Royal Dutch/Shell group 36
shares 7, 28
see also Royal Dutch Petroleum; Shell
Singapore accountability and audit 192–3
board structure 191–2, 193–4
CEO/chair separation of roles 194
Code of Corporate Governance 189–96
Corporate Governance Committee (CGC) 189, 191
financial incentives 202–6
government-linked corporations (GLCs) 188
ownership structures 188–9, 196
pyramidal structures 196
remuneration 192, 194–6
shareholders 193–6
stock options 202–6
transparency 192
unitary board structures 188
see also ST Engineering
Singapore Stock Exchange 188, 189–90
skills, mobility of 303
stakes system 66, 77
social responsibility 52–3, 261
socially responsible investment (SRI) 50, 261
SOEs see State-owned enterprises
solvency rules 54
Sony accountability 260
board of directors 257–9
Company System 256
comparison with Toyota 260–64
corporate strategy 255–6
disclosure 260
governance system, assessment of evolution 260
internal control system 247, 257–9, 260, 262
ownership structure 256–7
performance 255–6, 260, 261
restructuring 255–6
shareholders 257, 259, 260
stakeholders, policies for 259
transparency 260
Sorytel 273–5, 276–9
see also v-NET
South Africa apartheid, and impact of 286, 300–301
board structure 300–301, 303–5
Companies Act 294–5
Department of Public Enterprises 297–8, 302–3
remuneration 302
State-owned enterprises (SOEs) 289, 294, 300, 302–4
during transition period 300–301
see also Eskom
Spain 83–6
Annual Corporate Governance Report 99
board structure 84
Codes of Best Practice 83, 84, 97, 99
deregulation in financial sector 85
economic restructuring 85
institutional setting 83–5
Law of Reform of the Financial System 85
legislative reforms 85
privatization process 85–6
State-owned enterprises (SOEs) 87
Supervisory Agency 84, 85
supervisory boards 85
Transparency Law 85
see also Indra
Spanish Stock Exchange 82
Spanish Stock Market 82, 85, 86
ST Engineering
background 196–7
board of directors 197–200
disclosure 198, 202
ownership structure 206–9
pyramidal structure 206–9
remuneration 201–6
shareholder distribution 206–7
stock options 203–4
transparency 198
see also Singapore
stakeholder board model 300–301
stakeholders 302
Standard Life 49, 51–4
board structure 52–3
corporate governance structure 52–3
demutualization 53–4
group funds under management 51
social responsibility 52–3
see also UK
State-owned enterprises (SOEs) 219
governance processes 302–3
international directors, benefits of appointing 303–5
remuneration 302
in South Africa 284, 289, 294, 300–301, 302–3
in Spain, privatization of 85–6, 87
structuring of, within a company law framework 284
Statement of Investment Principles 50
Statoil 24
Statute for a Societas Europaea (SE) 108
statutory auditors 57
statutory juristic bodies 284
stock markets 49, 54
popular capitalism in 86
stock options 202–6
subsidiaries, supervisory boards in 165–6
supervisory boards 298–9
supervisory boards, Poland 160–62, 177–9
absence of, supervisory mechanisms applied 163–4
best practice 182–4
and management board relationship 176–7, 178
practice of, a case study 166–77
role of 160, 178
as source of added value to the company 166–9
in subsidiaries, top management expectations 165–6
where the company is listed on the Stock Exchange 174–7
where there is no ownership/management separation 162–3
where there is ownership/management separation 164–6
where there is participation of the State Treasury 169–74
Tabaksblat Committee Code 17, 30
takeover battles 106–7, 135
see also Sanofi-Synthélabo and Aventis
Telecom Italia
auditors, external 69, 73
background and profile 59–61, 62
board of directors 62–3, 64–8
board of directors’ committees 67, 68–71
board of statutory auditors 69–70, 71–3, 77
boards structure 63–73
chairman, role of 66–8
confidential information, handling 74–5
corporate control structure 61–4
corporate governance structure 77
disclosure committee 75, 77
equity 62
holding companies, reduction of 76–7
insider dealing, code of conduct for 76
institutional investors 61, 76
mergers 61, 76–7
and Olivetti 60–61, 62
ownership structure 61–3
privatization, major events since 62
related parties, transactions with 74
remuneration committee 70–71
shareholders 60, 61, 76, 77
shares 61, 62
see also Italy
tunneling of assets 189, 229–33, 240, 281
Turkey
Capital Markets Board 279, 281
Commercial Code 276–7, 278, 280
Corporate Governance Guidelines 281
family-owned enterprises 270, 272
see also v-NET
legal framework 272, 279–80
minority shareholders’ rights 279–80
two-tier governance structures see dual board systems
UK
auditors, regulation of 16
best practice 47–9
board structure 17
Combined Code (2003) 16–17, 47–8, 52
development of corporate governance 55
equity 49
institutional ownership 49–50
Office of National Statistics (2005) 49
voting shares system 50, 54
see also Shell; Standard Life
unfounded change actions 118, 137
see also argumentation rationality
unitary board systems 2, 57, 298–300
see also dual board systems
US
Accounting Oversight Board 16
company law reforms 13–16
corporate governance, style of 246–7, 249, 262
Securities and Exchange Commission (SEC) 16, 23, 25, 26
v-NET 269–83
background 269–75
board of directors 273–4, 276–8, 279
conflicts 275–7
ownership structure 271–2
restructuring 274–5
shareholders 274, 275–6, 278–9
shares 271, 272, 273, 278
and Sorytel 273–5, 276–9
and v-TEK 269, 276, 279
see also dual board systems
Vakur Holding, interference from 275
v-TEK 269, 276, 279

see also v-NET
Vakur Holding 269, 271, 275, 278, 279

see also v-NET
Veer, Jeroen van der 19, 25, 38
Vijver, Walter van de 19, 22, 23, 31

correspondence with Philip Watts 25–7

voluntary corporate codes
Aldama Report 84–5
Best Practice in Public Companies (2002) 169, 173–4, 177, 182–4
Cadbury Report (1992) 16, 47
Olivencia Report 84

voting rights 84, 98–9, 246, 280
voting shares system 50, 54

Warsaw Stock Exchange 182
Watts, Sir Philip 11–12, 13, 17–18, 22, 23

correspondence with Walter van de Vijver 25–7

weak institutional framework in developing countries 281–2
website-base shareholder information 82, 85
Winter Report 84
WorldCom 13–14

X SA Capital Group 165–6

Yukos 35