

Developing a Corporate Governance Code

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What is a code of corporate
governance?

What types of governance codes are there?

- They can address companies:
 - Listed companies
 - Unlisted companies
 - Small and medium-sized companies
 - Family-owned businesses
 - State-owned enterprises
- They can address governments
- They can be national or international

Types of governance codes

- By function:
 - Audit committees
 - Internal audit
 - Remuneration
 - Disclosure

Types of governance codes

- By sector:
 - Corporate
 - Individual company code
 - Code for the corporate sector
 - Banks
 - Financial intermediaries
 - Service providers
 - Public sector

What issues are covered by general governance codes?

1. Fair treatment of shareholders
2. The role of the board of directors and board members
3. Disclosure, reporting, verification
4. Relations with stakeholders

What values do codes communicate?

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

How do codes relate to existing law and regulation?

► Law:

- Minimum standard
- Legislated
- Mandatory
- Cumbersome

► Code:

- Best practice
- Result of consensus
- Voluntary
- Flexible

► Code can be a complement to law

What is the content of a code for unlisted companies (SMEs)?

- ▶ Family relations/family councils
- ▶ Basic documents/formalizing structures
 - Family charter
 - Basic rights
- ▶ Clear definition of roles of:
 - CEO
 - Family members
 - Non-family employees
- ▶ Succession
- ▶ Basic prohibitions:
 - Use of company assets for own purposes
 - Hiring of incompetent family members
- ▶ Greater emphasis on stakeholders (banks, suppliers, employees)

Discussion

- Questions from the floor
- Questions to the group:
 - What is more effective in Yemen: law or best practices?
 - What speaks for/against a Yemeni code?
 - What governance problems need to be resolved in Yemen?

Development of a code

What enterprises could be addressed by a code in Yemen?

- Listed companies
- Unlisted companies
- Small and medium-sized companies
- Family-owned businesses
- State-owned enterprises
- Banks

Who should draft a Yemeni code?

- Legislator
- Regulator
- Stock exchange
- Institutional investors
- Professional organizations
- Mixed groups

What should be included in an
corporate governance code?

What are the factors that contribute to success or failure?

► Factors outside of our control:

- Economic environment
- Timing
- Political support
- Corporate support

► Factors under our control:

- Commitment
- Quality of work
- Organization
- Inclusiveness
- Creating a continuing process not a paper
- Support after the drafting is completed

Discussssion

- Questions from the floor
- Questions to the group:
 - Who should draft a Yemeni code?
 - Who else should be consulted?
 - What do we need to include?
 - What will determine our success or failure?

Enforcement of codes

How can one enforce a governance code?

- Law
- Regulation
- Listing rules
- Comply or explain
- Ratings and rankings
- Recognition/reward systems

Discussion

- ▶ Questions from the floor
- ▶ Questions to the group:
 - Can a voluntary code work in Yemen? How?
 - How could a Yemeni code be enforced/empowered?
 - How can we encourage change in general?

Summary

- ▶ Many types of codes and many different forms
- ▶ Basic questions need to be answered before starting
- ▶ Some questions have been answered today:
 1. A code could work in Yemen
 2. A Yemini code should focus on SMEs
 3. Pre-requisites exist
 4. Drafting should be headed by private sector with public sector as a key partner
 5. Enforcement will be voluntary
- ▶ Basis for terms of reference
- ▶ The product is the process