Can Corporate Governance be standardized?

A comparative study of South Africa and Sweden Corporate Governance codes based on multiple case studies.
(A case study of Nedbank and Nordea Bank)

Master Thesis in Business Administration – 30 ECTS
“The global financial crisis, persistent economic disparities, climate change, and evidence of corporate governance failures are just some of the issues that are raising the profile of corporate transparency among regulators, civil society bodies, and the general public.”

Jonathan Hanks and Louise Gardiner.
Abstract
Stakeholder’s levels of trust and confidence in a company’s operational efficiency and leadership have been influenced negatively by some scandals in the last two decades. This creates a need for governance and transparency, through which corporate governance and social responsibility issues can get more attention from researchers, business and governmental and non-governmental bodies. Corporate governance and corporate social responsibility have also developed to a greater extent in the last decade because of financial crises, corporate scandals and globalization. More specifically, since the early 1990s, corporate governance has received the global attention and consideration in business organizations, financial institutions and governmental agencies required to potentially secure shareholder and stakeholder value. Furthermore, the need for corporate governance has become more important for operational efficiency as it could reduce information asymmetry and build investors’ and stakeholders’ confidence. The main aim of this thesis is to determine if corporate governance codes could be standardized based on a comparative study of two corporate governance codes in South Africa and Sweden and their application in the financial institutions of Nedbank and Nordea respectively. This thesis investigates how corporate governance influences business activities and reporting with an emphasis on assessing integrated reporting of social responsibility. This thesis also describes how Governance Metrics (GMI) attributes can measure the effective implementation of corporate governance codes that contribute to the achievement of sustainable business development and the maintenance of a secured relationship with shareholders and stakeholders.

The findings of this thesis indicate that it is difficult to reach an agreement and we conclude that corporate governance should not be standardized because countries differ in their legal structure (laws and governing regulations), cultural and traditional background. Consequently, companies that operate within these countries are required to comply with the respective country’s laws, regulations and values; besides the corporate governance codes. As to stakeholder’s engagement, both Nedbank and Nordea have steady corporate values with clear focus on stakeholder value by providing the best services and social responsibility activities. The Nedbank and Nordea Board of Directors have shown greater accountability in the management of risk and their compliance with corporate governance codes regarding the Governance Metrics (GMI) attributes. To summarize, the managerial implication of the thesis is that companies within the same line of industry should see and use corporate governance code practices and reporting standards and adopt some of the codes, which can fit their own context.

Keywords: Corporate Governance, Integrated Report, Disclosure, Accountability, Responsibility, Sustainability, Internal control, Governance Metrics.
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Glory be to God!

Mekonen Araia Aseghehey
Bereket Assegid Tafesse
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Acronyms

BOC- Board Remuneration Committee  
BOD- Board of Directors  
BRIC-Board Risk Committee  
CBC- Commission on Business Confidence  
CFTC-Commodity Futures Trading Commission  
CG- Corporate Governance  
CSI-Community Support Initiative  
CSR- Corporate Social Responsibility  
DAC- Directors Affairs Committee  
ESG- Environmental Social Governance  
GBC- Green Building Councils  
GMI-Governance Metrics International  
HSBC-British Multinational Banking and Financial Services  
IOD- Institute of Directors  
IMF- International Monetary Fund  
IRD- Integrated Reporting and Disclosure  
JSE-Securities Exchange South Africa  
MSCI- Morgan Stanley Capital International  
OECD- Organization for Economic Co-operation and Development  
PRP- Princes Rainforest Project  
ROE-Return on Equity  
SA-South Africa  
SCCG-Swedish Code of Corporate Governance  
SCGB- Swedish Corporate Governance Board  
SEC- Security Exchange Commission  
UNEP-FI -United Nations Environmental Program Finance Initiatives  
WWF-Wildlife Fund
Chapter 1 Introduction

Corporate governance has developed greatly in the last decade due to several financial crises, corporate scandals and globalization. The discussion on corporate governance widely emerged after the mid-1990s financial crises in Asia and the early 2000s crises in the USA, which caused instability in the global financial systems and the largest insolvency in history (Claessen, 2003). Since then, the term corporate governance has come into everyday usage in business and financial communities (Carlsson, 2001; Mallin, 2010). It also is a term that represents the global phenomenon focusing on securing shareholder value (Carlsson, 2001; Enquist et al., 2006) and responsibility. In parallel with this trend, the concept of CSR also has become common. CSR can be seen as “a market for virtue” (Vogel, 2005), and minimally as a form of “green washing” (ibid.), but it can also be an important part of a new type of business model, as a strategy for development and innovation (Edvardsson and Enquist, 2009; Sebhatu, 2010) and as a resource for creating stakeholder value (Enquist et al., 2006). Both terms represent a global phenomenon in the 21st century. This creates a need for corporate governance as a more open system that includes social responsibility, which influences companies’ way of doing business by assuring good governance and social responsibility.

There is an interaction between corporate governance and CSR. This interaction is a “license to operate” (De Geer, 2009) for companies, which can be seen as a never-ending legitimization and communication process in terms of its ethical, environmental and social responsibility towards its stakeholders, including society (Enquist et al., 2014). In order to achieve this, an integrated reporting and disclosure (IRD) practice is becoming vital to companies as part of the global shift toward integrated corporate governance and corporate social responsibility reports. Integrated reporting and disclosure supplement corporate governance reports with more information and communication (Davis et al. 1997). According to Shaoul et al. (2012), supplementary information and communication process with stakeholders increase transparency and avoid discrepancies between shareholder’s expectations and management’s provisions. Organizations have understood the benefits of integrated reporting and have therefore begun to seriously consider implementing IRD for the purposes of business sustainability. Moreover, integrated report gives stakeholders the simplicity of providing them with information, which is an important element in improving

corporate disclosure and transparency. Bloomfield (2013) has pointed out that sustainability and transparency disclosure can be improved when IRD becomes a cornerstone in business operations. The management’s desire to maintain shareholder trust could be achieved through the integration of corporate governance and corporate social responsibility reports into an integrated IRD report (Roe 2003).

There is a need for a deeper understanding of different types of corporate governance codes to integrate the social responsibility thinking of CSR into reporting. So far, there are no comparative studies on integrated reporting of corporate governance codes in different countries. Recognizing this research gap (Alvesson and Sandberg, 2013), the contribution of this paper is to identify and describe the corporate governance implementation practices in financial institutions, based on a study of two banks. In addition, this paper will provide input for financial institutions, enabling company management to learn from the experiences of others in the practical implementation of CG and integrated reporting for the purpose of realizing and achieving the goal of a secured sustainable business.

This thesis is a comparative study of Nedbank Group in South Africa and Nordea bank in Sweden, which are based on the different corporate governance codes of South Africa and Sweden respectively.

1.1 Problem Discussion

The differing goals of company managers and owners can create a gap of information flow and lead to conflict of interest. The inconsistency in goals and objectives is vital for developing research questions for the thesis. Aligning the vision and mission of a company becomes more complex when ownership and management are separated (Eiteman et al. 2010). The private goals of managers are often inconsistent with shareholder wealth maximization objectives (Jensen and Meckling 1976). Good corporate governance and transparent reporting system are vital in unravelling the conflict of interest. However, the lack of good governance mechanisms can create a loophole that might tempt managers to engage in actions that are not beneficial to those they represent (Conyon and Peck 1998). At the international level for globalized companies, it is also vital to evaluate different corporate governance standards and codes. Assessing whether corporate governance can be standardized due to the reason that countries differ in their legal structure (laws and governing regulations), cultural and traditional background. As a result of differing necessity of
countries, we can simply say ‘can one code fit all’? If not, it is important to assess the need for integrated reporting by companies to meet the demand of different stakeholders.

This thesis will look deeper into and analyse how corporate governance codes and different mechanisms, in particular integrated reporting and disclosure (IRD), could help minimize the conflict of interest and lack of unanimity among owners and management in achieving the mission and vision of the company. But, also can the codes and standards be standardized in achieving the vision and mission of businesses in the globalized world which demands social responsibility as a business practice (Sebhatu, 2010). There is a need for integrating governance and social responsibility as part of the reporting system as a “license to operate” which legitimizes the communication process in terms of its ethical, environmental and social responsibility towards its stakeholders, including society (Enquist et al., 2014).

Based on the above problem discussion, we will, in this thesis, assess two financial institutions with different values and objectives, but which are both shareholder-owned companies. Nedbank of South Africa from an Anglo-Saxon perspective and Nordea of Sweden from a Nordic perspective were chosen to represent institutions with different values, objectives and stakeholder demands and representation. This will allow us to assess the necessity for standardized system. South Africa has one of the largest and most “sophisticated” financial systems in the world (IMF 2008; Thompson, J. K. 2009) with a well-developed corporate governance system (Hardi et al. 2012), which is supported by facts and detailed information. Nordea is a major European bank with a solid foundation, award-winning services and a leading position in the big bank industry in the Nordic region. In this thesis, the corporate governance of South Africa is used as a benchmark for IRD in the comparative study to assess and understand the Swedish CG code and the two banks.

1.2 Purpose of Study

The main aim of this thesis is to understand and determine if corporate governance codes could be standardized in the reporting system. The standardization process is based on a comparative study of two different corporate governance codes, which allows us to apply IRD in this thesis. IRD is used as standardizing factor among the different codes. The objective of this thesis is also to explore how corporate governance code and integrated report system can influence business practices towards sustainability and how GMI attributes can assist in measuring the effective implementation of corporate governance codes.
1.3 Research Questions

Based on the aim and objectives of this study, we have formulated the following research questions:
1. Can Corporate Governance be standardized and made sustainable by integrating other codes?
2. How do CG and IRD influence business performance for sustainability?
3. How does GMI assess effective implementation of CG in business organizations?

1.4 Limitation and Delimitation

This thesis is based on a comparative case study of the corporate governance of two banks - Nordea and Nedbank Group. Corporate governance has a wider area of interest which requires business organizations to implement given governing codes in their operational activities. The areas of corporate governance are: governance of risk, governance of IT, governance of audit, governance of financial control and integrated reporting & disclosure. Because of limited time, the scope of our thesis is delimited to integrated reporting and disclosure in the area of CG. In addition, due to the operational location of Nedbank, we have not been able to have a face-to-face interview with Nedbank managers. Moreover, the research process has taken us more time than expected in our efforts to find the right officer in charge of corporate governance, who can be interviewed to provide us with the required information.

1.5 Outline

This thesis has six chapters, which are integrated and presented based on the purpose and research questions as presented in Figure 1 below. Each chapter is presented as follows:

Chapter 1- Introduction

This chapter presents the general overview, and background information based on the discussions of corporate governance codes. The chapter also presents the problem, the purpose of the study, research questions, limitation and delimitation and the general outline of the thesis.

Chapter 2- Methodology

Chapter two describes the research methodology, data collection, data analysis and the validity & reliability of the thesis.
Chapter 3- Literature review
This chapter describes the concepts of corporate governance, theories of CG (Agency theory and Stakeholder’s theory), Integrated Report and Disclosure (IRD) and the effect of IRD on corporate governance and sustainability. Moreover, Governance Metrics International (GMI) that is based on six attributes of corporate governance is presented.

Chapter 4- Empirical Study
Chapter four presents the study of the bank’s agency relationship, stakeholder’s engagement, and their responsibility and accountability in maintaining sustainable business. In addition, in this chapter the two banks’ effective implementation and adherence to corporate governance codes are assessed based on six governance attribute matrices.

Chapter 5- Results and Analysis of Findings
Chapter five describes the results of the research by linking the empirical and theoretical framework that was developed in chapter three. In addition answers to the formulated research questions are presented.

Chapter 6- Conclusions
This chapter presents the overall concluding points of the research, a summary of the findings and brief answers to the research questions. In addition, it describes the managerial implications of the research study and provides recommendation in regard to the direction of future research.

Fig. 1 - Thesis Structure
Chapter 2 – Methodology

This chapter provides the methodological approach of the thesis, namely the research methodology in general based on a qualitative approach; the case study research method applied; the data collection process of both primary and secondary data; and data analysis. Besides, the trustworthiness of our study is presented in the last section of this chapter.

2.1 Research Methodology

Collis and Hussey (2014) have emphasized the importance of a research paradigm in designing and choosing research methodology. They point out that positivism and interpretivism are the most widely used paradigm. Positivism, which supports a deductive process, draws conclusions by understanding and explaining generalized concepts, while interpretivism, which supports the inductive process, adopts developed theories in order to understand the phenomena (ibid). In this thesis, we adopt the interpretivist paradigm approach in studying and understanding operational practices and creating a whole picture of the studied financial institutions’ reporting system, based on the theoretical framework that is developed in this thesis.

A qualitative research methodology is chosen to answer our research questions and to make a deeper analysis of our two cases studies. According to Bryman & Bell (2012, p.380), qualitative methodology is ‘a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data’. He describes qualitative research methodology as a link that integrates a particular study with theoretical insights so as to obtain a deeper understanding of case studies (ibid) and that allows researchers to become very close to the empirical study (Stefan et al. 2006). Denzin and Lincoln (2000, P.4) argue that “qualitative research is a situated activity that locates the observer in the world it involves reflective, naturalistic approach of the world.”

The qualitative approach is applied to develop a deeper understanding by observing and reflecting on the multiple-cases of two financial institutions and by analysing the corporate governance codes of South Africa and Sweden. Stake (2006) points out that to examine multiple case study needs special effort, which is something having lots of cases, parts or study areas. We have chosen to conduct our study by using a qualitative approach in order to get a holistic view of the multiple-case study; because a qualitative study has more contribution in understanding and analysing different parts of governance and social
responsibility related studies. Stake (2006) argues that multiple-case study is being more used by researchers as it has showed good results in governance research.

2.2 Research Method

This thesis uses the multiple case study method to conduct a comparative investigation of corporate governance codes in two financial institutions, namely Nedbank of South Africa and Nordea of Sweden. The case study is, “designed with a purpose” as Harrison and Freeman (1999), in the “Special Research Forum on Stakeholders, Social Responsibility, and Performance”, define the type of case study that has specific research questions and a deliberate case study design, as opposed to the type that “just happened” while collecting data for another study (as quoted in Sebhatu, 2010). According to Yin (2003) conducting case study will enable researchers to see the broader aspects that have meaningful outcomes concerning situations of real life that leads to deeper studies and analysis (Harrison and Freeman, 1999; Eisenhardt 1989). Collis and Hussey (2014) define case study as a methodology that is used to explore a single phenomenon (the case) in a natural setting using a variety methods to obtain in-depth knowledge (p.68). Moreover, Yin (2013) argues that case studies can answer questions on how and why things operate the way they function. This thesis adopts a case study approach in assessing both codes and banks. The case study method allows us to make a deeper study of the two corporate governance codes of South Africa and Sweden by focusing on the specific points to make a comparative study. The deeper studies and analysis of the two banks are conducted based on the CG codes and our specific research questions, so as to achieve our purpose of study. Therefore, the design of the case studies in this thesis includes selection of cases, crafting instruments and protocols, and establishing a procedure for analysing the source material (Eisenhardt, 1989). The in-depth case study allowed us to perform a live experiment, test ideas, assess operational practices, and finally make generalizations and draw conclusions (Gummesson, 2000). This provides a basis for making a comparative case study in the banking sector i.e. Nedbank of South Africa and Nordea bank of Sweden.

2.3 Data Collection

Case study as a method requires a variety of data to obtain in-depth knowledge (Collis and Hussey, 2014). Alvesson and Sandberg (2013) indicate the four most common areas that research can be based on: society, personal experience, scientific literature and empirical material, areas from which we collected important data for our study. Collis and Hussey
(2014) describe that qualitative data are normally transient, understood only within context and are associated with an interpretivist methodology (p.130). Since qualitative data need to be understood within context, some background information is important (Collis and Hussey, 2014), which in our case is the contextualization of corporate governance codes of South Africa and Sweden, as context data can be related to aspects such as time and location, or legal, social, political and economic influences (ibid). We applied the interpretivist method in the data collection process as indicated in Fig. 2 below. This means that thesis is based on a systematic and methodical data collection process in terms of how, where, and when to collect primary and secondary data (Fig. 2), based on the literature study and different corporate governance codes. When we had identified our cases in financial institutions and the two corporate governance codes, the data were collected through primary and secondary sources. Primary data include interviews and codes, published and mostly unpublished documents from both financial institutions, annual reports of several years and the corporate governance codes. Secondary data were collected from library and online data bases and through several formal and informal meetings and discussions, especially with the Nordea office in Karlstad, and extensive literature analysis served as a pilot study for our interviews with corporate directors in the two companies.

In addition to the above-mentioned theoretical and scientific considerations, this research project also applied the following two main methods in gathering the necessary primary and secondary data.

**Primary data:** According to Bryman and Bell (2011), primary data is information that is obtained from first-hand sources by ways of telephone or face-to-face interview, questionnaire or through observations. The main advantage of primary data is that the information is original and unbiased. The methodical data collection process is accomplished initially by studying the company’s multiple annual reports, reading relevant literature review and looking at external sources of information (NGO reports, media etc.).

- **Interview:** Our primary source was interviews with two executive officers, responsible for corporate governance and sustainability reporting in both companies. We conducted a face-to-face interview with *Camilla Wahlstedt*, Nordea’s legal counsel at Nordea headquarters in Stockholm on December 11, 2013 and a telephone interview was conducted with *Maryna Mouton*, head of governance of Nedbank Group on January 10, 2014. Because of Nedbank’s location, we were not able to conduct a face-to-face interview. The interviews lasted between 50 and 60 minutes and were guided
by a semi-structured interview protocol, which allowed us to go beyond the boundaries of the predefined interview contents. Follow-up questions were further used to explore the interviewee contents (Mishler 1986). Systematic notes were taken during the interviews, and relevant transcripts were completed shortly after the interview.

- **Codes**: The Corporate Governance codes of South Africa and Sweden were used as texts (Collis and Hussey, 2014) for assessing the roles of the codes. We applied “KING III – Code of Governance for South Africa - 2009”, which also combined the integrated reporting and “the Swedish corporate Governance Code -2010”.

- **Documents**: Annual reports (2004 - 2012) for both corporate governance and sustainability report were obtained from the Nedbank and Nordea home pages were used as our primary data in line with Artsberg’s (2005) argument, which considers multiple annual reports and legislations as primary data sources. The annual reports have an average of fifteen pages for each year. We also collected several related documents both published and unpublished including media reports.

**Secondary data**: The secondary data were obtained from readily available sources (Collis & Hussey, 2014). For the purpose of our thesis, we have collected secondary data to complement our primary data information by making an extensive literature review. In line with Collis & Hussey’s (2014) argument, we have collected the secondary data from existing sources such as textbooks, company information database, broadcast media, magazines, NGO reports and scientific journal articles. We have used Karlstad University databases such as

![Overview of data collection in an interpretivist way](image-url)
Ebrary, Emerald, Business Source Premier and Science Direct to design and develop our theoretical framework based on the literature review. In addition, we used the internet extensively, specifically in adopting and applying the GMI attributes for analysing the company data. Google scholar provided us with intensive data and information to implicitly collect enough data; as search engine for instance for specific key words – as Corporate or Governance or combined key words – as Corporate + Governance.

2.4 Data Analysis

Analysing qualitative data presents a number of challenges to both positivist and interpretivist researchers as indicated in Collis and Hussey (2014). A further challenge is that the data collection method can also incorporate the basis of the analysis that makes it difficult to distinguish methods by purpose (Ibid). However, Miles and Huberman (1994) as indicated in Collis & Hussey (2014) describe the widely used general procedure for qualitative data analysing as it is not tied to a specific data collection method and used as a systematic way by involving three simultaneous flows of activities, as indicated in Figure 3 below. In this thesis we are applying these three activities to analyse the wide data collected.

- **Data reduction**: is a stage in the data analysis process that involves selecting, discarding, simplifying, summarizing and reorganizing qualitative research data (Collis and Hussey, 2014, p. 157). In this thesis, the interview data and the multiple annual reports were streamlined and interpreted in order to answer the research questions by looking back to the aim of the study. In this case the integrated reporting of the KING-III corporate governance code and the GMI attributes are also used in the process of selecting, simplifying and transferring the data. This was also the stage in which we discarded irrelevant data to manage the wide data collected and to create the interrelationships.

- **Data display**: is a summary of data in a diagrammatic form that allows the user to draw valid conclusions (ibid, p. 159). The material was analysed by using key words drawn from the theoretical framework as useful labels. Based on the key words, a detailed study was conducted through analysis and interpretation. Moreover, six governance metrics attributes i.e. board accountability; financial disclosure and internal control; corporate behaviour; shareholders rights; remuneration and market for control (Ammann et al. 2010) were used to analyse and interpret the data. The transcribed interviews were combined with secondary data such as annual
sustainability and corporate governance reports from several years; unpublished documents; internal memos; publications issued by the companies; strategic reports and letters to stakeholders.

- **Conclusion and verification:** The findings of the analysis of the key words and governance metrics were further cross checked (triangulation), analyzed and interpreted from the interview information obtained from the company managers, which is in line to Corbin and Strauss’s (2008) argument on interpretation and description of findings from qualitative methods. The various data were combined into case studies on network formation for each corporate governance code reporting and both Nedbank and Nordea cases. Finally, the obtained data were analyzed through a within and cross-case analysis (Eisenhardt, 1989).

2.5 Validity & Reliability

Qualitative data are normally transient, understood only in context and are associated with an interpretative methodology that usually results in findings with high degree of validity and can be captured at various points in time and in different contexts and are associated with a positivist methodology that usually results in findings with high degree of reliability (Collis and Hussey, 2014, p. 157). Internal and external information sources are used to verify the reliability and validity of the data collected. Accordingly, this thesis is conducted independently without any external influence in line with Kirk and Miller’s (1986) argument, which emphasizes that research results should be free from unexpected situations that could
affect the end result. Reliable information from internal sources such as direct interviews, codes and annual reports are used to analyse and interpret the end results. The work is conducted in a transparent manner by developing relevant theoretical foundation and collection of data in order to make analysis and interpretation of results (Silverman, 2006). Therefore, when similar research is repeated by future researchers, similar analysis and results could be obtained, which could prove the reliability and replicability of our thesis work in line to the argument of Raimond (1993).

This thesis presents the actual operational applicability of corporate governance codes and disclosure of relevant information to stakeholders, which are in line to Hammersley (1992) statement of accurate phenomena representation to ensure the validity. The application of six governance matrices - GMI (board accountability, financial disclosure & internal control, corporate behaviour, shareholders rights, remuneration and market for control) are used as measures to obtain results for our study, which supports the validity of this thesis.
Chapter 3 – Literature Review

In this chapter we discuss the theoretical framework of corporate governance codes, the theories underlying corporate governance (Agency theory and Stakeholders theory), which are used in our problem statement, and the need of stakeholder engagement that increases corporate values. Moreover, other governing codes such as the six attributes of governance metrics that contribute to good corporate governance practices are presented.

3.1 Corporate Governance

The notion of corporate governance (CG) has become globally acknowledged and recognized as a set of systems, processes and principles that governs a company (Hardi et al. 2012). The U.K. committee on corporate governance defines CG as “a system by which companies are directed and controlled” (Institute of directors 2002). Corporate Governance codes concern the balancing of goals, i.e. economic and social goals on the one hand and individual and communal goals on the other hand with the ultimate goal of narrowing the interests of individuals, corporations and society (Institute of directors 2002). According to Luo (2005), CG is the determinant and controller of a company’s strategic direction and performance by creating relationship between a corporation and stakeholders. Enquist et al. (2006) state that, CG defines important issues that integrate social, environmental values and company’s business operations.

Corporate governance has more significance in public companies with widely dispersed shareholders who cannot participate in decision making processes, nor conduct monitoring (Berle & Means 1932) although it can also be an issue in small and privately-owned companies (Hart 1995). The global implementation of CG is focused on securing shareholders value (Carlsson 2001; Enquist et al. 2006). CG is important because it builds stakeholder’s confidence (Bloomfield 2013). The confidence in financial markets could be assured by placement of independent committed directors, who are active in complying with CG codes (Hart 1995). In promoting economic enterprise and corporate performance, good corporate governance has the ability to provide control (Keasey et al. 2005), which enhances shareholders value and provides stakeholders with the assurance that entrusted funds are not being wasted for activities that are not in line with organizational goals (Shleifer & Vishny 1997). Investors take CG into consideration as a criterion in their investment decision-making process and in choosing companies that are well governed by CG codes in order to invest
their funds. Corporate Governance has a positive influence on the share price of a company (Hardi et al. 2012).

As shown in Fig. 4, the focus of corporate governance is on multiple goals rather than on a single line goal (economic). Moreover, corporate governance is concerned in maintaining the balance between economic and social goals. On the other hand CG tries to keep a balance between individual and communal goals. The aim of corporate governance in keeping such balance is to achieve the ultimate goal of narrowing the interests between individual, corporation and society (Institute of directors 2002).

The codes of corporate governance, set up by governments, provide appropriate guidelines on how companies have to be governed and controlled in achieving company goals (Bloomfield 2013). Maintaining and adhering to corporate governance codes add value to company sustainability, which is beneficial to all stakeholders (customers, suppliers, creditors, shareholders, employees, management and society). In addition to compliance with government’s laws and regulations, corporate governance codes require company’s operational accountability and transparency. Moreover, principles of disclosure of material information to all stakeholders and ethical business performance increase stakeholder’s value. Corporate governance is important in ensuring company investors and stakeholders receive a return on their investment (Williamson 1988).
Promoting transparency and disclosure through corporate governance codes could provide timely information to stakeholders and therefore reduces information asymmetry (Owen et al. 2001). Developing corporate governance codes contributes to economy growth (Claessen 2003). Regardless of a country’s level of development and ownership structure corporate governance codes are vital for company’s operational governance. Corporate governance codes could lead to achieving better company performance results, building investor confidence and improving stakeholder’s value. Company adherence to CG codes ensures that operational activities are being accomplished by taking into consideration the interests of both shareholders and stakeholders. Additionally, corporate governance codes encourage companies to become more transparent in disclosing relevant and reliable information to stakeholders (Elkington 2006).

Institutional investors prefer to invest in companies that are governed by corporate governance codes than those that have good financial performance (Institute of directors 2002). A survey conducted on 200 global institutions indicated that 84% of the institutions are in preference of paying higher premium to invest in companies that are well governed by CG (Institute of directors 2002). Corporate governance codes could result in sustainable business for the fact that stakeholders demand a greater transparency (PricewaterhouseCoopers 2009). As a result of failure in transparency and disclosure of relevant information, several types of scandals have occurred. A summary of causes, effects and lessons learned from corporate scandals in financial institutions and other companies are presented at the appendix section (see appendix C & appendix D on pages xii and xiv).

I. Corporate Governance – South Africa: In 1992, which historically coincided with the social and political transformation and the re-admission of South Africa (SA) in the global community, the King committee of South Africa was formed to work in developing corporate governance codes. In November 1994, the committee prepared corporate governance code that was referred to as the ‘King Report’. The main purpose of the King Report is to promote the highest standard of CG in South Africa. The philosophy of the King Report centres on leadership, sustainability and corporate citizenship (Institute of directors 2002). The code of King III applies to all entities regardless of the manner and form of their incorporation or establishment. Organizations are encouraged to disclose principles and practices and provide explanations for non-compliance. The principle-based framework of King III

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3 Executive guide to King III PricewaterhouseCoopers
recognizes that there is no ‘one size fits all’ solution. The governance framework of King III is ‘apply or explain’. This approach allows the Board of Directors (BOD) to practice CG in a way that is different from King III as long as the BOD believes and provides acceptable reasoning that the practice is to be in the best interest of the company. Flexibility is created by the framework ‘apply or explain’ and avoids pitfalls which some countries had experienced in adopting the ‘one size fits all’ approach.

II. Corporate Governance – Sweden: In 2002, the Swedish government established a commission on business confidence (CBC) identifying the measures and actions that are required in order to build and strengthen the confidence of Swedish business community (SCGB 2004). The commission is responsible for collecting public opinions that could increase investor and public confidence through studies of international experiences and practices. In addition, CBC will analyse measures to strengthen business confidence and identifies legislations or public regulations in businesses that require amendment. In 2005, a comprehensive code of corporate governance was issued in Sweden (SCCG 2005). The ‘Swedish Companies Act’ and the tradition of self-regulation are the basis for the establishment of the code. The aim of the Swedish CG code is to encourage listed companies to build confidence in investors, shareholders and Swedish stock market (SCGB 2010). In addition, the code aims to ensure the good control and transparency of board’s management. Moreover, CG in Swedish companies could serve as a model to other companies in improving their efficiency and competitiveness in business sectors (SCCG 2005). The Swedish CG value is driven by its guiding principles of creating transparency to shareholders, capital markets and the society.

3.2 Theories of Corporate Governance

There are four corporate governance theories i.e. Agency, Stakeholders, Stewardship and Resource based theory (Mallin 2010). For the purpose of this thesis we have chosen the Agency and Stakeholders theories. We choose Agency theory because our thesis problem statement is concerned with the information asymmetry that could exist between owners and managers due to dispersed ownership of the financial institutions. In addition, we have chosen stakeholder theory because the continuous engagement with stakeholders could minimize
information asymmetry by providing timely, reliable and relevant information in a transparent manner (Owen et al. 2001).

3.2.1 Agency Theory

“Agency theory postulates a conflict of interest between members of an organization in which owners are characterized as weak relative to managers” (Roe 1994). Smith et al. (2006), state that a company’s operational activity growth and wider expansion of markets create situations whereby ownership and control become separated. Problems and risks arise due to agent’s failure of proper vigilance of shareholders’ invested funds as their own personal funds and misuse of funds that are not in line with organizational goals (Hardi et al. 2012). Moreover, the problem of information asymmetry is also created when the management and control are separated. Agents can misuse the authority entrusted in them for their own personal gain and they fail to take appropriate risk measures in pursuance of principal’s interest (Bloomfield 2013). As a result of the lack of proper accountability of investor’s funds, the protection of minority shareholders becomes more important because their participation in decision-making process is limited. Minority shareholders depend on the company’s management performance in realizing profit and provision of dividends. According to Barney (1991), in countries such as the U.K and U.S.A, the legal systems are well developed to protect the minority of shareholders. In such countries and in countries which were former British colony, the codes of common laws do exist which rely on independent judges, juries and legal principles. However, unlike in the countries with common law codes, the civil law code that builds on Roman law has ineffective protection of minority shareholders (Mallin 2010). In such countries, due to weak protection of minority shareholders rights, there is less encouragement to invest (Bloomfield 2013).

3.2.2 Stakeholders Theory

Unlike the shareholder theory, which puts more focus on shareholders, the stakeholder theory takes into account a broader view and encompasses the interests of employees, customers, creditors, suppliers, government and the local community (Hardi et al. 2012). In shareholder theory, shareholders are paramount and are given more privilege because they are the ultimate beneficiaries of the returns of their investment. According to Hardi et al. (2012), different corporate governance structures and monitoring mechanism may be preferred by shareholders and stakeholders. In the Anglo-American model corporate governance structure, the board which consists of executive and non-executive are nominated by the shareholders and the
model aims to pay more attention to the requirements of the shareholders. In the German model of board structure, the law requires certain stakeholders such as employee representative to be part of the board structure.

3.3 Shareholder and Stakeholder views of Corporate Governance

Shareholders have direct right to the ownership of a company and are more interested and concerned for profit maximization (Hardi et al. 2012). Shareholders and stakeholders have different views of corporate governance systems. Agency theory is shareholder-oriented and governance is toward the maximization of shareholder’s wealth without giving attention to other stakeholders. Corporate governance compared to a stakeholder’s view is showing growth and many global companies started to make wise decision in adopting good quality logic of corporate social responsibility by considering the interests of the stakeholders. Shareholders invest their money to provide risk capital for a company and in any legal jurisdictions, shareholders' right are enshrined in law unlike the wider group of stakeholders. Shareholders rights are generally protected by law even though the extent of protection is different from one country to another (Claessen 2003).

3.4 The effect of Integrated Report and Disclosure on Corporate Governance

The failure of effective corporate governance has an adverse effect on global economy and on financial stability (Hardi et al. 2012). According to Claessen (2003), corporate governance has a positive effect and relationship with secure business development and business sustainability. Claessen (2003) argue that better corporate framework of a company would contribute for a greater access to financing. The opportunity of getting a more economic finance in turn enable to more investment for a greater return, creating more job opportunity and growth in business development. Cremers and Nair (2003) stated that a higher percentage (10-15%) return to shareholders can be more successfully achieved by companies that have strong CG than those that have weak corporate governance. Moreover, corporate governance positively impacts on the growth and development of a company by reducing financial risk. This positive impact on growth is vital because a financial crisis affects the economies and social aspects of a country (Claessen 2003). Effective corporate governance could also lead to higher stock price. The high stock price is as a result of the implementation of good corporate governance that requires less diversion of cash flow which means that higher profits could be paid to investors in the form of interest and dividends (Jensen and Meckling, 1976; Owen et al. 2001). In addition, the effect of good corporate governance on growth and development is
the expectation by investors of higher return on equity (ROE). This is because the monitoring and audit costs will be minimized when good corporate governance is practiced. In turn, less monitoring and audit cost means lower cost of capital (Shleifer & Vishney 1997).

Corporate governance positively affects the growth and development of a company by attracting more potential investors. A better relationship with stakeholders could be created through effective implementation of corporate governance codes, which builds stakeholder’s confidence. Nowadays, the importance of CSR to various stakeholders becomes more prominent for the assurance of sustainability. According to Enquist et al. (2006), Corporate Social Responsibility (CSR) is defined as: “... the voluntary integration of social and environmental concerns into business operations and interactions with stakeholder”. The Commission of the European Communities defines CSR as an idea by which ‘companies decide voluntarily to contribute to a better society and a cleaner environment’ (CEC 2002).

As pointed out by Gill (2008), companies started to broaden their views and their sole thinking of shareholders returns or maximization of profits and started to think about the global society that considers social and environmental issues. Furthermore, Carroll (1991) mentioned that managers and business executives have to balance their commitments equally among the owners and various stakeholders for fulfilling the goal of their legal and ethical responsibilities. Owen (2005) argues that business organizations should be aware of the social and environmental responsibilities besides their economic objectives. Elkington (2006) points out that CSR concept is based on the triple bottom line (economic, social and environmental).

In addition, there should exist a balance between the three so that a comprehensive image of sustainable development could be created (Enquist et al. 2006; 2007).

3.5 Governance Metrics contribution to CG

Governance Metrics International (GMI) ratings present environmental, social, governance (ESG) & accounting and governance risk (AGR) research & ratings with all the necessary facts and details. GMI analyses are updated on a daily basis. The ratings include around 6,000 companies with ESG research and ratings. Maintaining effective corporate governance codes is advantageous in achieving high GMI rating (Imhoff 2005). GMI has captured the attention of stakeholders because it provides a corporate governance rating system that clearly shows a company’s compliance with the standards. The GMI index frequently rates a company's full operation in accordance with the corporate governance codes and guidelines. A high rating of GMI indicates a company’s effective compliance with the governance standards of a country in which the company operates. Moreover, besides a company’s compliance with Security
and Exchange Commission (SEC) requirements and standards, GMI rating is needed to build on investor’s confidence level. The ESG through the GMI indexes of different countries and regions are being monitored by an international company called ‘Morgan Stanley Capital International’ (MSCI), which frequently constructs indexes. The governance attributes which GMI uses for the assessment of CG’s level of implementation are categorized by GMI into six attributes a) board accountability, b) financial disclosure and internal control, c) corporate behaviour, d) shareholders rights, e) remuneration and f) market for control (Ammann et al. 2010).

a) Board Accountability

In its simplest form, accountability involves the relationship of two parties whereby one party is required by others to explain and take responsibility for their actions: “giving and demanding reasons for conduct” (Roberts & Scapens, 1985, P.447). According to Jeffrey et al. (2007) accountability is multi-faceted that means it involves an account of giving and in turn holding to account besides sitting in judgment; applying sanctions and being responsive to society. Board accountability is the acceptance of taking responsibility for the financial and non-financial assets and to account for company activities by taking into consideration the environmental and social issues (Roberts & Scapens 1985). Board’s compliance, transparency and responsiveness are identified as the three aspects of board’s accountability (AccountAbility 2004). The compliance with rules and regulations is being held to account while transparency is giving an account to actions performed. Board’s responsiveness is taking account with diligence (AccountAbility 2004). Accountability is vital because it builds stakeholder’s confidence (Jeffrey et al. 2007). Transparency in disclosing company operational results is an important aspect of accountability. Mulgan (2000) states that a free flow of relevant information is the basic requirement of accountability.

b) Financial disclosure & internal Control

During the last decade, internal control has received greater attention. Internal control is a set of activities within an organization which is not easily observable by investors (Rogier & Robert 2008). Companies that are listed in stock exchange should disclose financial and non-financial information to stakeholders (Rogier & Robert 2008). While some information can be voluntarily disclosed others are required by law such as information required by Security Exchange Commission (SEC) and state regulators (Rogier & Robert 2008). Internal control
covers a wider scope and it incorporates perspectives that include the management of strategic operational and compliance risks (Mulgan 2000). Companies that have more resources can highly invest in internal controls and have more likely an effective internal control system and less inherent risk (Hay & Knechel 2005). Moreover, establishing a sound internal control system would minimize agency conflicts by effectively monitoring managers’ behaviour through accounting and auditing mechanism (Rogier & Robert 2008). Non intentional errors and employee mal-practices can be better detected by internal control system even though external means such as external auditing have an advantage in detecting fraud (Hay & Knechel 2005). Internal control can mitigate the threat of unreliable information from being provided to investors (Hay & Knechel 2005).

c) Corporate behaviour

The principles of good corporate behaviour (act of ethics) helps in building trust among all stakeholders by establishing effective system that governs corporate entities. The governing system ensures management acting in a transparent and accountable way to all stakeholders and adheres to corporate governance codes (Epson 2005). The principle of protecting people’s assets and valuable information is important in building stakeholder’s confidence for sustainability of business. The principle of generating value for customers is of great importance to business sustainability. The provision of quality services that meets or exceeds customer’s expectations with affordable services adds value for customers and earns trust in company’s services. In addition listening to customer’s comments and suggestions is an exemplary of good corporate behaviour. Moreover, investing in research and development (R&D) adds value for customers as it introduces new innovative services (Epson 2005). The importance of effective communication with stakeholders is considered good corporate behaviour and sustainable business (Hay & Knechel 2005).

d) Shareholders rights

Shareholders rights ensure that shareholders are protected by law and are involved in management’s decision-making processes (Caton & Goh, 2008). According to Chi (2005) companies can reduce agency cost and increase corporate value by providing more rights to shareholders (Jeffrey et al. 2007). The basic shareholder’s rights according to OECD principles are securing method of ownership registration, conveying or transferring shares, obtaining relevant and reliable information, participating and voting in the general shareholders meeting, electing board members and sharing the profit of the corporation.
Moreover, a positive stock market reaction is anticipated when good corporate governance, which protect shareholder’s rights, is implemented (Choi et al. 2008).

e) Remuneration

Shareholders should have the basic information about the remuneration policies (salary, bonus and other related benefits) of board of directors and executive officers (OECD 2004). The remuneration committees should establish remuneration in accordance to the relative contribution made by the officers in order to retain existing professionals and attract qualified employees. The committee should look at the link between remuneration and company performance. Remuneration should be disclosed to shareholder so that they can assess the expense versus benefit of the remuneration strategy (OECD 2004).

f) Market for control

The notion of the corporate takeovers has been a big issue since the late 1990s. According to Thompson (2009), "Market for corporate control refers to the process by which ownership and control of companies is transferred from one group of investors and managers to another." According to DeAngelo, H. & DeAngelo, L. (1987), hostile takeover can jeopardize and lead to a situation where, employees get discouraged and become hard to attract new employees. It can also lead to damaging a company’s operating performance. Company managers should take decisions that maximize shareholders wealth (Thompson 2009). Market for control is important in developing efficiency.

3.6 Summary

Corporate governance concerns balancing the economic goals and individual/social goals with the ultimate objective of narrowing interests of individuals, corporations and society (Institute of directors 2002). The global use and implementation of corporate governance is focused on securing shareholders value (Carlsson 2001; Enquist et al. 2006) and is regarded as very important in building stakeholder’s confidence (Bloomfield 2013).

Corporate governance has more significance in public companies with widely dispersed shareholders who cannot participate in decision-making process, or conduct monitoring (Berle & Means 1932) although it can also be an issue in small and privately-owned companies (Hart 1995). Shareholders have direct right to the ownership of the company and are interested for profit maximization (Hardi et al. 2012) requiring relevant and reliable information in a transparent manner. Integrated reporting and disclosure could provide
relevant information to stakeholders. According to IIRC (2011), *Integrated Reporting brings together the material information about organizations strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates*.\(^5\)

The practice of integrated reporting is being widely recognized. Companies are therefore making efforts to incorporate both financial and non-financial reports into one integrated report. Integrated reporting gives a big picture and precise information on how organizations perform their activities to show a greater degree of accountability and stewardship. Eccles et al. (2010) state that the implementation of integrated reporting has four benefits. The benefits are to provide a greater clarity about the relationships and commitments; to lead to better decisions; to help deepen the engagement with all stakeholders and to lower reputational risk. Moreover, Eccles et al. (2010) point out that the implementation of integrated report can challenge management to do well (for shareholders) by doing good (for stakeholders). Transparency and accountability are the major pillars of an integrated report. Different reports such as financial, management, governance, remuneration and sustainability are prepared as one report under the integrated reporting and disclosure. Moreover, GMI rating is needed to build the level of trust on investors. The governance attributes, which GMI uses for assessment of effective implementation of corporate governance, are categorized into six attributes a) board accountability, b) financial disclosure and internal control, c) corporate behaviour, d) shareholders rights, e) remuneration and f) market for control (Ammann et al. 2010).

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\(^5\) Integrated Reporting <IR> (website), IIRC (July 2011), http://www.theiirc.org/about/aboutwhy-do-we-need-the-iirc/
In this chapter we assess the information we obtained from the banks’ homepages and from the interview conducted with the banks’ senior management personnel. In addition, agency relationship and stakeholder’s engagement of both banks is discussed in detail. In the area of governance attributes, the banks practical corporate governance practices and performances, which are based on six governance attributes, are assessed and presented. Moreover, the accountability and responsibility of both banks are discussed, based on the theoretical framework of corporate governance codes.

4.1 Background

a) Nedbank Group:

Nedbank Group is one of the four largest banking groups in South Africa. The bank was founded in 1888 in Amsterdam. During its establishment, the bank was named as ‘Dutch Bank and Credit Union for South Africa’ (Nedbank 2013a). However, over a period of time and as a result of great increase in South African shareholders, in 1999 the bank became 100% South African owned bank. During the past three decades, the bank has developed rapidly and acquired private banking businesses, formed subsidiaries and established a group that was first named Nedcor Group, later re-named as Nedbank Group. As of December 2012, Nedbank Group has a total asset of R 683 billion (US$ 76 billion) and 28,748 employees (Nedbank 2013b). Nedbank Group has 807 branches and a market capitalization of R 95.4 billion (US$ 10.6 billion). Its revenue for 2012 was R 7,510 million (US$ 836.4 million) (Nedbank 2013c). Nedbank Group has over six million clients and its ordinary shares are listed on Johannesburg Stock Exchange (JSE) and on Namibian Stock Exchange (Nedbank 2013b).

According to the interview we conducted with Maryna Mouton, head of Nedbank Group governance, Nedbank Group is recognized as a learning organization whereby employees get the opportunity to work in other branch office, share their experiences and knowledge. Nedbank is one of the largest four banks in South Africa.⁶

b) Nordea Bank

Nordea is one of the leading big bank industries in the Nordic region. The ownership is composed of four Scandinavian countries (Sweden, Finland, Norway and Denmark). Nordea

⁶ Interview with Maryna Mouton, Head of Governance, Nedbank Group, South Africa.
is a major European bank with strong fundamental values and award-winning services that continues to attract customers in all segments (Nordea 2013a). Nordea has a vision of becoming the leading financial service group in the Nordic and Baltic countries. Nordea has total assets worth EUR 626 billion (US$ 849 billion) and has 29,501 employees (Nordea 2013f). The bank has 900 branches and a market capitalization value of EUR 30 billion. As of September 2013, its revenue was EUR 2,426 billion. Nordea has 11 million clients and its shares are listed on the NASDAQ OMX Nordic, Stockholm (SEK), Helsinki (EUR), and Copenhagen (DKK) (Nordea 2012a).

From the interview we conducted with Camilla Wahlstedt, Legal Counsel of Nordea, it was pointed out that Nordea is a customer-oriented bank that has multi-cultural experienced employees. Nordea provides employees with the opportunity of working in other Nordic regions in order to share and gain experiences from each other. In addition, she stated that Nordea is a learning organisation in which employees have a chance to get more knowledge and get higher managerial positions. The head office of Nordea is located in Stockholm, Sweden.⁷

### 4.2 Agency Relationship

Nedbank Group provides timely and accurate information (financial and non-financial) to stakeholders. This reduces the gap of information asymmetry, which is normally created as a result of the separation of management and ownership. Moreover, the bank performs its business activity in an accountable and transparent manner as part of protecting the minority shareholders. In line with Barney’s (1991) argument, a country’s legal systems need to protect minority shareholders. South Africa protects by law the rights of the minority shareholders. Nedbank regularly discloses information to stakeholders and accordingly a scheduled plan of stakeholders meeting is set up in and communicated to the stakeholders at the start of each calendar year.

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⁷ Interview with Camilla Wahlstedt, Legal Counsel, Nordea
As shown on Fig. 5 above, Nedbank agency relationship is established through planning meeting in advance for purposes of sharing information and keeping investors updated on financial and non-financial reports, which is useful for the decision-making process. The scheduled plan of action has enabled Nedbank to become pro-active in disseminating information across the stakeholders both internal and external.

For purposes of providing accurate and transparent information to shareholders, Nordea regularly discloses information concerning board members specific responsibilities. In addition, Nordea prepares separate financial and non-financial reports for shareholders (Nordea 2012a). By providing shareholders with accurate bank information on bank activities and performance, Nordea reduces the information gap between shareholders and management. However, there has been some critique in independent media (The Financial Times) regarding Nordea’s failure to inform investors about issues concerning Nordea’s investment advisor when North American Growth fund was under investigation in the US (Kelleher 2013). Nordea has dismissed such allegations (originated from a former employee) as unfounded.

Nordea protects the minority shareholders rights. For this purpose, before any annual general meeting, Nordea meets with minority shareholders in order to know their concerns and to receive questions from them. The questions are then addressed at the annual general meeting and later on the answers are communicated to the minority shareholders. Every year, Nordea discloses the important dates and place of the annual general meeting in the annual report. The shareholders can participate in the meeting by registering their names with the nomination committee (Nordea 2012a).
4.3 Stakeholders Engagement

In line with Hardi et al.’s (2012) argument, stakeholder’s theory takes into account a broader view and takes into consideration the interests of all employees, customers, creditors, suppliers, government and local community, Nedbank Group takes the same stance and continually interacts with all stakeholders i.e. internal stakeholders (employees; manager; owners) and external stakeholders i.e. suppliers; society; government; creditors; shareholders; customers (see appendix B on pp. x for details).

As stated in the 2012 integrated report, Nedbank Group actively interacts with South African government to help the government in realizing planned development goals. As pointed out by Mr. Mike Brown, the CEO of Nedbank Group, ‘Nedbank Group is committed to sustainable stakeholders' delivery and contributing to South Africa’s development through support of national development objectives’ (Nedbank 2013d). Moreover, Nedbank continues to make contribution to the needs of the society by creating new job opportunities. In the year 2012 alone, Nedbank created 450 new jobs. From shareholders’ perspective, shareholder’s earning per share return has grown by 19% in 2012. This achievement is a result of the bank’s committed efficiency in managing expenses, growth of revenue and improvement in the credit loss ratio. The stakeholders of Nedbank Group are staff; clients; regulators; shareholders and investment analysts; communities including social and environmental; non-governmental organizations; government; suppliers and contractors; media; unions and business partners (Nedbank 2013d).

Through regular engagement, Nordea bank creates a strong relationship with stakeholders. The stakeholders of Nordea are employees, customers (corporate and private), NGOs, analysts, shareholders, government and suppliers. Nordea maintains healthy relationship with their employees in order to understand their concerns and to obtain feedback from them. The bank provides flexible working conditions, access to health services and health check-ups in order to create a balance between work and personal life and thereby build a motivated, healthy, effective and efficient staff. Nordea offers cross-border mobility for its employees, i.e. the bank opens an opportunity of working abroad at various professional levels in order to develop the skills and competency of its employees (Nordea 2012a).

Nordea’s engagement with its customers aims to create a memorable customer experience. This is done in order to know the customer’s expectations and show loyalty to its customers. The bank’s engagement with its suppliers is to ensure the free flow of supply and obtain
quality products and services. In addition, Nordea communicates with suppliers if there is a change in government laws which could affect suppliers and their compliance with good ethical practice. Moreover, Nordea engages with NGOs such as ‘Star for Life’ – which is based in South Africa and Namibia that operate in combating HIV/AIDS. The bank also engages with shareholders in order to create a transparent flow of information concerning the financial and non-financial matters. Nordea creates a good relationship with shareholders to provide them with up-to-date information so as to build confidence in its shareholders by showing the bank’s sound business practice and performance in every business activities (Nordea 2012b).

4.4 Shareholders and Stakeholders view

Nedbank Group practices an active interaction with stakeholders. The collaborative approach of Nedbank Group is meant for the achievement and strong establishment of integrated sustainability. Nedbank Group considers stakeholders as primary body of concern (Nedbank 2013e). The bank is not only concerned in just communicating with its stakeholders for the sake of engagement. However, the integration goes far beyond as the bank regards stakeholders as partners of the bank. To the extent possible, Nedbank Group’s effort of engagement provides full disclosure and it strengthens the relationship of the bank with its stakeholders.

Nordea has a comprehensive approach towards its stakeholders and shareholders. Through active engagement with stakeholders, Nordea discloses timely information thereby a common vision is established. Moreover, Nordea has equal consideration to all shareholders (minority and majority) and gives due attention to shareholders’ concerns by providing regular solutions to their problems (Nordea 2012b).

4.5 Responsibility and Accountability

Nedbank Group provides its customers with distinctive products, services and solutions in order to maintain the sustainability of the bank. Quality services that meet stakeholder’s expectations are provided in various sectors such as in investment banking, treasury, global markets and client coverage. The capital of Nedbank group continued to put its focus on implanting a seamless client coverage model to ensure that client service and innovation remain the key of Nedbank sustainable business model.
As shown in Table 1 above, Nedbank capital generated a return on equity (ROE) of 25.4% (2011: 22.6%) and delivered growth in headline earnings of 16.3% to R 1,428 m (2011: R 1,228m). Likewise, Economic profit (EP) increased by 31.9% to R 690m (2011: R523m).

Acknowledging the fact that a greater commitment (financial and physical) is required to develop a sound reputation of the nations “green bank”, Nedbank Group has currently a good ‘green bank’ status and it continually commits to further entrench their reputation through ongoing environment efforts. In sustainable business performance, Nedbank Group is ranked as the third highest SA Company on the Global 1000 Sustainable Performance Leaders Index. Likewise, Dow Jones World Sustainability Index (world’s premier corporate sustainable benchmark) places Nedbank Group among the 25 banks worldwide and five companies with primary listing in SA to be included in the index 2012: 82% (2011: 80%). Moreover, Nedbank Group is represented on a signatory to the national business initiative advisory committee on climate change and the Banking Association SA: Sustainable Finance Committee.

Nedbank Group strives to be a responsible banking industry in which every banking activity is integrally attached to the creation of long-term shareholders & stakeholders value. This means that Nedbank business success follows the strategy of honouring ethical values and value for people, communities and natural environment. Moreover, Nedbank Group takes into consideration the impacts of their social and environment through careful understanding and managing product marketing impacts, fair treatment of employees and ethical interaction with local communities and management of carbon emissions.

Nedbank Group makes efforts to fulfil its obligations to stakeholders and to whoever its business dealings might impact on. The bank aims to earn, establish and retain trust and confidence among insiders and outsiders (shareholders, employees, customers, supplies, competitors and the wider community). Nedbank Group strives to maintain the soundest
ethical standards in their operational activities (Nedbank 2013f). As a responsive business, the bank’s approach is to ensure working on group strategy and achieve the group’s common vision of becoming the most trusted partner to their customers. The bank has put in place a strong governance structure to meet the drawn up standards and stakeholder expectations. In working with society, Nedbank takes into consideration community concerns (both at national and local levels) and works to serve communities by providing efficient services and creating employment opportunities. In supporting communities, Nedbank Group provides charitable donations, educational and cultural contributions in line with the policies set out by various charitable committees and foundations (Nedbank 2013g).

As a responsible and accountable bank, Nordea works to achieve a sustainable business development by integrating financial performance, environmental, social responsibilities as well as governance practices (Nordea 2012a). Therefore, Nordea’s sustainability concerns are not only economic benefits but also society’s expectations and compliance with governing laws and regulations. As a responsible banking industry, Nordea protects the environment through reduction in usage of materials that could cause damage to the environment such as reducing Eco Foot print (Nordea 2013b). Moreover, Nordea aims to reduce CO2 emissions by 18,000 tons, energy consumption by 15%, travel by 30% and paper consumption by 50% (Nordea 2013b). As a financial service, Nordea strives to be profitable, responsible and accountable in their business operations. According to the annual report of 2012, compared to 2011 the financial activity of the total operating income has increased by 2%, operating profit by 11% and total equity by 8%.

As a responsible corporate citizen, Nordea continuously operates in creating memorable customer experience (Nordea 2012a). Its vision is to become a great European bank, which can create superior value to customers and shareholders. Nordea follows the environmental protection guidance of the United Nations Environmental Program Finance Initiatives (UNEP-FI) (Nordea 2012b). Moreover, the bank provides employees with training opportunities in order to build their skills, improve their efficiency and to create a healthy working environment. It also cooperates with the community, especially the younger generation by providing training that can help them in managing their economy. In addition, Nordea ensures that its suppliers are guided by ethical principles in their business interaction.
4.6 Governance Attributes

a) **Board Accountability:** The board of Nedbank Group consists of 15 members with a diverse range of knowledge, skills and expertise. The members include six non-executive directors, five independent non-executive directors, a chief financial officer, a chief executive officer, a chief operating officer and one non-executive chairman. No former CEO serves on the board. Moreover, the governance/nomination committees are composed of independent members. In fulfilling their responsibility of accountability, Nedbank Group has formed a committee of ‘Group Directors Affairs’ (DAC) to oversee and monitor the bank’s compliance with regulatory requirements. Nedbank Group meets the criteria of King III requirement of having independent non-executive directors. Independent director’s input is taken into the decision making process to ensure that no single individual director can have unrestricted power in decision-making process (Nedbank 2013n).

The Board of Nordea consists of thirteen members of whom nine are elected at the general meeting and the remaining four members (one deputy) are elected by the Nordea employees (Nordea 2012a). The board diligently performs its duties of bank operations in accordance with Nordea internal rules and corporate governance codes. Nordea board are accountable in ensuring that an adequate and effective system of internal control is established and maintained. The board’s main accountability is in ensuring reliable financial and non-financial information are disclosed in a transparent manner. The working plan of the BOD is established annually and the board uses written operational procedures, which govern the board’s work in areas of responsibilities, confidentiality and frequency of meetings. In line with Mulgan (2000), the argument of free flow of relevant information as the basic requirement of accountability, the boards of Nordea and Nedbank group ensure timely disclosure of financial and non-financial information to all stakeholders. From the interview we conducted we came to understand that Nordea BOD is accountable for ensuring that the integrity of reports is maintained, i.e. that relevant and reliable financial and non-financial information are disclosed on time.\(^8\)

b) **Financial disclosure and internal control:** For purposes of having good understanding with its shareholders and investors, Nedbank is committed to ensuring

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\(^8\) Interview on integrity of reports, conducted with Camilla Wahlstedt, Nordea Legal Counsel & Maryna Mouton, Head of Governance, Nedbank Group, South Africa.
an accurate, timely and transparent communication. Moreover, shareholders and the investment community are able to know the bank’s performance and strategic plans. Nedbank continually makes improvement in disclosing information in order to enable investors to get correct information to help them in their decision-making process such as in acquisition and ownership of shares. Internal control system emphasizes the control operational activities, risk control assessment, monitoring and disclosure of information.

Nordea has an effective internal control system, which is meant to ensure achieving the bank’s objectives of compliance with internal and external regulations, in terms of safeguarding of assets and risk management (Nordea 2012a). Moreover, an internal control system is put in place to assure the reliability and integrity of financial and non-financial reports.

Our interviews indicate that both Nordea and Nedbank have put in place internal control systems for risk management. The two banks have risk officers and compliance officers who ensure that risks are properly identified and appropriately mitigated. In addition, both banks have an independent internal and external audit systems. External audit is conducted every year. However, in special cases external audit can be conducted earlier depending on request made by department heads. Moreover, both Nordea and Nedbank provide stakeholders with annual corporate governance and corporate social responsibility reports.

c) Corporate behaviour: Nedbank Group continually supports programs throughout South Africa. The bank’s community support program identifies beneficial and relevant projects that are in need of support. Employees are encouraged to identify and find community support initiatives (CSI) activities that are closer to the business of the bank. This intention is to increase cooperation between employees, customers and the community.

Nordea Corporate behaviour is all about being able to keep stakeholders’ interest and perform operations in an ethical manner that should not affect the society and the environment negatively (Nordea 2013c). The bank works for a better relationship with all stakeholders. As a financial service provider, Nordea conducts business in an ethical and responsible manner. It makes corporate citizenship an integral part of its

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9 Interview on internal control system & risk management, conducted with Camilla Wahlstedt, Nordea Legal Counsel and with Maryna Mouton, Head of Governance, Nedbank Group, South Africa.

10 Interview on internal control system & risk management, conducted with Camilla Wahlstedt, Nordea Legal Counsel and with Maryna Mouton, Head of Governance, Nedbank Group, South Africa.
operations throughout the group. The code of conduct of Nordea is the main guidelines for the ethical customer relation of the bank. Moreover, the bank values good customer relations and tries to satisfy its customers by putting in place a responsible service management.

d) **Shareholders rights:** Shareholders’ rights and interests are taken into account at any point of time when Nedbank Group is devising strategies. The bank continues to listen to the ideas and suggestions given by shareholders (both minority and majority) and is committed to improving its disclosure levels and communication with shareholders and the community as a whole.

Nordea works in keeping shareholder’s rights in their operational activities. Such rights are, for example, to participate in the voting and decision-making process and to get reliable information i.e. financial and non-financial reports (Nordea 2012a). In the shareholders meeting, the responsibility of the bank’s management and control system is shared within the shareholders. The shareholders fully practice their voting rights and are also entitled to every benefit and profit (dividends) of the bank.

The interview result shows that both Nordea and Nedbank protect minority shareholders rights in accordance with the corporate governance codes of Sweden and King III respectively. Both banks give consideration to the ideas and concerns of shareholders (minority and majority) in order to address it during the annual general meeting. All shareholders have the right to get dividends and can present their concerns in written.  

11 e) **Remuneration:** Shareholders rights and interests are taken into account at any point in time. Nedbank Group has a remuneration committee (Remco) that works in collaboration with the executive committee (Exco). The committee governs and manages the company’s remuneration in compliance with CG codes. In addition, the committee devises strategies for motivating and retaining talented employees while at the same time attracting new employees. Moreover, the committee makes regular contact with independent outside consultants in insuring company’s remuneration is in line with market practices and is also in agreement with regulatory demands while supporting the bank’s culture and values. Transparency of the remuneration policy and communicating such information to employees is a common practice of Remco. Remco keeps track of individual employee performance as a management tool to serve

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11 Interview on ‘Shareholders rights’ conducted with Camilla Wahlstedt, Nordea Legal Counsel and Maryna Mouton, Nedbank Head of Governance.
in the management of employee remuneration. Moreover, the committee provides ways for provisions that employees benefits, such as leave, retirement funding, healthcare, disability and death cover (Nedbank 2013k).

Nordea has also a remuneration policy with detailed instructions and guidelines. The Board of Remuneration committee (BRC) works in ensuring the set out guidelines are followed by the bank (Nordea 2012a). In addition, the committee provides detailed information (skills, experience) of every executive member for evaluation purposes. Nordea’s shareholders are able to see the members’ qualifications, experience and their corresponding remuneration. Nordea BOD plays a key role in making decisions regarding the remuneration policy of the bank based on the risk involved and ensuring that the policy is applied and followed as stated by the BRC. The remuneration policy of Nordea assists the bank in the recruitment process so that they will be able to identify highly motivated, competent and service oriented employees.

From the interviews we conducted with Nordea and Nedbank Group, we found that the remuneration committee of both banks is composed of dependent and independent members in accordance with the corporate governance codes of Sweden and King III of South Africa respectively.\(^\text{12}\)

f) Market for control: Nedbank Group uses advanced transaction processing capabilities in its global trade products and services. As a result, transactions are simple, flexible and cost effective. Nedbank provides high quality service in an efficient and transparent manner such as the forward exchange contracts and derivative instruments. This is done by managing risk factors as today’s global trading environment is becoming more volatile (Nedbank 2013l). In order to facilitate Nedbank’s global business activities and provide an effective communication with agents, Nedbank Group uses an internet based administration system called ‘corporate server’. Besides providing a full database and control system, corporate server allows to have access to Nedbank from other locations of Nedbank offices (Nedbank 2013m).

Market for control helps the board of directors to do their task in an efficient and in a transparent manner. Nordea’s board management system is also well structured and the board cooperates with other executive managers. In addition, the bank’s internal control system is designed to create effective and high standard quality service. The

\(^{12}\) Interview on ‘Remuneration’ conducted with Camilla Wahlstedt, Nordea Legal Counsel and Maryna Mouton, Head of Governance, Nedbank Group, South Africa
Board Risk committee (BRIC) supports the board in providing important information that can help the board fulfilling their responsibility in the area of management and risk control, which could be credit risk, liquidity or market risk. Nordea has a standardized internal control system for leading and managing the bank (Nordea 2012a).

4.7 Summary

In respect to agency relationship, both Nedbank Group and Nordea provide timely and accurate financial and non-financial information to stakeholders. Based on the interviews we conducted with Nordea and Nedbank Group, the results indicate that both banks reduce the gap of information asymmetry through effective communication with stakeholders by disclosing timely, relevant and reliable reports in a transparent way.

In respect to stakeholders engagement, Nedbank and Nordea actively engage with stakeholders both internal (employees, customers, creditors, suppliers, government and local community) and external (suppliers; society; government; creditors; shareholders; customers). The operational practice of both banks in dealing and engaging with all stakeholders is in line with Hardi et al.’s (2012) argument on stakeholder theory, which takes into account a broader view in operational performance. Moreover, the concern of the banks is not only in gaining economic benefit but rather in fulfilling society’s expectations and complying with government laws, rules and regulations. Additionally, the banks provide distinctive products and services in order to become a sustainable business and to protect the environment by reducing materials that could cause damage to the environment.

A detailed comparison of the South Africa and Sweden Corporate Governance (CG) specifically on integrated reporting and disclosure (IRD) is presented in appendix ‘A’ on pp vii.
Chapter 5 Analysis of Findings

In this chapter, the results of our analysis are presented. These results are based on our thesis purpose and research questions. Our analyses have focused on the standardization of corporate governance and the two banks accountability and responsibility in disclosing financial and non-financial information to stakeholders. In addition, the banks engagement with stakeholders is analysed for sustainability of the business. Moreover, analyses of the assessment of the banks compliance with corporate governance codes using six governance attributes (GMI) are presented.

5.1 Standardization of Corporate Governance

Countries differ in their legal structure (laws and governing regulations), cultural and traditional background. Companies that operate within these countries are required to comply with their respective country’s laws. In addition, the ownership structure of companies and ways of operationalising activities may also vary. Hence, it is difficult to reach an agreement and conclude that corporate governance can be standardized. It is unlikely that a common model can be developed that could be used as a standard by companies that could operate in different countries. World Bank pointed out that there can be no generally applicable corporate governance model (PricewaterhouseCoopers 2009). However, international guiding principles are developed by the OECD; International common wealth network and international corporate governance network can be used as a reference when establishing corporate governance codes. The foundation of good corporate governance rests on important identifying characteristic of corporate governance, which are accountability, responsibility, transparency and fairness.

5.2 Corporate Governance influence on IRD

5.2.1 Accountability and Responsibility

Nedbank strategy of integrated sustainability has made the bank into a strong and efficient operation in order to raise the bank’s long-term profitability (Nedbank 2013j). Nedbank, as a responsible corporate citizen, addresses the risks that South Africa faces and makes a positive impact for the future (building a sustainable society and a sustainable bank). According to the Nedbank Group chief executive’s statement, Nedbank is addressing sustainability, not because it is something that other organizations are doing but because it is a state of affairs
that Nedbank aspires to achieve and Nedbank leadership believes that a sustainable bank simply makes perfect business (Nedbank 2013j).

According to some recent independent media news, it was pointed out that newly introduced product offering such as its ‘Pocket POS ‘and the’ Nedbank App suite’ served as main factors to raise the number of clients (Clark, J. 2013a). Nedbank clients have increased by 10% and business banking increased by 37%. Moreover, since 2009 an increase in ATMs of 81% and outlets by 46% were achieved for sustainability of the business.

According to the Institute of directors (2002), there is a lack of universally accepted standards for reporting non-financial aspects and there is difficulty in measuring sustainability. However, Nedbank’s continuous engagement in research and development (R&D) and introduction to new service innovations for creating value are likely good indicators that Nedbank is making immense effort in order to become and remain a sustainable business.

According to “Money Web” financial services, the number of Nedbank customers have now increased above 6.4m and the bank is committed to increase it further by providing product offering, increasing its outlets and ATM’s (Clark, J. 2013b). From the analysis of our findings, it was evident that the adherence to the principles of corporate governance codes and the efficient implementation of IRD showed immense lessons learnt in its contribution to a well governed and achievement of sustainable business.

In all areas of its business, Nedbank Group applies the principles of governance codes of King III since its effective date of March 2010. However, as the King III code defines and requires a chairman to be an independent, the chairman is not independent in the case of Nedbank. The chairman also serves as a member of the Board of Directors in the Groups parent company- Old Mutual Plc. (Nedbank 2013n). In terms of the governance framework of King III (apply or explain), a lead independent Director position was created in 2007 because of the fact that the chairman serves as a board of directors.

According to ‘The New Age (TNA)” media report the performance of Nedbank Group has been recognized as solid given the tough economic condition. This is due to the fact that Nedbank Group has shown an improvement of 13.3% in earnings (R3.9bn) during six month period that ended June 2013. In line with Cremers and Nair’s (2003) argument a higher percentage (10-15%) return to shareholders can be achieved by companies that have strong corporate governance. Following Cremers and Nair’s (2003) argument, Nedbank’s headline earning is 16.3% in 2012 (see Table 1, pp. 29) which indicates a strong corporate governance
practice. Nedbank banking practice is to work closely with the Banking Ombudsman’s office in order to promptly respond to client’s complaints and ensure that an appropriate solution is given on time (Nedbank 2013n). In addition, Nedbank regularly discloses timely information with accuracy and transparency. An opinion from well recognized and registered independent auditors report, KPMG Inc and Deloitte and Touche is stated as follows: “The abridged group financial statements derived from the audited group financial statements of Nedbank Group Limited for the year ended 31 December 2012 are consistent, in all material respects with those financial statements” (Nedbank 2013h).

Nedbank, provides donations for the sake of protection of the environment and continually donates funds to ‘WWF Nedbank Green Trust’ to make provision for more than 180 environmental/conservation projects (Nedbank 2013i). Since 1990s about R120m (US$ 12.2m) has been donated for environmental /conservation projects (Nedbank 2013i). Press release from independent media, “The Simply Green – Leading The Eco-Lifestyle” reported that, Nedbank Group was the first South African bank to take a major and remarkable step for its commitment to go carbon neutral (Simply Green 2009). The achievement made Nedbank the first South African bank to join the UNEP-FI and to be added to the Dow Jones World Sustainability index. Moreover, by becoming part of the Princes Rainforest Project (PRP), Nedbank plays a role in preserving Africa’s tropical rainforests by monitoring forestry carbon offsets on the continent. Nedbank Group embraces ethical practices for business sustainability and works for timely and appropriate reporting (Nedbank 2013n).

Nordea, as an accountable and responsible banking institution, provides quality services to its customers and timely information to the stakeholders. In addition, it also works in becoming a responsible corporate citizen by taking care of the environment and social factors besides economic factors. Nordea, having a mission – “Making it possible”– tries to support their customers in reaching their planned goals and expectations (Nordea 2012c). The bank follows the principles of sustainable policy in keeping the company responsible and accountable by being a good corporate citizen, equal opportunity, caring for employees, the environment and society. Nordea plays a role in being accountable in creating a better financial solution for its customers and works to protect the environment and society. The Swedish Mobile magazine (Nordea 2010) has awarded Nordea’s ‘mobile banking’ as the ‘mobile bank of the year. The mobile banking has doubled by 800,000 compared to the year 2011. Moreover, in asset management, Nordea’s assets have reached Euro 218 billion. The asset performance has
resulted in growth in corporate business (SEK 2 billion); an increase in credit loan (6%) and income growth (8%) and is now attracting more investors (Nordea 2012a). Nordea, as a responsible corporate citizen, conducts customer survey in order to know customers’ needs, preference and areas of future interests. Based on a recent survey, more focus was put on being a responsible lender and strengthening the existing provision of transparent information (Nordea 2013d). Nordea has customer Ombudsmen who work on cases where customers are dissatisfied with Nordea services (Nordea 2013e).

Nordea as an accountable and responsible corporate citizen, incorporates social, environmental and economic factors in its daily operations. Nordea participates in United Nation Environmental program Finance Incentive (UNEPFI) and works in protecting the environment. In addition, Nordea has joined the Green Building Councils (GBC) network, which can enable the bank to learn lessons from other companies and share its experience in ecological footprint program with other companies (Nordea 2013b). As a corporate responsible bank, Nordea assists societies by providing time and expertise in helping young people to gain a better management understanding of their personal finance and understand the basic economic issues. Nordea’s service process is to create an impact on individuals, society, and other companies. The bank follows the ESG aspect in performing their service and delivering their products. Nordea considers society and through understanding the current economic situation and high unemployment rate, it has launched a Business School that provides education for those who want to become an entrepreneur.

Nordea has been criticized because its assets (stakes in ExxonMobil, Coca-Cola and McDonald’s) held in Nordea’s North American Growth fund are mixed with other accounts – Aletheia client accounts. However, Nordea has dismissed the allegation as unfounded and has confirmed that such assets were never commingled with money held in other Aletheia accounts (Kelleher 2013).

5.2.2 Stakeholder Engagement

ACCA (2005) has pointed out that stakeholder’s engagement is getting more importance and consideration both in the public and private sectors. In line with the ACCA (2005) argument, Nedbank Group takes into consideration stakeholder’s engagement as a crucial element and actively engages with all stakeholders (Nedbank 2013e).

Nordea also builds its relationship with stakeholders through effective communication and engagement. The effective communication helps to build stakeholder confidence as the bank
continues to identify areas of interest and expectations (Nordea 2013d). Nordea contributes to society by providing training to young men and women on how they can manage their finances. Nordea works closely with the ombudsman office to resolve customer complaints on a timely basis and know how to manage customer relationships (Nordea 2013c). Nordea recognizes that knowledgeable and skilled staff is one of the factors needed for the bank’s growth because employees have direct effect on Nordea’s performance (Nordea 2012b). Hence, Nordea creates good working environment for employees and assists them in building their skills through training and experience sharing with other Nordea offices in the Nordic region. Moreover, Nordea creates an open relationship with suppliers and provides them with guidance that can meet Nordea’s required standards (Nordea 2012b).

5.3 Governance Metrics

a) **Board Accountability**: In line with the provision of the Institute of directors (2002), which requires inclusion of non-executive directors in the board of directors, Nedbank Group adopts the same principle as the code of best practice in having non-executive directors’ views and thus obtains a significant weight in board decisions. This practice of the bank is in complete compliance with King III requirements. According to the Institute of Directors’s (IOD) evaluation of the board’s accountability, it was pointed out that Nedbank is doing well in terms of accountability, risk management and governance principles. As a result of better accountability, CG has shown a dramatic improvement during the past few years (Nedbank 2013n).

Nordea has also non-executive views that have significant weight in the board’s decisions. Nordea’s banking practice is in compliance with the Swedish code of corporate governance. The Board of Directors verify that adequate reliable information is provided to stakeholders (Nordea 2012a). They regularly follow and assess the performance of the bank and ensure that Nordea adheres to government rules and regulation and performs operations ethically in a way that does not cause damage to society (Nordea 2012a). Mulgan (2000) has claimed that the free flow of relevant information is the basic requirement of accountability. In parallel with Mulgan’s (2000) argument, Nordea exercises great responsibility in delivering timely information to stakeholders. Such practice is an indicator of the board's accountability in providing reliable and transparent information.
b) **Financial disclosure and internal control:** Nedbank Group discloses timely financial and non-financial information on a regular basis. Nedbank, in disclosing all relevant information, promotes effective communication with all stakeholders. Investors are provided with up-to-date information about the bank’s narrative operational activities, financial, dividends, sustainability, economic facts and forecast. Nedbank Group has put in place an internal control system that ensures that transactions are made with prudence. Nedbank’s accounts are audited by internal and external auditors. The bank has an audit committee with clear terms of reference. The audit committee is established by the board of directors.

In the case of Nordea, the bank discloses financial and non-financial information for the use of insiders and outsiders. Financial disclosure and internal control are Nordea’s basic core for achieving good performance. The internal control system of Nordea ensures that risks are properly assessed as part of the bank’s operational efficiency. The internal control system of Nordea effectively conducts internal and external audits to ensure accuracy and reliability of reports and its compliance with rules, procedures and corporate governance codes (Nordea 2012a). In line with Rogier & Robert’s (2008) argument, listed companies should disclose financial and non-financial information to stakeholders; Nordea and Nedbank Group disclose timely information (financial and non-financial) to stakeholders.

c) **Corporate Behaviour:** The business culture of Nedbank Group has created strong values (customer, stakeholders, transparency and accountability) for the company. These values, complemented with values of the wider society have enabled Nedbank Group to operate with commitment and to achieve direction in sustainable business development. Moreover, the corporate culture of Nedbank promotes effective communication and investment in research and development. Nedbank Group has a strong sense of mission and clear vision, which is: Building Africa’s most admired bank among its staff, clients, shareholders, regulators and communities.

Nordea’s corporate behaviour uses the code of conduct as the main guidelines for ethical customer relation. Nordea maintains good customer relationships and tries to satisfy customers by becoming a responsible bank that provides ethical banking service (Nordea 2012a). Nordea’s good ethical practice helps developing relationships and building trust in stakeholders. Nordea makes investments in research
and development in order to make service improvements and to introduce new innovations. Moreover, Nordea encourages effective communication with all stakeholders. This practice has ensured an effective system that can govern corporate bodies and management in a transparent and accountable manner to all stakeholders (Nordea 2012a). In line with Epson’s (2005) argument that corporate culture of organizations should adhere to good ethical practices and corporate governance codes, both Nordea and Nedbank banking industries consider customer and stakeholders’ values and therefore effectively communicate relevant and reliable information in a transparent and accountable manner.

d) Shareholders Rights: Nedbank Group protects all shareholders (majority and minority) and communicates to stakeholders by providing them with relevant and reliable information. The concerns of the shareholders are given the utmost consideration in order to be addressed and thereby feedback is provided to them on a regular basis. Shareholders have the right to participate in the annual general meeting. In addition, they have the right to secure or transfer their shares. Moreover, Nedbank accepts the ideas and suggestions given by shareholders (minority and majority) and it is committed to improving its disclosure levels and communication with its shareholders.

In the case of Nordea, all shareholders rights are always protected regardless of the number of shares they hold. Majority shareholders have the right to participate in the annual general meeting but not the minority shareholder. However, Nordea holds a meeting with the minority shareholders prior to the annual general meeting and thus obtains their ideas and concerns, which are then discussed during the annual meeting. In addition, Nordea shareholders have the right to secure or transfer their shares, and receive timely relevant and reliable financial and non-financial information. Caton & Goh (2008) argue that shareholders should have the right to participate in the general meetings of management. In line with Caton & Goh’s (2008) argument, both Nordea and Nedbank protect the shareholders rights to participate in annual general meetings to express their ideas and concerns.

e) Remuneration: Nedbank Group’s levels of remuneration are high enough to attract and retain the desired qualified board and to motivate them to do their task professionally. As per King III requirement, Nedbank Group remuneration committee consists mainly of independent non-executive directors. The remuneration committee
provides remuneration information (salary, benefits etc.) to shareholders. Nedbank Group committee also looks at ways of succession plans for CEO and executive management. Moreover, it sets up remuneration levels proportionate to the contributions made by each non-executive director and their participation in board activities and its committees.

Nordea’s board of Remuneration Committee (BRC) works on remuneration issues and reports to the board of directors (BOD). In addition, the committee has the tasks of preparing remuneration policy and guidelines for remuneration of the executive officers according to their contribution. Moreover, the BRC has the duty to annually monitor, evaluate and report on the programs of remuneration. Nordea complies with the Swedish corporate governance code that requires members of the remuneration committee to be independent of the executive management and the company. Nordea remuneration policy retains highly qualified personnel for the provision of quality banking services and the committee discloses remuneration information to investors.

In line with the OECD (2004) guidelines on remuneration information to investors, Nordea and Nedbank Group provide timely remuneration information to shareholders. In addition, the banks remuneration committees are composed of independent members as per the requirement of the Swedish and King III corporate governance codes respectively. Moreover, the banks remuneration committees are responsible for establishing a remuneration policy that retains qualified staff.

f) Market for Control: The board of Nedbank Group is responsible for risk management and for setting policies on ‘Risk strategy’. This task is done jointly and in agreement with executive directors. The information on risk policies is communicated to all employees in order to raise awareness. In addition, the bank identifies risk areas and key performance indicators in their regular review process to ensure that there is an effective internal control system. Nedbank believes that an effective review of the risk process and risk management can be turned into competitive advantages and develop the efficiency of managers.

In the case of Nordea, the bank has a Board Risk Committee (BRIC), which is responsible for managing and controlling risk. In addition, BRIC regularly reviews the development of controlling measures in order to mitigate possible future risks. The risk committee, board of directors and audit committee work cooperatively in monitoring and controlling risks and strengthening internal control systems. Nordea’s BRIC works to promote the efficiency of managers. From our analysis, it is clear that
both Nedbank and Nordea have risk strategies that can assess risks and take appropriate actions for mitigating risk. Moreover, in line with Thompson (2009), the risk assessment committee of the two banks help management in taking decisions that can maximize shareholders wealth by providing vital information for the decision-making process.
Chapter 6 Conclusion and managerial implications

In this chapter, the conclusions based on our empirical study and our aims are presented. In addition, managerial implications are discussed and future research areas of focus are suggested.

The aim of this thesis was to assess whether corporate governance can be standardized. Based on the findings of our thesis, we reached the conclusion that it is difficult to standardize corporate governance. This is because countries differ in their legal structure (laws & governing regulations), cultural and traditional background. As a result of the differences between countries, we could simply say, ‘one code doesn’t fit all’.

In this thesis we also raised another question to assess the need for integrated report by companies to meet the demands of different stakeholders. Our findings reveal that Nordea prepares corporate governance and corporate social responsibility reports separately. In contrast, Nedbank Group prepares one integrated report for corporate governance and corporate social responsibility. This does not mean that Nedbank is either more transparent or socially responsible than Nordea. It simply means that the banks comply with the different corporate governance codes of their respective country. Nevertheless, both Nedbank and Nordea embrace ethical practices of business sustainability and promote timely disclosure of relevant and reliable financial and non-financial information. Both banks follow sustainability principles by practicing internal measures such as fair remuneration and benefit packages in attracting and retaining qualified staff.

We have also found that it is necessary to understand the need for external measurements, in this case Global Matrix (GM). Businesses have to consider these KPIs to determine and meet Shareholder demands. For the six GM attributes, we found that both Nordea and Nedbank have shown compliance with corporate governance codes. Moreover, the banks have corporate accountability in building the confidence of investors and other stakeholders. For this purpose, both banks promote effective communication with all stakeholders in a transparent reporting system.

We conclude that it is important for business to identify stakeholder demands for social responsibility but also to comply with the appropriate standards and codes. Because of
differences in various countries’ legal structures and needs, corporate governance codes vary, thus affecting companies differently.

6.1 Managerial Implications:

Based on our findings, the managerial implication of the thesis is that companies in the same line of industry should be able to see and use sister organization’s corporate governance code practices and try to adopt some of the codes which can fit their own context. Sharing experiences with each other could help promote accountability and transparency in building stakeholders confidence. In addition, the integrated reporting and disclosure is of great relevance to stakeholders as it integrates financial and non-financial reports into one integrated report. As reliability and relevant information maximize shareholders value, the integrated reporting and disclosure could serve to strengthen business sustainability. Moreover, the six GMI attributes, board accountability, financial disclosure, corporate behaviour, shareholders’ rights, remuneration and market for control are of great relevance to stakeholders. Making these aspects comply with the corporate governance codes could ensure business sustainability, build investor confidence and maximize stakeholder value.

6.2 Further Research:

For further research, we recommend that researchers should focus on other aspects of corporate governance codes, such as governance of information technology, internal audit and compliance with laws. In addition, we suggest that quantitative measurement of the governance metrics could have objective results that can help managers see the big picture in their decision making process.
References


## Appendix A  Integrated Reporting and Disclosure

<table>
<thead>
<tr>
<th>South Africa CG codes – Integrated Reporting and Disclosure</th>
<th>Sweden CG Codes</th>
<th>Similarity and Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance element</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transparency and Accountability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The board should</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Ensure preparation of quality integrated report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Board / co should:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Have controlling system for verifying and safeguarding the integrity of its integrated report.</td>
<td>- Delegate responsibility to audit committee to ensure compliance to legislation.</td>
<td>- Not specified under the Swedish CG code.</td>
</tr>
<tr>
<td>- Delegate responsibility to audit committee to evaluate sustainability disclosures.</td>
<td>- Ensure accuracy consistency of annual financial reports; disclosure of risk &amp; breach of companies act.</td>
<td>- The codes have similarity though sustainability is not included in Swedish GC.</td>
</tr>
<tr>
<td>- Ensure Integrated Report is prepared every year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ensure adequate financial and sustainability performance is conveyed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Focus on substance over form.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden CG Codes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Similarity and Differences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Not possible to check as integrated report is not included in Swedish CG.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-Sustainability reporting and disclosure should be integrated with the company’s financial reporting.</td>
<td><strong>The Board should:</strong></td>
<td></td>
</tr>
<tr>
<td>- Include commentary on Co’s financial results.</td>
<td>-Commentary on Co’s financial results is included.</td>
<td></td>
</tr>
<tr>
<td>- Disclose if the company is a going concern.</td>
<td>-The report should describe how the company has made its money. Earnings forecasts and explanation on how the forecast is arrived.</td>
<td></td>
</tr>
<tr>
<td>- The Integrated report should describe how the company has made its money.</td>
<td>-Company impact is communicated and plans of eliminating negatives are put as plan for actions.</td>
<td></td>
</tr>
<tr>
<td>- Communicate the impact of company operations (both positive and negative) and the plans to work on the positives and eliminate on the negatives in next financial year. This should be disclosed in the integrated report.</td>
<td>-Integrated report is not prepared.</td>
<td></td>
</tr>
</tbody>
</table>

| 3-Sustainability reporting and disclosure should be independently assured. | - The audit committee should do the general oversight and reporting of sustainability. | -The audit committee should simultaneously contact with auditors to oversee Co’s accounting fulfils demands of stock market, discuss the extent and focus of audit work and deal with any divergence between management and auditors. |
| - The board should be assisted by the audit | -The board should be assisted by the audit | |

-Company going concern is not mentioned in Swedish CG.

-The codes have similarity except that in Swedish code it is mention as report (general) not integrated report.

-Both the SA and Swedish codes have similarity in this aspect.

-Audit committee reporting on sustainability is not included in Swedish CG codes.
- The board should be assisted by the audit committee when reviewing the reliability of the integrated report and that it does not contradict the financial aspects of the report.

- The provision of assurance over sustainability issues should be watched over by the audit committee.

- The provision of assurance in meeting stakeholders expectations on quality financial information should be reviewed by audit committee.

- The SA and Swedish CG have both similarities in being assisted by audit committee in reviewing the reliability of the report.

- The Swedish CG gives assurance to the quality of financial information. However, sustainability issues are not covered.


From the interview we conducted it became evident that Nordea prepares separate corporate governance and corporate social responsibility reports. In the case of Nedbank Group, one integrated report (both corporate governance and corporate social responsibility) is prepared annually.13

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13 Interview on Integrated report, conducted with Camilla Wahlstedt, Nordea, Legal Counsel and Maryna Mouton, Head of Governance, Nedbank Group, South Africa.
## Stakeholder’s engagement (Nedbank and Nordea)

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Aims for engagement</th>
<th>When?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>- To understand and respond to the needs and concerns of staff members.</td>
<td>An ongoing process by daily engagement at all levels.</td>
</tr>
<tr>
<td></td>
<td>- To present staff with strategic direction and information on banking activities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- To get feedback from staff</td>
<td></td>
</tr>
<tr>
<td>Clients</td>
<td>- To better understand the financial services needs of clients and the way the clients see the business of the bank.</td>
<td>- It is dependent on client needs and when new guidance opportunity is required to provide to the client and when new sales or services are introduced.</td>
</tr>
<tr>
<td></td>
<td>- To get advices from clients that meets their needs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- To ensure correct information is reached to clients.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- To enable clients have access to financial products and services</td>
<td></td>
</tr>
<tr>
<td>Regulators</td>
<td>- To ensure compliance with law and to processes required by regulatory.</td>
<td>- Daily, weekly, quarterly and as required on demand.</td>
</tr>
<tr>
<td>Shareholders and Investment Analysts</td>
<td>- To provide timely and accurate information to the existing and potential shareholders who are the capital providers.</td>
<td>- Four times per year – 1&lt;sup&gt;st&lt;/sup&gt;, 2&lt;sup&gt;nd&lt;/sup&gt;, 3&lt;sup&gt;rd&lt;/sup&gt; and 4&lt;sup&gt;th&lt;/sup&gt; quarters (year-end).</td>
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<tr>
<td></td>
<td>- To build trust, improve Co’s image and to reduce potential risk.</td>
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<td></td>
<td>- To keep shareholders up-to-date of Co’s share trade at fair value.</td>
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<tr>
<td>Communities – Social, Environmental, NGO</td>
<td>- To form partnership with the community in creating awareness and facilitating the process of integrated sustainability.</td>
<td>- Regularly (ongoing process)</td>
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<td>----------------------------------------------------------------</td>
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<tr>
<td><strong>Government</strong></td>
<td>- To build a strong relationship with the government and</td>
<td>- On a monthly basis, or as deemed necessary by either party.</td>
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<td></td>
<td>participate in the national development programs.</td>
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<td></td>
<td>- To provide input to legislative process development that can</td>
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<tr>
<td></td>
<td>affect the bank’s activities.</td>
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<td></td>
<td>- To affirm their commitment to the development of public</td>
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<tr>
<td></td>
<td>sector.</td>
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<tr>
<td>Suppliers and</td>
<td>- To get timely supply of goods and services.</td>
<td>- Regularly (ongoing process)</td>
</tr>
<tr>
<td>Contractors</td>
<td>- To maintain a responsible good practice of supply chain</td>
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<tr>
<td></td>
<td>management.</td>
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<tr>
<td></td>
<td>- To communicate any legal changes that can impact the</td>
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<tr>
<td></td>
<td>relationship between suppliers and the bank.</td>
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<tr>
<td></td>
<td>- To make it easy in conducting investigations for concerns of</td>
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<td></td>
<td>unethical behaviour or performance.</td>
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<tr>
<td>Media</td>
<td>- For purposes of communicating with stakeholders / public.</td>
<td>- Daily / as required in response to sustainability issues.</td>
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<tr>
<td></td>
<td>- For positioning Nedbank /Nordea as a responsible corporate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>citizen and leader in financial service sector.</td>
<td></td>
</tr>
<tr>
<td>Unions</td>
<td>- To maintain healthy relationships.</td>
<td>- Ongoing consultations, annual salary negotiations etc…</td>
</tr>
</tbody>
</table>

Source: Nedbank and Nordea home pages (www.nedbank.co.za and www.nordea.com)
## High profile corporate collapses – Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Co’s Description</th>
<th>Cause</th>
<th>Effect</th>
<th>Lessons learned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Actions of one man (Nick Leeson – Rogue Trader)</td>
<td>-Unavoidable downfall in yr 1995</td>
<td>-Need for appropriate monitoring.</td>
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<td></td>
<td>-The Bank was sold for £1 by Dutch Banking Group and Insurance.</td>
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<tr>
<td>2008</td>
<td>Royal Bank of Scotland</td>
<td></td>
<td>-Big bonuses attached with short-term performance.</td>
<td>-Government had bailout as the majority of shareholders were tax payers.</td>
<td>-Need for remuneration committee to see the structuring of performance-related bonus measures.</td>
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<td></td>
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<td>-Excessive remuneration packages.</td>
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<td></td>
<td>-Involvement with ‘Toxic asset’ scandal.</td>
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<td></td>
<td></td>
<td></td>
<td>-Over generous acquisition prices.</td>
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</tr>
<tr>
<td>Year</td>
<td>Company</td>
<td>Details</td>
<td>Details</td>
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</table>
| 2012 | J.P Morgan Chase and Co. | - American multinational banking and financial services.  
- Largest bank in the USA and 2nd largest bank in the world by assets (after HSBC\(^\text{14}\))  
- Asset worth $2,509 trillion.  
- Has 256,000 employees. | - Extreme recklessness of traders (‘employing of manipulative device’ in market of swaps).  
- Market manipulation (creation of artificial prices)  
- Excessive power (CEO serves as Chairman) | - Trading loss (multi billion) in London.  
- J.P Morgan admitted reckless act of traders and is expected to pay fines of US$ 9 billion  
- Will spend US$ 4 billion in relief for struggling homeowners. | - Empower commission that monitors financial markets (CFTC\(^\text{15}\) in the USA case).  
- The practice—“neither admit nor deny” wrongdoing, a rule that protects banks from shareholders lawsuits need to be revised. |
| 2008 | Lehman Brothers | - US Investment Bank  
- Has 25,000 employees | - Bad mortgage finance and real estate investment. | - Huge losses  
- Stock exchange fell down sharply.  
- Viability questioned. Firms pull back from doing business with Lehman Brothers. | - The need for overseeing risk management systems to monitor and manage risk.  
- Financial products- mortgage backed securities have been created by many investment banks. |

\(^{14}\) HSBC is the British Multinational Banking and Financial Services headquartered in London.  
\(^{15}\) CFTC is the ‘Commodities Futures Trading Commission’ of the USA that oversees financial markets.
### High profile corporate collapses – Other Companies

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Country/Industry Details</th>
<th>Key Events</th>
<th>Lessons Learned</th>
</tr>
</thead>
</table>
| 2001 | Enron         | US top ten listed co. in yr. 2000                  | - Setting up of SPE (Special Purpose Entities), an account for hiding losses and a means to transfer money to directors.  
- Lack of auditor’s independence.                                                | - Loss of US$ 1 billion.  
- US$ 1.2 billion write-off against shareholders’ funds.  
- CEO (Jeffrey Skilling) sentenced for more than 24 years in prison.  
- Need for integrity and act with honesty.  
- Need for Auditor and Audit independence.  
- Auditors have to ask without fear of losing or offending a high fee paying client.|
| 2001 | Royal Ahold   | Dutch Retail Group (3rd in the world)              | - Inaccurate report (overstatement of US$ 500 million).  
- Director’s remuneration increasing all the time.  
- Poor relations with investors.  
- Limitation of shareholders rights (board nomination)                      | - Unavoidable downfall in yr. 2001 (referred as Europe’s Enron).  
- CEO and CFO resigned immediately.  
- Need for involvement of investors.  
- Need for independent directors in the board nomination process.            |
| 2003 | Parmalat      | Italian long-life Milk (Extremely good success in expanding) | - Inaccurate Report (cash reserves reported were non-existent).  
- False accounting information /misleading the Italian stock market regulators. | - Expanding resulted in debts of £10 billion  
- CEO (Calisto Tanzi) given a ten- year prison sentence.  
- Referred as ‘Europe’s’                                                          | - Need for board structure that is not dominated by family members.  
- Need for internal control systems for risk management |
<table>
<thead>
<tr>
<th>Year</th>
<th>Company/Event</th>
<th>Description</th>
<th>Key Findings</th>
<th>Need for</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>HIH</td>
<td>Australia’s largest insurers.</td>
<td>-Lack of board independence (out of 13 board members, 3 were independent)</td>
<td>'Risk Management System’ to assess risk before venturing expanding business.</td>
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<td></td>
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<td>-Sales of cheap insurance.</td>
<td>-Debt over A$ 5 billion.</td>
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<td>-Expanding business which was overpaid.</td>
<td>-Liquidated in year 2001.</td>
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<td></td>
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<td>-Lack of due diligence.</td>
<td></td>
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<td></td>
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<td>-Misleading information by board members to auditors and other board members.</td>
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<td></td>
<td>-CEO (Chen Jiulin) fined over US$ 200,000 and sentenced four year in prison.</td>
<td>Need for effective corporate governance.</td>
</tr>
<tr>
<td>2009</td>
<td>Satyam Computer Services</td>
<td>India’s 4th largest IT group by revenue.</td>
<td>-Manipulated reports (overstatement of profits, inclusion of non-existent assets)</td>
<td>'Risk Management System’ to assess risk before venturing expanding business.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Bombay Stock Exchange fall drastically (referred as ‘India’s Enron’).</td>
<td>Need for appropriate disclosure requirements.</td>
</tr>
</tbody>
</table>

Sources:
Appendix E — Interview Questions

As part of our two years Master program in Accounting and Finance, we are conducting a research on corporate governance. The title of our master thesis is:

“Can Corporate Governance be standardized?” A comparative study of South Africa and Sweden Corporate Governance codes based on multiple case studies.- Case study of Nedbank Group (South Africa) and Nordea Bank (Sweden).

The main aim of this thesis is to assess and understand the similarities / differences of corporate governance codes of South Africa and Sweden based on integrated reporting and disclosure and analyse how corporate governance and corporate social responsibility are integrated and reported, how they can contribute to the achievement of sustainable business development and maintain a secured relationship of shareholders and stakeholders.

We believe that your ideas and contribution to this paper is of a great value to accomplish and meet the objective of the thesis. Hence, we greatly appreciate your time and effort to provide us with information on the following interview questionnaire.

1. How Nordea / Nedbank protect its minority shareholders rights?
2. What are the internal control systems for risk management?
3. What type of auditing system does Nordea / Nedbank has?
4. Is Nordea / Nedbank following corporate governance code in terms of remuneration and how does it work?
5. What kind of controlling mechanism do you have to safeguard the integrity of reports?
6. What types of corporate governance and CSR reporting does Nordea / Nedbank has?
7. Do Nordea / Nedbank prepare a separate integrated report to show the link between corporate governance and CSR?
8. Who is Nordea / Nedbank?
Interview questions and answers with Nordea’s Legal Counsel – Camilla Wahlstedt

Q. 1 – How Nordea protects its minority shareholders rights?

➢ Nordea uses corporate governance codes of Sweden. Accordingly, as per the corporate law of Sweden, Nordea protects the minority shareholder’s rights. Minority shareholders are not part of the annual meeting. Before annual general meeting of majority shareholders is held, Nordea’s executive management conducts a meeting with the minority shareholders. The aim of such meeting is to listen to the minority shareholders and to listen to them if they have any concerns and questions. The concerns of minority shareholders are then discussed during the shareholders annual meeting. After the meeting, answers will be communicated to the minority shareholders which addresses to their concerns. Moreover, all shareholders have the right to act their sympathy in written.

Q. 2 – What are Nordea’s internal control systems for risk management?

➢ Nordea bank in compliance with the corporate governance codes of Sweden has in place internal control systems for risk management. In addition, Nordea has a ‘Risk Department’ composed of among other staff a compliance risk officer and a chief risk officer (executive management team) who continually work in ensuring risks are mitigated and properly measured.

Q. 3 – What type of auditing system does Nordea has?

➢ Nordea uses both internal and external audit systems. Nordea has an independent Group internal audit department which reports directly to the board of directors. The CEO is also provided with information of internal auditors reports. Moreover, Nordea conducts external audits in which the auditing firm is selected by shareholders at the annual general meeting. Nordea has audit committee and the chief of audit department is appointed by the board of directors.
Q. 4 – Is Nordea following corporate governance code in terms of remuneration and how does it work?

➢ Nordea has a remuneration committee. Nordea complies with the regulation of Sweden financial authority and corporate governance codes. The governance of the remuneration committees is composed of independent members with the exception of one who is dependent and major shareholder.

Q. 5 - What kind of controlling mechanism does Nordea has to safeguard the integrity of reports?

➢ Nordea has internal control system for financial reporting that ensures the integrity of reports. The accuracy and reliability of the reports are properly checked before it is disclosed to the public.

Q. 6 – What types of corporate governance and corporate social responsibility reporting does Nordea have?

➢ Nordea prepares annual corporate and CSR reports. The reports are disclosed on Nordea’s home page – Nordea.com.

Q. 7 – Does Nordea prepare a separate integrated report to show the link between corporate governance and CSR?

➢ Nordea prepares separate corporate governance, CSR and separate capital risk management reports.

Q. 8 – Who is Nordea?

➢ Nordea is a merger of four big Nordic banks i.e. Finland, Sweden, Norway and Denmark. The head office of Nordea is in Stockholm. All reports (corporate governance, CSR and capital risk management) are consolidated at the head office. Nordea is a customer oriented bank and has employees who have multi-cultural experience. Nordea’s employees get the opportunity to work in other countries which is part of experience sharing and a learning process of knowledge and skills.
Interview questions / answers with Nedbank Group Head of Governance– Maryna Mouton

Q. 1 –How Nedbank protects its minority shareholders rights?

➢ Nedbank uses King III corporate governance codes of South Africa. Accordingly, as per the corporate law of South Africa the majority and minority shareholders are protected by law. Based on the corporate governance codes of King III and by abiding to its principles Nedbank conducts annual general meeting and provides feedback to its stakeholders. All shareholders (Majority and Minority) have the right to participate on the annual general meeting. Nedbank ensures the expectations of the shareholders are met. Nedbank shareholders have the right to act their sympathy in written.

Q. 2 –What are Nedbank Group internal control systems for risk management?

➢ Nedbank Group has many risk controlling mechanisms that is developed as the bank’s risk culture. The corporate risk culture of Nedbank aligns strategy, policies, processes and technology in order to maximize opportunities and mitigate threats and uncertainties. Nedbank has a ‘Risk Department’ and have risk officer and compliance officers.

Q. 3 –What type of auditing system does Nedbank has?

➢ The auditing system of Nedbank is through using both internal and external audits. Nedbank Group has an independent audit department that regularly audits the accounts and reports to the board of directors. The bank has an audit plan schedule and is properly followed. External audits are normally conducted annually, however, on special cases external audit can be conducted up on demand by the management.

Q. 4 –Is Nedbank following corporate governance code in terms of remuneration and how does it work?

➢ Nedbank has a remuneration committee. The bank complies with the regulation of
corporate governance codes of King III. The governance of the remuneration committees is composed of both dependent and independent members.

Q. 5 - What kind of controlling mechanism does Nedbank has to safeguard the integrity of reports?

➢ Nedbank has controlling mechanism for verifying the accuracy and reliability of the reports before it is disclosed to stakeholders.

Q. 6 – What types of corporate governance and corporate social responsibility reporting does Nedbank have?

➢ Nedbank prepares annual corporate and CSR reports. The reports are disclosed to stakeholders on Nedbank Group home page – www.nedbankgroup.co.za

Q. 7 – Does Nedbank prepare a separate integrated report to show the link between corporate governance and CSR?

➢ Nedbank prepares an integrated report that combines both financial and non-financial information of the bank.

Q. 8 – Who is Nedbank?

➢ Nedbank is one of the four largest (by assets and clients) banks in South Africa. The head office is located in Sandown, Sandton, Johannesburg S.A. The bank’s large operational centers are in Durban and Cape Town. In addition, the bank has branches and representative offices in other Southern African countries. The bank is a learning banking industry and employees get the opportunity to work in other countries for learning and experience sharing.