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A comparative analysis of South African and Chinese System of Corporate Governance: A case of Standard Bank South Africa and Agricultural Bank of China.

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Abstract
Institutional investors, as growing actors in corporate governance, are governed by a set of rules that require them to fulfil their fiduciary duty by safeguarding the interests of the client as well as a diversified group of stakeholders. This study compared the South African and Chinese systems of corporate governance: a case study of Standard Bank South Africa and the Agricultural Bank of China. The first empirical chapter evaluates corporate governance in China and the banking industry. The second chapter also covered corporate governance in South Africa as well as the banking sector. The financial perspective considers the impact of institutional investors on financial performance and corporate operations (earnings management in this study). The third chapter focused on the conclusion. This study discovered similarities and differences in regulatory bodies, such as the Agricultural Bank of China being run by the China Securities Regulatory Commission and Standard Bank South Africa being run by The Institute of Directors. According to the study's findings, both banks are governed by codes. The Agricultural Bank of China is governed by the Chinese Code of Corporate Governance for Listed Companies, whereas The King Reports on Corporate Governance govern South Africa. Both have well-developed corporate governance laws and are working to improve their regulations. These two countries have well-defined rules, whereas others may have broad and generic concepts governing specific sections. It should be noted that, as corporate governance matures, executive remuneration is becoming a growing source of concern in China and South Africa's banking industries.

Keywords:*Standard Bank South Africa, Agricultural Bank of China, Corporate Governance, Ownership, Directors*

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I. Introduction

Banks play an important role in the economy. They entice citizens' savings in the form of deposits, provide payment for goods and services, and finance the growth of businesses. Banks are subject to more stringent regulations than other entities because they are responsible for protecting depositors' rights, ensuring the stability of the payment system, and reducing systemic risk. Furthermore, the banking industry is distinguished by the complexity of its operations, which increases information asymmetry and limits stakeholders' ability to monitor bank managers' decisions. As a result of these factors, banking institutions' corporate governance has distinct characteristics.

As part of its ongoing initiatives to tackle supervising issues, the Basel Committee on Banking Supervision has been involved in issuing supervisory advice to foster safe and sound banking practises, drawing on the collaborative supervised practice of its members and other supervisors. The Advisory board is publishing this paper to emphasise the importance of OECD principles for banks, to attract attention to corporate governance issues discussed in previous Committee papers, and to introduce some new corporate governance topics for banks and their superintendents to consider. Banking supervision cannot function effectively if sound corporate governance is not in place, so banking supervisors have a vested interest in ensuring effective corporate governance at all banking organisations. Supervisory experience emphasises the importance of each bank having appropriate levels of accountability and checks and balances. Simply put, effective corporate governance makes the job of supervisors much easier. A cooperative work connection between bank management and bank supervisors can be facilitated by good corporate governance. Recent Basel Committee sound practise papers emphasise the importance of banks developing strategies for their operations and establishing accountability for implementing these strategies. Furthermore, transparency of information related to existing conditions, decisions, and actions is inextricably linked to accountability in that it provides market participants with sufficient information to judge a bank's management.

Several studies focused on corporate governance, while others were primarily concerned with the banking system. There are, however, studies that focus specifically on corporate governance in banks. Most of them take an empirical approach, and a variety of correlations are investigated: the relationship between bank corporate governance and performance (Mardnly, Mouselli, & Abdulraouf, 2018); the relationship between bank financial reporting process and corporate governance (Sianipar, & Wiksuana, 2019); the correlation between corporate governance failure and financial distress in the banking sector (Sianipar, & Wiksuana, 2019). The literature includes studies on the role of the banking system (Kant, 2018), risk management (Oudat, & Ali, 2021), internal audit (Newman & Comfort, 2018; Tumwebaze, Bananuka, Kaawaase, Bonareri, & Mutesasira, 2021), and financial reporting (Roychowdhury, Shroff, & Verdi, 2019), but few researchers have addressed corporate governance in banks (e.g. Mahmood, Kouser, Ali, Ahmad & Salman, 2018). The current paper attempts to fill this void by conducting a comparative analysis of the South African and Chinese corporate governance systems.

1.1Corporate governance in China and the banking sector

Corporate governance in China has formed and expanded as the country transitioned from a controlled to a market economy. The development and expansion of China's capital market, as well as the transformation of Chinese firms from government affiliations to modern corporations, necessitated the construction of a modern corporate governance structure (Rehman et al., 2019). In China, the nation's four biggest banks were formed as "policy banks" in the early 1980s in an effort to decentralize the People's Bank of China (PBC), and then became publicly recognized as the "Big Four": Agricultural Bank of China (ABC), Bank of China (BOC), China Construction Bank (CCB), and the Industrial and Commercial Bank of China (ICBC) (Liu, 2020; Brean, 2007; van Vuuren, 2020). Following the passage of the Commercial Bank Law and the Central Bank Law in 1995, ICBC, ABC, BOC, and CCB began to operate as commercial banks, vulnerable to new rules and regulations that held them liable for their profits and losses (Yoshikawa, 2018; Chen and Thomas, 2009).

This evidence based study essay investigates the structures within China's Agricultural Bank, such as its ownership structure model, the Executive board, executive remuneration, as well as financial disclosure, as well as the sub-topics of board characteristics, cross listings, as well as equity funds for employees, built on the notion of corporate governance as a collection of components (Xu et al., 2018; Sun and Tobin, 2005). External processes such as an active takeover market, legal infrastructure, and market competitiveness will also be examined.

1.2Structure of Ownership

According to Liu (2020), Chinese listed enterprises' corporate governance methods are built on a control-based model, in which the majority shareholders strictly regulate the companies listed via ownership concentration. According to Jiang and Kim (2020), the ability of directors who oversee banks as well as other financial entities to supervise the management is unclear, and reform progress in China's financial system has been slower than its own industrial sector (Rehman et al., 2019). Additionally, the state as owner confronts many potential conflicts because it is also the administrator as well as enforcer of laws, controls and frequently regulates the banking system, and is concerned with other issues, such as employment (Claessens and Fan, 2003, van Vuuren, 2020). Whenever the state is the major stakeholder, the enterprises tend to be closely controlled via concentrated ownership, bureaucrat-filled boards, and minimal transparency in operations since the corporations serve as conduits for political goals (Yoshikawa, 2018). The transition from state to private ownership, known as privatisation, provides an intriguing setting in which to investigate the impact of ownership on firm performance (Xu et al., 2018). Furthermore, there is a general positive relationship between concentrated ownership as well as revenue in Chinese enterprises; this relationship is greater when financial institutions are the dominant block holders than when the state is the dominant blockholder (Yoshikawa, 2018). The ownership structures as well as cross-listings of China’s four main state-owned financial institutions are shown in the following statistics.

ABC has two principal state-owned owners, according to its 2012 annual report: the Ministry of Finance (MOF) and Central Huijin Investment, Ltd. (Huijin). The MOF was created in 1949 as a State Council ministry and is responsible for state finance and taxes, while Huijin is a fully owned subsidiary of China Investment Corporation. Huijin makes equity stake in key state-owned financial corporations as authorised by the State Council, and exercises the contributor's rights and responsibilities in key state-owned financial institutions up to its ability to contribute on behalf of the state to achieve state-owned financial asset preservation and recognition. State-owned shares account for 82.7 percent of the total among these two state owners, MOF and Huijin (ABC, 2013).

Workers at the Big Four banks just don't have the advantage of obtaining bank stocks as remuneration, neither will they have employee stock purchase schemes. In China, Chen and Yuan (2021) discovered that negligible partial ownership does not offer significant incentive programs. Employee stock option plans (ESOPs) were launched as a worker incentive programme in China in 1992. Two years later, the policy trial with state-owned firms was abandoned (Orazalin, 2019).

1.3Directors' Meeting

Shareholders may exert influence on managers' conduct via the Board of Directors to guarantee that the firm is operated in their best interests (Bryant, 2018). In 2006, China's state-owned banks implemented a dual-board structure in which the board of directors supervises as well as guides management's operations; the board of supervisors supervises as well as advises the board of directors (Chen et al., 2018). In China's unique corporate governance structure, the monitoring board is not accountable for the firm's everyday activities, but instead serves as one of two monitoring organs, along with the independent directors (Wu and Shen, 2019).

Boardrooms lacking independent directors are one of the most severe governance problems among Chinese investors (Nasi et al., 2019). As per the China Security Regulation Committee (CSRC) guidelines, at minimum one-third of the members of the board should be truly independent (Nasi et al., 2019). Traditionally, practically all of the independent directors on Chinese bank boards been men in power as well as state-controlled agents, and there are "nearly no representation of minority shareholders (Liu, 2020). In terms of diversity, three of the Big Four bank boards are led by women, indicating a favourable shift in China's male-dominated corporate culture. The following information examines the structure of China's four state-owned commercial banks.

1.4Financial transparency

For several years, the Chinese banking sector has struggled with transparency as well as economic information disclosure as the country transitioned from a market - based economy one. Accounting norms, IPOs, organizational memberships, and asset tunnelling will be examined in terms of financial disclosure and openness.

Previously, most listed businesses in China were inspected by local accountancy firms, therefore there was little or no trustworthy information available to evaluate whether accountancy firms were legitimate (Yoshikawa, 2018).

Today, major accounting companies like as Ernst & Young, PricewaterhouseCoopers (PWC), and Deloitte ToucheTohmatsu externally audit the Big Four banks in compliance with accounting principles including PRC GAAP and IFRS. Banks that have adopted accounting systems enjoy higher deposit growth rates than institutions that compile their financial reports using local accounting standards (Nasi et al., 2019). There is a link connecting ownership as well as financial transparency in the instance of Chinese state-owned banks. Moreover, Jiang and Kim (2020) contended that state ownership impairs performance of banks, owing to poor corporate governance as well as decreased opportunities to enhance efficiency and productivity.

Good corporate governance improves the banking industry's transparency, and an orderly banking sector may considerably encourage good corporate behaviour in China's listed firms. The global financial crisis of 2008–2009 drastically altered the banking and financial services industries, prompting capital market supremacy to move regionally from the West to the East. While China's Big Four state-owned banks aren't just too big to fail, they are also too essential to collapse, having built an alchemy of politics as well as finance by insuring massive construction initiatives that regulate huge employment opportunities in China and also have a significant impact on foreign direct investment. Chinese banks are experiencing erratic growth and are being driven to raise corporate governance principles in strategies to succeed with their Western counterparts.

1.5Executive remuneration

Executive remuneration is an increasing issue of concern in China's banking industry as corporate governance matures. "While executive share options are commonly used in the West, such incentives are uncommon in China, where remuneration consists primarily of the base wage... which may incorporate performance-related pay from the previous or current period" (Orazalin, 2019). The heads of China's largest state-owned banks are selected by Beijing and have vice ministerial status (Wu and Shen, 2019), and are allocated by the governing Communist Party's central organisation unit (Xu et al., 2020). Moreover, the China Banking Regulatory Commission (CBRC, 2010) describes compensation as "the rewards as well as other relevant advantages offered by a financial company to its staff to reward their assistance but also commitment," which includes basic pay, performance-linked recompense (merit pay), medium- as well as long-term rewards, social benefits, as well as other cash or equity payouts.

As top executives at listed financial institutions received an average compensation of 604,600 RMB, the most among all businesses in China, China's Finance Ministry mandated a 10% wage reduction in 2008 as part of finance executive pay reform with performance reviews at its heart (Liu, 2020). The overall remuneration for senior executives of China's state-owned commercial banks is shown in the table below.

1.6Infrastructure for legal services

According to Armstrong et al (2015), "the extent to which a country's laws protect investor rights and the extent to which those laws are enforced are the most fundamental determinants of how corporate finance and corporate governance evolve in that country." Based on this assumption, the legal structure of the stock markets where the Big Four banks are listed and traded is used in this article. All four banks have one thing in common: they are all listed on the Shanghai, Hong Kong, and American OTC Markets Group. Furthermore, BOC and CCB are listed on the Frankfurt stock market (van Vuuren, 2020).

The Shanghai and Shenzhen stock exchanges were established in 1990 and, like the Chinese real estate market, have seen phenomenal expansion over the last two decades (Allen et al, 2011). While 'administrative governance' has played an active part in the growth of the Chinese stock market, "government relations are also sources of many problems in the Chinese stock market," according to the report (Armstrong et al., 2015). The data below illustrates the cross-listings of China's Big Four banks.

ABC is available for purchase on the Hong Kong Stock Exchange (1288), the Shanghai Stock Exchange (601288), the Frankfurt Stock Exchange (EK7), and the OTC Markets Group (ACGBF & ACGBY) (Bloomberg Businessweek, 2013; Sibanyoni, 2021). ABC's IPO in 2010 was the last of the Big Four banks, bringing an end to an era in China's banking system in which the government spent tens of billions of RMB per year to clean up balance sheets (Jiang and Kim, 2020). The total proceeds from its HKSE (July 16, 2010) and SHSE (July 15, 2010) IPO were $22.1 billion (Liu, 2020).

1.7China's Major Corporate Governance Issues

Although the Chinese government and businesses have made significant headway in previous years to enhance corporate governance, numerous issues remain. This study lists the nine most serious corporate governance issues in China (Sun and Tobin, 2005):

- highly focused capital structure,
- insider regulation of company governance,
- lax defense of shareholders' rights,
- common market manipulation, self-dealing, as well as collusion in market deceptions,
- misrepresentation as well as deliberate distortion of financial information,
- sluggish independent board members and specialized committee members,
- weak steering committee,
- lax auditing vocation, and
- lax external system of governance.

1.8Ownership Structure with a High Concentration

Corporate governance issues in the Western world stem from the agency problem of a company's division of ownership as well as control, which causes information asymmetry as well as transaction cost (Chen et al., 2018). According to agency theory, human conduct is opportunistic and self-serving in nature; hence, the primary purpose of the board of directors is to govern management behavior and guarantee that senior executives behave in the best interests of stockholders (Orazalin, 2019).

The extremely concentrated ownership structure in Chinese enterprises is the first major issue in Chinese corporate governance (Tricker and Tricker, 2015). Individual shares are being traded on the financial exchanges. Because state and legal person shares are not traded on the securities exchanges, more than 60% of the outstanding shares have been removed from the market. For example, at the end of 2000, the total shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange were 374.628 billion shares, of which only 35.62 percent were individual shares, while state shares and legal person shares were 37.35 percent and 27.03 percent, respectively, with a total of 64.38 percent non-tradable shares (Tricker and Tricker, 2015). This has diminished secondary market liquidity and has constituted the primary impediment to market efficiency.

2.0Corporate governance in South Africa and the banking sector

Within 36 months, corporate governance in South Africa transitioned from a'soft' primarily ethical concern to a 'hard' one recognised as critical to the performance and revitalization of the country's capital markets and, eventually, the possibilities of the corporate economy. These high stakes have resulted in a slew of policies aiming at improving corporate governance in the economy.

A strongly ingrained equality culture is additional legacy of South Africa's growth route (see Section II). Corporates rely substantially on stock financing and often seek funding from the relatively sizable domestic equity market. The Johannesburg Stock Exchange (JSE) is a dynamic illustration of how such a market may foster and weed out new businesses. This finance channel has been used mostly by 'new economy' and smaller 'emerging' enterprises. The function of equity financing is shown in low debt-to-equity ratios, which provide business stability.

South Africa's economic status and shareholder structure have evolved since the country's economic liberalization. The JSE was dominated by a few dominating conglomerates in the early 1990s, with high levels of ownership and cross-shareholding (Sarra, 2004). Previously, the majority of shares were owned by a few wealthy families; presently, institutional investors possess the majority of shares. South Africa, based on commodities producers, drew considerable foreign direct investment after the country's post-Apartheid openness and the first democratic elections in 1994. The late 1990s were marked by neoliberal policymaking, as well as a greater emphasis on stockholders as well as macroeconomic security (Bryant, 2018). Other actors, however, are not as enthusiastic about this approach and, inside the case of labour unions but also leftists, are much more concerned with achieving a more equitable allocation of resources in community.

Despite a heavy emphasis on attracting foreign direct investments into South Africa and a highly market-oriented economic system, conflicts in South Africa are seen in the formulation of economic policy. Some actors, such as the Congress of South African Trade Unions, advocate for a more "social" allocation of income, while others, such as the South African Communist Party, advocate for the promotion of socialist ideology. They reject the free market as a driver of economic progress and instead advocate for substantial government initiatives to address the crippling heritage of unbalanced growth and high socioeconomic inequality (Chen and Yuan, 2021).

Over the years, South Africa has developed a well-regulated banking system that compares favourably to that of many developed countries. The Banks Act No. 94 of 1990, as amended in 2008 to align it with Basel II principles, the Mutual Banks Act No. 124 of 1993, the Financial Intelligence Centre Act No. 39 of 2001, the Financial Advisory and Intermediary Services Act No. 37 of 2002, the National Credit Act No. 34 of 2005, the Consumer Protection Act No. 68 of 2008, and the new Company Act No. 71 of 2008, which replaced the Compulsory Purchase Act. Apart from the legislative framework that governs the banking sector in South Africa, the South African Reserve Bank is in charge of bank supervision, as mandated by the South African Reserve Bank Act 90 of 1989. The successful implementation of Basel compliance and banking supervision has contributed to the banking sector's stability (South African Reserve Bank, 2011).

Although the South African banking system was relatively immune to the effects of the 2008 global financial crises due to appropriate monitoring and supervision (South African Reserve Bank, 2011), issues of corporate governance and financial performance continue to be of great concern to both shareholders and regulatory authorities. Given that corporate governance is essentially a mechanism for dealing with agency issues and controlling risk within the firm, it is not surprising that recent initiatives and statements by banking supervisors, central banks, and other authorities have emphasised the importance of effective corporate governance practises in the banking sector.

Scholars have looked into the role of corporate governance in mitigating the pandemic's negative impact on banks, primarily in developed countries. Contrary findings have emerged. One group of studies found that corporate governance mechanisms had a positive impact on bank performance, while another group found the opposite.

A case study of an international bank revealed that effective corporate governance mechanisms aided in crisis management (Sivaprasad and Mathew 2021). Objective evaluations of management performance served as the foundation for effective corporate governance mechanisms. They included a well-structured board of directors, a high level of transparency, and independent and professional internal committees, all of which contributed to increased trust in the bank. Non-bank corporation studies supported the benefit of board objectivity, with Broadstock et al. (2021) discovering that firms with these governance mechanisms experienced a reduction in credit risk.

According to Scherer and Voegtlin (2020), these governance mechanisms encouraged firms to innovate, resulting in improved financial performance. Certain boards communicated effectively with the external environment during crises because of their ability to build trust and send positive signals to depositors and other relevant stakeholders (Song et al. 2020). According to Khatib and Nour (2021), a larger board of directors can provide different experiences, better oversight, and more communication skills during crisis situations.

Other studies, on the other hand, found no significant and direct impact of corporate governance structure and attributes on banking industry performance during the pandemic period. Demir and Danisman (2021) conducted a study on 1927 banks from 110 countries during the first four months of 2020 and discovered that governance scores had no significant influence on bank returns during the COVID-19 outbreak. These findings are consistent with the findings of Takahashi and Yamada (2021), who investigated the impact of various factors on Japanese stock returns during the COVID-19 pandemic. Other research has found that board independence was not a significant performance determinant of bank achievement during in the pandemic period (Amore et al. 2020).

2.1 Reports on integrated sustainability

As previously stated, stakeholder rights are addressed through specific laws that provide for affirmative action and address historical racial imbalances in the workplace, employee skill development, labour and employee rights, the prevention of discrimination and harassment across a wide range of issues and circumstances, and so on. The second King Report goes much farther, demanding that every corporation report on the nature and scope of its social, transformative, ethical, security, health, and environment protection strategies and practises at least once a year (Johnson et al., 2019). This expanded brief envisions businesses going above and beyond the legal obligations and considering these areas of their operations as strategic challenges.

The more comprehensive policy standards are most likely what distinguishes the South African principles from comparable regulations across the globe. These needs should be created as part of a company's economic profile and should take the shape of an integrated approach to its entire business plan. As previously stated, they should be acknowledged as additional risk dimension.

The King Report on Corporate Governance is regarded as a groundbreaking corporate governance code in South Africa. The reports were published in 1994 (King 1), 2002 (King 11), and 2009, respectively (King 111). The Company Act, No.71 of 2008 (replacing the Companies Act, No.61 of 1973) and the King III Codes of Corporate Governance empower the board of directors to monitor the activities and performance of companies. According to the King III report, one of the main duties of the board of directors is to appoint the CEO, define its own level of materiality, and approve a delegation of authority framework. The board should also ensure that the CEO's role and function are formalised, and that the CEO's performance is evaluated against the conditions stipulated by the platform (King Report on Governance for South Africa, 2009). According to the recommendations, the board should have a majority of non-executive directors and a minimum of 2 executive directors, one of whom should be the CEO and the other the director responsible for finance.

According to the UNEP report, the financial sector plays a critical role in enhancing growth and development in South Africa (SA), and the sector has become a model example of sustainability banking for other countries in Sub-Saharan Africa. However, South Africa continues to lot of challenges that, as some of the case studies presented here will demonstrate, are only now beginning to be addressed more effectively. Some of these challenges include low levels of black ownership and management, a partial response to increasing demand for financial services, low levels of savings and investment to support sustained economic growth, and insufficient investment in national priorities such as infrastructure. Sustainability issues in South Africa, like the rest of the continent, are primarily regarded as social concerns. This is reflected in the Report's inclusion of the findings of a 2003 KPMG survey on Integrated Sustainability Reporting in South Africa, which found that employment equity initiatives, social investment prioritisation, and health and safety are the most frequently disclosed areas by 85 percent of Top 100 companies reporting on sustainability issues (35 percent coming from the financial services sector). Several banks, however, are offering products that solely support environmental protection and conservation. For example, Nedbank established its Green Trust in 1990, which is managed by WWFSA, the local branch of the World Wide Fund for Nature. The Trust funds a wide range of projects, with a particular emphasis on community-based conservation aimed at reducing conflict between people and the environment, and has raised over R47 million (US$7.2 million) and supported over 120 projects in South Africa since its inception.

2.2 Shareholder relationships

The King Report (2002) advocates for a unified approach to good governance in the interests of a diverse set of stakeholders. The report outlined a comprehensive strategy for establishing critical monetary, social, moral, and environmental principles. Furthermore, the report emphasises the idea that profit-making for shareholders is not the only goal of the corporation, but that it should also adhere to the seven fundamental principles of corporate governance, which are discipline, accountability, fairness, independence, transparency, responsibility, and social obligation (Du Plessis et al., 2018).

The European model of corporate governance is based on the perspectives of stakeholders. Clarkson (1995) and Donaldson and Preston (1995) investigated corporate governance in relation to the stakeholder theory, which asserted that all stakeholders have an inherent value of self-interest, but that one's interest has no influence on others (Yamak and Süer, 2005). As a fundamental principle, stakeholder theory rejects the suggestions of the shareholder's value model and improves the area of corporate governance framework by establishing the rights of stakeholders to participate in corporate governance decisions, where managers have the obligations to protect the interests of all stakeholders and the firms' objectives are to improve the interests of all stakeholders more than shareholders'.

According to Freeman (1984), stakeholders are group constituents who have corporation rights or a person who contributes to the corporation directly or indirectly. Furthermore, Lepineu (cited in Hasan (2011) divided stakeholders into shareholders, internal stakeholders (such as employees and labour unions), operational associates (customers, suppliers, creditors, and contractors), and social community (state authorities, trade unions, non-governmental institutions, and civil society) (Pesqueux and Damak-Ayadi, 2005). The European model has been criticised for its inability to effectively discuss agency issues (Macey and Miller, 1997).

The European corporate governance structure is based on a two-tier system that includes a separate management board from executive directors and a supervisory board from outside directors, with these two boards meeting separately.

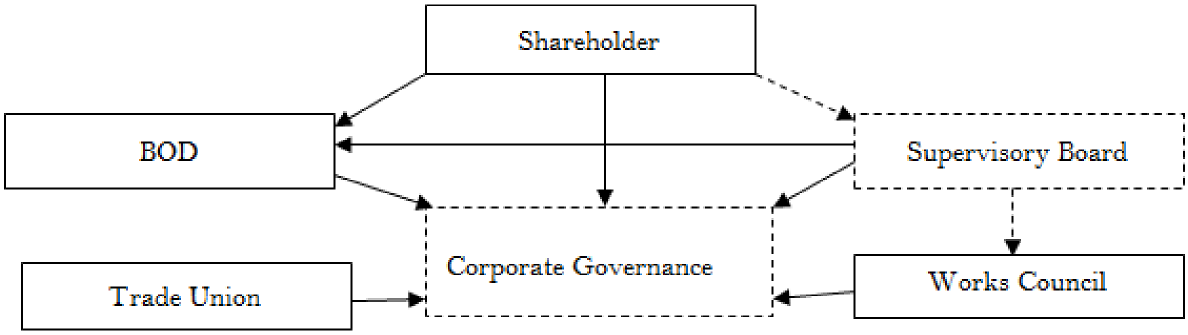

Figure-1. European model of corporate governance.

Corporate governance refers to the relationships that exist between a company's management, board of directors, shareholders, and other stakeholders. Corporate governance also provides the structure for the company's objectives to be set and the means for those objectives to be determined (OECD, 2004). It also entails monitoring the performance of firms. As a result, corporate governance has emerged as an important mechanism for accelerating firm performance and economic growth.

Prior research has clearly represented corporate governance structures as CEO duality, board size, board gender, audit committee independence, and nonexecutive members on the board. Given the potential for corporate governance to promote economic growth and firm performance, many studies have investigated these benefits at the national and firm levels. According to studies such as Shleifer and Wolfenzon (2002), effective or strong corporate governance structures create a corporate environment that discourages corporate insiders or managers from pursuing their own value, reduces the risk of mismanagement or negligence, and thus increases firm value or performance. In effect, corporate insiders are disincentivised to pursue their own opportunistic interests in the presence of effective corporate governance structures, as these good corporate structures serve as a deterrent or disciplinary measure that guides corporate dealings to maximise firm value. This implies that certain corporate governance structures encourage firm performance.

Assists the board in establishing and maintaining an appropriate system of corporate governance aligned to King IV, the corporate governance provisions of the Banks Act, and other relevant regulations for the Group and material subsidiaries. This includes the composition and continuity of the Board and its committees; the induction of new Board members; director effectiveness evaluations; director independence and director's conflicts and disclosures of interests; reviewing and proposing governance policies; monitoring the governance structures of subsidiary entities; and considering matters of regulatory and reputational risk.

Edward Freeman proposed the stakeholder theory to address the flaws in the corporate governance (Edward, 1984). According to the stakeholder theory, while shareholders are the owners of business corporations, corporate managers have a broader responsibility to any other person or group whose actions the business may or may not affect. Suppliers, creditors, employees, competitors, customers, and the community in which the business corporation operates are examples of these individuals or groups. This means that the stakeholder theory extends managers' responsibilities beyond economic and legal considerations to include ethical and philanthropic considerations, in which corporate managers consider the interests of all parties who have a stake or interest in the operation of the business corporation, not just shareholders (Kochan and Rubinstein, 2000). Table I summarises the two theories' points of view.

As shown in Table I, Kochan and Rubinstein (2000) provided perspectives for differentiating between shareholder and stakeholder values. These perspectives include purpose, governance structure, governance process, performance metrics, and residual risk holders. According to Kochan and Rubinstein (2000), the shareholder theory emphasises maximising the interest or value of shareholders, whereas the stakeholder theory emphasises maximising the interest or value of all interested parties in a corporate setup. The shareholder theory is based on a principal-agent model or structure, whereas the stakeholder theory is based on a team production structure or model. The governance process in a shareholder theory setup is based on control (managers) and ownership (shareholders), whereas the governance process in a stakeholder theory setup is based on proper coordination, cooperation, and conflict resolution amongst all stakeholders. In terms of performance metrics, the shareholder theory emphasises that shareholder value is sufficient to maintain investor commitment, whereas the stakeholder theory emphasises that fair value distribution creates commitment from multiple stakeholders. Finally, while shareholders are the holders of residual risk under the shareholder theory, all stakeholders are the holders of residual risk under the stakeholder theory.

Table 1: Corporate governance in the light of shareholder (ROE) and stakeholder (ROA) theories.

Corporate governance in the light of shareholder (ROE) and stakeholder (ROA) theories		
Corporate governance	**Shareholder theory (ROE)**	**Stakeholder theory (ROA)**
Purpose	Maximize shareholder value or interest	Pursue multiple objectives of parties with different interests
Governance structure	Principal-agent model (managers are agents of shareholders)	Team production model
Governance process	Control and ownership	Coordination, cooperation and conflict resolution
Performance metrics	Shareholder value sufficient to maintain investor commitment	Fair distribution of value created to maintain commitment of multiple stakeholders
Residual risk holders	Shareholders	All stake holders

Source: Adapted from Kochan and Rubinstein (2000)

Individual shareholders in companies with dispersed ownership may have too small a stake in the company to justify the cost of taking action or making an investment in monitoring performance. Furthermore, if small shareholders did invest resources in such activities, others would benefit without contributing (i.e., "free riders"). This effect, which reduces incentives for monitoring, is likely to be less of a problem for institutions, particularly financial institutions acting in a fiduciary capacity, when deciding whether to increase their ownership to a significant stake in individual companies or simply diversify. However, other costs associated with holding a significant stake may still be high. Many institutional investors are prevented from doing so because it is beyond their capacity or would require them to invest more of their assets in a single company than is prudent. To overcome the asymmetry that favours diversification, they should be allowed, if not encouraged, to collaborate and coordinate their actions in nominating and electing board members, putting proposals on the agenda, and holding direct discussions with a company to improve its corporate governance. In general, shareholders should be allowed to communicate with one another without having to comply with proxy solicitation formalities. However, it should be noted that investor cooperation could be used to manipulate markets and gain control of the company without being subject to any takeover or disclosing regulations. Furthermore, collaboration could be used to circumvent competition law. However, if cooperation does not conflict with concerns about market efficiency and fairness, the benefits of more effective ownership may still be obtained. To provide clarity among shareholders, regulators may issue guidance on types of coordination and agreements that do or do not constitute such concerted action in the context of takeover and other rules.

The optimal capital structure of the firm is best decided by management and the board, subject to shareholder approval. Some companies issue preferred (or preference) shares, which have a preference in receiving the firm's profits but usually have limited or no voting rights. Companies may also issue participation certificates or shares with limited or no voting rights, which are likely to trade at a lower price than shares with full voting rights. All of these structures may be effective at distributing risk and reward in ways that are thought to be in the best interests of the company and to facilitate cost-effective financing. Before investing, investors can expect to be informed about their voting rights. Once they have invested, their rights should not be changed unless those with voting shares have been given the opportunity to participate in the decision-making process. Proposals to change the voting rights of various series and classes of shares should be submitted to general shareholders meetings for approval by a specified (normally higher) majority of voting shares in the affected categories.

Given the powers granted to shareholders by the South African Companies Act, the second King Report did not address the relationship between the board as well as its investors in depth. However, it acknowledged that this is still a major matter that has to be addressed due to the high cost and impracticality of the remedies accessible to minority owners under the existing South African system. Companies are urged to engage in communication with institutional investors based on constructive engagement and mutual understanding of goals. Clearly, this discussion must also adhere to regulatory and other guidelines controlling the sharing of information by corporations and their directors and executives. Proxy voting is authorized without substantial limits or restraints, yet the system's slowness is cause for worry (as it does in most systems world-wide). Whereas the second King Report makes no specific mention of the one share, one vote concept, it is widely presumed under the wording of the Companies Act (Johnson et al., 2019). Sizable voting rights (which were formerly widespread in South Africa) are now illegal for JSE-listed firms.

The GSEC oversees the group's approach to stakeholder engagement that supports the group's legitimacy and social relevance. The group's stakeholder engagement activities are governed by the stakeholder engagement policy and stakeholder engagement principles that set out the formal processes and areas of responsibility. Through our stakeholder engagement processes, the group is committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them to find solutions to sustainability challenges. The group's stakeholder engagement report is tabled quarterly and considered by GSEC and the board at their meetings.

The board, including the group CEO and group finance and value management officer and other key members of management, are present at the meetings to answer any questions from shareholders. Minutes of the meetings are available to shareholders on request from the group secretary's office. The voting outcome of resolutions is published through the stock exchange news service (SENS) of the JSE and posted on the group's website within 24 hours of the conclusion of the meeting. The group hosted its second virtual AGM in 2021. The board ensured that shareholders were given the opportunity to submit questions ahead of the AGM or in real time on the AGM platform, with all questions being carefully considered and answered individually by the board chairman, the group CEO and other members of the executive. In addition, extensive shareholder engagements took place with the chairman of the board, the chairman of Remco and other members of management remotely in the lead-up to the AGM in the context of seeking shareholders' views on and support for the proposed resolutions.

2.3 Structure of the Board

Board structures and procedures differ between countries. Some countries have two-tier boards that separate the supervisory function from the management function. Typically, such systems have a "supervisory board" made up of non-executive board members and a "management board" made up entirely of executives. Other countries have "unitary" boards that include both executive and non-executive members. In some countries, an additional statutory body exists for audit purposes. The Principles are meant to apply to whatever board structure is in charge of governing the enterprise and monitoring management. The board is primarily responsible for monitoring managerial performance and achieving an adequate return for shareholders, as well as preventing conflicts of interest and balancing competing demands on the corporation. Boards must be able to exercise objective and independent judgement in order to effectively carry out their responsibilities. Another crucial board responsibility is to oversee the risk management system and systems designed to ensure that the corporation complies with all applicable laws, such as tax, competition, labour, environmental, equal opportunity, health, and safety laws. Companies in some countries have found it beneficial to explicitly articulate the responsibilities that the board assumes and those that management is accountable for. The board is responsible not only to the company and its shareholders, but also to act in their best interests. Furthermore, boards are expected to consider and treat other stakeholder interests fairly, including those of employees, creditors, customers, suppliers, and local communities. In this context, adherence to environmental and social standards is important.

The board should not be viewed or acted upon as an assembly of individual representatives for various constituencies in carrying out its duties. While specific board members may be nominated or elected by certain shareholders (and sometimes challenged by others), it is an important aspect of the board's work that board members carry out their duties in an even-handed manner with respect to all shareholders when they assume their responsibilities. This principle is especially important to establish in the presence of controlling shareholders who may be able to choose all board members de facto.

The board of directors of Standard Bank South Africa leads in an ethical and successful manner. It is directed by the group's principles and ethical code. It guarantees that each director is competent, acts with honesty and fairness, is transparent, and that there is both individual and collective duty and accountability. The chairman and also the board's collective job includes making sure that the board's and management's behaviour is consistent with the group's values as well as the ethical standards (Bank, 2015). This is also assessed as part of the board efficiency evaluation as well as executive competence review.

Since it is ultimately responsible for the organization's business as well as affairs, the board is regarded as the central focus of the corporate governance system. This necessitates a unitary board structure (common in nations that follow the Commonwealth legal system) with a balance of executive and non-executive directors. The majority of non-executive directors should be unrelated to management (Tshipa et al., 2018).

The demand for a percentage of independent board members as a counter-balance stemmed mostly from the increasingly stringent criteria of overseas investors. It was aimed at the close-knit character of the South African corporate world, as well as the significance of allowing boards to examine a broader range of applicants for directorships. It has allowed for a greater focus on problems of diversity, both in terms of gender and colour (Bryant, 2018).

The hiring of independent directors has highlighted a need for a more effective onboarding procedure for directors, as well as initiatives to help them grow further, in order to guarantee that organizations in both the government and industry remain relevant, with all directors well-qualified.

The LoD has been especially active in establishing training programmes for directors, whether new or seasoned. Following the enthusiasm sparked by the second King review, around 5,000 people have gone through the loD's programmes over the last four years.

The requirement that directors and boards be evaluated on a regular basis, preferably by an independent facilitator, to ensure the effectiveness of the board and the continued suitability of individual directors standing for re-election has enabled more sophisticated aspects of board governance to emerge. Given the lack of expertise in South Africa, it was deemed inappropriate to impose age limitations or time restraints on board members. Both are challenging issues to solve given the numerous other demands on South African boards at the moment.

While the King Code offered no suggestions about board size, institutional investors and regulators have emphasized the matter. As a consequence, a number of boards have decided to lower their size in order to comply with corporate governance standards. The Code stipulates that the duties of chairman and chief executive officer be kept distinct, a rule that has subsequently been strengthened by the JSE, banking and financial markets authorities, and public sector company legislation. In addition, the chairmanship should be held by an independent non-executive director. Companies from many industries have made initiatives to meet this criterion. Executive director service contracts are limited to a maximum tenure of three years. Any extension should be approved by shareholders. Individual director (executive and non-executive) salaries and perks are now fully disclosed.

There are detailed recommendations regarding the requirements for audit, compensation, and nominating committees. The Code emphasizes the need of independent non-executive directors in this process. Board committees are also subject to frequent independent examination (Bryant, 2018). The second King Report demands significant transparency. As a consequence, directors are far more anxious about their capacity to execute their responsibilities. They are also more aware of the consequences of accepting invites to serve on a company's board of directors.

2.4 Internal control assurances and risk management

According to Young (2014), in the 1970s, the issue of regulatory supervision of international active banks arose, leading to the 1988 Basel Capital Accord, which was initiated by the Basel Committee on Banking Supervision. Young (2014) claims that the Basel Committee supports broad supervisory standards and guidelines in the banking industry. According to Young (2014:30), one of the Basel committee's primary goals was to "develop a framework that would further strengthen the soundness and stability of the international banking systems, while maintaining sufficient consistency that capital adequacy regulation would not be a significant source of competitive inequality among internationally active banks." Young (2014) claims that the Basel committee is built on three pillars of operational risk and corporate governance:

1. Regulatory capital requirements

This first pillar refers to the treatment of operational risk that results in a measurement of operational risk being included in the bank’s capital ratio.

2. Supervisory oversight

This second pillar is based on principles regarding the need for the banks to assess their capital adequacy positions in relation to their actual risks

3. Market discipline

The third pillar compliments the first and second pillar, this pillar contains a set of disclosure requirements regarding marketing participants access to key information regarding the banks risk profile and level of capitalisation.

According to Young (2014:30) “market discipline can produce significant benefits by assisting banks in the management of risk and improvement of stability”. According to Young (2014) the Basel III framework is intended to strengthen the standards of regulation, supervision and risk management within the banking sector.

The board recognises the interdependence of the organization's mission, vision, values, and legitimacy to the risks and opportunities, the group's architecture, and performance in approving the group's strategy. The group's strategy adheres to integrated thinking; it connects strategic value propositions to assure overall strong performance, which results in shared social, economic, as well as environmental value (Johnson et al., 2019). The board discuses on the firm's approach, examines opportunities as well as risks, reviews progress on strategy execution against the 5 key value drivers, as well as guarantees that overall behaviour is consistent with the group's values to guarantee long-term effectiveness.

A strong corporate governance system requires effective risk and compliance measures. The King Code establishes explicit standards that stress the board's role for the whole risk management process in the firm.

The first process entails analysing the business in order to comprehend both the business as a whole and the specific activity, process, or project that is the subject of the risk management plan. Risk identification will assist an organisation in effectively managing risk because it consists of determining and identifying potential risks that may arise and are likely to affect a specific activity, process, or project (Merna et al. 2005: 38). In this regard, it is important to remember that risks may arise not only from the actual activity, process, or project (i.e. internal risk, external risk), but also from the macro (economic) and market environments, which may also pose potential risks.

Renault and colleagues (2016:127). Risk identification is a critical part of the risk management process because it is impossible to respond to a risk if it is not identified. "Risk identification facilitates activities where organisational resources are at risk, affecting their ability to achieve their business goals," write Renault and Agumba (2016:3). For the purposes of this assignment, we will use the Banking Industry's major risk types as an example to demonstrate how the various tools are used. These risks will be laid out in a table format so that they can be used as an easy reference point when continuously evaluating and monitoring the risks.

Third, the goal of risk evaluation is to determine which risks are acceptable to the organisation and which are not. Those risks that are unacceptable to the organisation must be addressed by implementing specific controls to manage them until they are acceptable to the organisation. Young (2014: 79) claims that if a risk can be measured, it can be managed. Risk assessment also assists the organisation in prioritising the various risks, allowing decisions to be made about which risks must be addressed first. Using the risk matrix below, an organisation can identify where the risks are and implement control measures. Block "A" is the most important section because it has high frequencies and high impacts, followed by block "B" because if you are aware of your risks, you can plan ahead and reduce the impact on the business. Risk evaluation, according to Maier (2013:19), determines whether the risk or the extent of the risk is worth accepting. Level 3 risk categorisation indicates a high level of operational risk, such as internal and external fraud, theft, and unauthorised access to a system. The bank uses categories to aggregate reporting and provide an aggregated view to SARB. If the bank is asked to provide such a risk profile of the e.g. management of third parties, the bank can provide the information related to the process, then to the relevant sub category, where the system allows you to see how many risks are linked to that specific process, how many controls are in place, what are the ratings per control, and if issues were created, what is the remediation plan, all of which is facilitated on Open Pages. Categorisation is critical and is facilitated by open pages; everything is captured on open pages and categorised accordingly. For example, if the SARB requests a report on internal theft, because the bank has categorised the risk, all the bank needs to do is drill down and extract all losses pertaining to that risk category, demonstrating the importance of categorisation.

The risk analysis process entails performing a risk assessment on the specific activity, process, or project undertaken by the organisation. The risk is assessed by determining the likelihood of the risk occurring and the impact that risk will have on the activity, process, or project if it occurs. Following the completion of the risk assessment, the organisation will be able to identify which risks must be mitigated and which risks are acceptable and fall within the organization's risk appetite. After risks have been evaluated and identified in the risk matrix, they are analysed using a risk assessment.

Finally, once an organisation has identified, evaluated, and analysed the potential risks posed by an activity, process, or project, it must consider what controls can be implemented to mitigate the effects of such risks. In this regard, it is possible that the organisation will accept the risk and thus put no controls in place, whereas the organisation may consider a specific risk to be detrimental and thus invest a significant amount of time and effort in putting adequate controls in place to mitigate the risk. The organisation may decide that a risk must be avoided at all costs and, as a result, restructure the activity, process, or project so that the risk is no longer relevant. "Risk management is how organisations select the type of risk that they want to mitigate and what risks they are not willing to take," writes Mhlanga (2012:6).

The guidelines also task the board with defining risk strategy rules, determining the company's risk tolerance level, and monitoring the company's risk profile across many areas such as credit, market, operations, human capital, regulatory, and legal issues. Boards must also implement an adequate whistleblowing procedure in the organisations. This is in addition to current laws on the same issue. Firms listed on the JSE are expected to produce a detailed annual risk as well as internal control statement. Even though this has always been a necessity in the financial and banking industries, the Code has made it more strict. In the public sector, strict regulations are now in place (Tshipa et al., 2018).

The necessity of organizational integrity is emphasized throughout the Code. Each firm is required to show its commitment to integrity by developing a moral framework or declaration of business values, the execution of these should be overseen by the board of directors and management.

It should be noted that the board's primary responsibility is to develop strategies and implement relevant policies, including those pertaining to risk management. A bank's business entails risks (Regulation 39(3)). As a result, the board is expected to put policies and procedures in place to mitigate the risks involved (Regulation 39(4) -(5)). The following are the appropriate risk management measures that the board should implement:

·Setting up capital targets commensurate with the bank's risk profile and control environment (Regulation 39(6)(b)(ii); Shawe, Colegrave, Allen & Overy, 2019, pp. 13-14).

·Implementing robust and effective risk management and internal control processes (Regulation 39(6)(b)(iii); Shawe, Colegrave, Allen & Overy, 2019, pp. 13-14).

·Developing and maintaining an appropriate strategy thatensures that the bank maintains adequate capital and an internal capital assessment process that responds to changes in the business cycle (Regulation 39(6)(b)(iv)(A); Shawe, Colegrave, Allen & Overy, 2019, pp. 14).

2.5 Reporting and accounting

Another source of concern, one that necessitates effective risk management and was clearly a challenge during the recent banking crises, is financial reporting. South Africa has adopted the International Accounting Standards Boards' International Financial Reporting Standards (IFRS) (IASB). According to the Companies Act, financial statement regulation "must promote sound and consistent accounting practises," and if the statements are for public companies such as banks, they must meet the financial reporting standards (the IFRS) in terms of form and content (section 29 (5) (b), section 29(1) (a), the Companies Act). To meet the requirements of section 29, a company must keep accurate and complete accounting records as necessary to enable the company to meet its obligations under this Act or any other law relating to the preparation of financial statements (section 28(1) (a), Companies Act). Section 28 makes it an offence for a company or any person to fail to keep accurate or complete accounting records with the intent to mislead or deceive anyone (section 28(3) (a) I (aa), the Companies Act). Section 28 of the Companies Act also makes it an offence for a company to falsify its accounting records or allow someone else to falsify the records (section 28(3) (a) (ii)). A person commits an offence under section 214 (2) of the Companies Act if he or she was a party to the preparation, approval, or dissemination of financial statements and knew or should have known that the statements did not comply with legal requirements and were materially false or misleading (section 29(6), Companies Act).

Audit committees are regarded as an essential component of effective corporate governance in the context of corporate governance. As a result, many countries have made the formation of audit committees mandatory. A significant number of studies, primarily conducted in Western countries, have investigated various aspects of audit committees' role in corporate governance.

Typically, the audit committee's primary function was to oversee the financial reporting process. However, as a tool of corporate governance, the audit committee's role has recently been expanded to be concerned with all aspects of corporate governance. This is reflected in the South African Institute of Chartered Accountants' report, which states (p. 6):

"The establishment and operation of an effective audit committee assists directors in the discharge of their duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management, and the preparation of financial statements. An audit committee's overriding objective is to see that management has created and maintained an effective control environment in the organization".

In line with this, Porter emphasised that audit committees are expected to play a broader role in the context of corporate governance. According to Porter, this role entails supervising the internal and external audit functions and ensuring that they are properly coordinated. Audit committees are also in charge of assessing the company's internal control, risk management, and environmental management systems. In addition, the company's compliance with legal and regulatory requirements is monitored.

Effective corporate governance necessitates a solid legal, regulatory, and institutional framework on which market participants can rely when entering into private contractual relationships. This corporate governance framework typically includes elements of legislation, regulation, self-regulatory arrangements, voluntary commitments, and business practises resulting from a country's unique circumstances, history, and tradition. As a result, the ideal mix of legislation, regulation, self-regulation, voluntary standards, and so on will differ from country to country. To allow for flexibility and to address the specificities of individual companies, the legislative and regulatory elements of the corporate governance framework can be usefully supplemented by soft law elements based on the "comply or explain" principle, such as corporate governance codes. What works well in one company, for one investor, or for a specific stakeholder may not be universally applicable to corporations, investors, and stakeholders operating in a different context and under different circumstances. As new experiences are gained and business circumstances shift, the various provisions of the corporate governance framework should be reviewed and, if necessary, adjusted.

The second King Report presents a variety of suggestions on accounting and auditing concerns, with a focus on the audit committee's responsibilities. This requires corporations to report any consulting services provided by the same audit company so that it may be audited.

The importance of a good internal audit role is underlined, and the effectiveness and impartiality of the audit team appointed to the external audit must be evaluated on a regular basis. A particularly significant component requires boards to assess on a regular basis the grounds for designating the firm a "going concern" for the next year (Johnson et al., 2019). This causes considerable consideration in board meetings, given the consequences that an incorrect evaluation or misstating of the corporation 's fiscal status might entail. The second King Report's principles reflected the general comparability between Generally Accepted Accounting Principles (GAAP) and International Accounting Standards (Tshipa et al., 2018). It is important to emphasis that the accounting department has made efforts.

In accordance with the corporate governance structure and appropriate regulations, the Standard Bank South Africa board has delegated some tasks to its committees (Bank, 2015). The following board subcommittees exist:

•Group directors' affairs (DAC);
•Group audit (GAC);
•GRCMC (Group Risk and Capital Management);
•Social and ethical group (SEC);
•GTIC (group technology and information);
•RemCo (group remuneration);
•GMAC (Group Model Approval); and
•SBSA credit for high exposure (SALE).

2.6 The performance of the Standard Bank board and its committees is evaluated in many ways (Bank, 2015):
1. An yearly thorough evaluation of the board's as well as each subcommittee's adherence with the terms of their separate mandates is performed. External auditors for the organization do a limited risk analysis on the assessment and provide an opinion.

2. The chairman, the board, and its committees are evaluated for effectiveness on a yearly basis in accordance with S64B 2(b)(iv) of the Banks Act. Every other year, the board alternates between an externally facilitated independent review and an internal evaluation facilitated by the chairman and assisted by the group secretary. Peer evaluations are also conducted for directors.

3. The chairman evaluates each director performance in one-on-one meetings with individual directors. The assessment results are used to develop action plans, which are approved by the board and monitored by the organization secretary. At the November board meetings, a report on progress toward action plans is given.

The board ensures that the group implements compensation policies and procedures that are linked with the group strategy, encourage good risk management in accordance with the company's values and code of conduct, and create long-term value for the group via the group remuneration committee. It conducts frequent assessments of pay policies to ensure that the design and administration of remuneration practises incentivize long-term high performance, encourage proper risk-taking behaviour, and are connected to individual and company success.

It also provides openness and disclosure, allowing stakeholders to make credible assessments of the group's incentive policies and governance systems. The Group Remuneration Report contains information about pay practices, including remuneration policy.

2.7 Poor performance areas

There has been disappointing development in the areas of director independence, director transparency, and the market for corporate control. Opposition from control blocs and family-owned mid-sized enterprises on the Johannesburg stock exchange has been a prominent influence (Johnson et al., 2019). However, improvement is on the way in all three areas.

The effect of concurrent seats on financial performance can be discussed based on several vantage-points. Agency theory claims that, overworked directors may suffer from lacking time to carry out their duties effectively in a way that maximizes principals' wealth (Baccouche & Omri, 2014; Sharma & Iselin, 2012).

Likewise, busy directors, occasionally, tend to shrink or neglect their monitoring roles, which in turn may negatively affect performance (Rubino et al., 2017). Indeed, overworked directors were less active in attending board meetings as a result of their interlock duties in various firms (Jiraporn et al., 2009). Interestingly, family firms' context supports agency theory perspective by documenting a negative correlation between firms' performance and busy CEOs (Pandey et al., 2015). In addition, Hamdan (2018) found that busy directors had a noticeable effect in reducing the overall boards' effectiveness in enhancing the performance of Saudi listed firms.

On the contrary, the resource dependency theory introduces busy directors as an effective tool for firms to contact with other firms and communities to enhance their performance (Hillman & Dalziel, 2003). Under this perspective, overworked directors may have the opportunity to gain more experience and knowledge to run their firms effectively (Daily et al., 2003). Such concurrent appointments of boards' members may create the fundamental channels with firms' environment to secure firms survival (Hamdan, 2018; Pfeffer & Salancik, 2003). A case that supports this perspective is shown by Rubino et al. (2017) who found a positive effect of serving in several boards concurrently on firms' financial performance. Additionally, Zona et al. (2018) reported similar results using data from the Italian financial market.

Large sized boards of directors can be a source of declining performance due to coordination and control problems, or increased time consumption in the decision-making process (Pathan and Faff 2012; Bhattrai 2017; Lamichhane 2018). Studies of Nepalese banks may be more relevant than those conducted in developed countries, given that Nepal is a low-income developing country similar to the former French colonies of North Africa. Bhattrai (2017) found evidence of conflict among board members on large boards of Nepalese banks. Similarly, Chenini and Anis (2018) found that bank performance was negatively affected by the presence of a large board of directors. They argued that an oversized board of directors decreased the eficiency of governance mechanisms, and, thus, led to reduced performance of banks. We conjecture that, during a pandemic, when the board needed to be focused and directed on assisting management to reduce spending, and find new revenue sources, an excessively large board may lose direction, due to each person having different goals, and varying in their opinions of corrective measures to be undertaken.

2.8 The need of really independent directors

An independent director does not have a material interest in the bank, other than sitting fees. As such, these individuals cannot hold senior management positions, suggesting that they would be impartial in their assessment of management's performance. Accordingly, the Basel Committee (2015), which establishes international standards for bank regulation, recommended that the board of directors should be professional and independent to manage bank risk and improve bank performance. Unbiased assessmentsof management performance are crucial during a pandemic as the board needs to impartially assess the new strategies being implemented to increase liquidity and replace lost fee income. Independent directors must have the freedom to support effective new strategies, while rejecting ineffective strategies, regardless of opposition from management.

Some empirical support for the positive impact of the presence of independent directors on the board emerges from studies of bank performance in non-pandemic times. In a study of 158 listed banks in nine countries, García-Meca et al. (2015) found that the performance of banks measured by return on assets (ROA), and Tobin's Q was affected positively by the number of independent directors on the board of directors. Another study of 293 banks listed in the Indonesian stock exchange market showed a positive impact of the independent board of directors on bank performance (Handriani and Robiyanto 2019). A study on 207 bankrupted banks found that independent boards were better at searching for information, giving advice, and accessing needed capital (Arora 2018).

To provide insight into the relationship between the board hierarchy of independent directors and commercial bank performance, we utilize three board hierarchy measures: our new board hierarchy measure, *Zvalue_Rank*, and two commercial bank board hierarchy measures, *ID_Rank* and *Non_ID_Bottom*, constructed following Zhu et al. (2016) by using commercial bank data. The main findings are summarized as follows: (1) When independent directors rank high in board hierarchy, bank performance (*ROA*) and efficiency (*CTI*) are enhanced and the variability of performance (*SDROA*) is reduced; (2) In the case of CCBs, our board hierarchy measure (*Zvalue_Rank*) exhibits strong and stable explanatory power for bank performance (*ROA*) and efficiency (*CTI*).

These results affirm the importance of the contribution that independent directors can make in enhancing performance among CCBs; (3) In the case of SOBs & JSBs, *Zvalue_Rank* shows strong explanatory power for performance variability (*SDROA*) and cost efficiency (*CTI*). The results indicate that a higher ranking of independent directors leads to lower variability in performance and better cost efficiency for SOBs & JSBs;

(4) The relationships discussed above are robust when other control variables, including gender, expertise, share ownership, and political connections, are included in the regressions. The explanatory power of *Zvalue_Rank* remains stable and statistically significant when we control for other independent directors' characteristics; (5) The board hierarchy proxy *Non_ID_Bottom* shows no explanatory power for the three performance proxies in the case of SOBs & JSBs. In the case of CCBs, *Non_ID_Bottom* shows the least stable explanatory power for performance (*ROA*) and variability of performance (*SDROA*) among the three board hierarchy measures. Overall, our results uncover new and strong evidence to support our proposition that independent directors, as reflected by their board hierarchy ranking, do matter in their effectiveness as directors and in bank performance. Our board hierarchy measure *Zvalue_Rank* shows superior explanatory power with respect to performance of CCBs compared to *ID_Rank* and *Non_ID_Rank*.

While the important (and voluntary) King code of corporate governance, published in 1994, requires non-executive directors to be on boards, they are not obliged to be independent of management or control blocs. Furthermore, non-executive board chairs are not necessary. An revised version of the King Code, due out later this year, is likely to overturn both of these concessions to family-owned businesses.

Standard Bank Group Limited (SBG or group) headline earnings for the twelve months to 31 December 2021 (FY21) rebounded by 57% to R25.0 billion, driven by a recovery in client activity, an improvement in client balance sheets and real growth in our underlying franchise. Return on equity (ROE) improved to 13.5% (FY20: 8.9%). Revenue grew by 5% and pre-provision operating profit grew by 5%, both with double digit growth in the second half of the year (2H21 on 2H20). Net asset value grew by 13% and the group ended the year with a common equity tier one ratio of 13.8% (31 December 2020: 13.2%). The Board approved a final dividend of 511 cents per share. This equates to a dividend payout ratio of 55% for the full year.

Despite the pandemic-related disruptions, the group made significant strategic progress across several areas in 2021. The group's three client segments delivered client franchise growth, expanded their leading market positions and delivered an improved client experience. Our Banking solutions recorded a strong recovery, with headline earnings up 62% year on year. Our Investment and Insurance solutions grew headline earnings by 11% and by 3% respectively, supported by assets under management and policy base growth. The group retained its position as the third largest asset manager on the continent. We made good progress in building out our new revenue streams and scaling our digital payments, platforms and partnerships. We continued to simplify our business and invest in our people, our systems, our digital solutions and our data management, all while maintaining good cost discipline. The Liberty Holdings Limited (Liberty) minority buyout, announced in July 2021, was successfully completed and Liberty delisted on 1 March 2022.

Standard Bank Activities' (group excluding ICBC Standard Bank Plc (ICBCS) and Liberty Holdings Limited (Liberty)) revenue grew by 5% year on year and by 12% in the second six months of the year (2H21 on 2H20). Pressure on net interest income (NII) from negative endowment faded, activity-related fees continued to recover, and trading revenue remained robust. Revenue growth exceeded cost growth, resulting in positive jaws of 54 basis points. Credit impairment charges declined by 52% but remained above pre-pandemic levels. Standard Bank Activities recorded headline earnings growth of 59% to R24.9 billion and ROE recovered to 14.7% (FY20: 9.6%). Liberty showed progress operationally but was negatively impacted by excess claims and a pandemic provision top-up. ICBCS benefited from attractive market conditions and client flows.

The group's South African business, The Standard Bank of South Africa Limited, bounced back strongly. Headline earnings increased by 172% and ROE recovered to 12.5%. Revenue grew double digits, boosted by higher trading and other revenues up 31% and 67% respectively. Credit charges more than halved and costs were well contained to deliver positive jaws of 198 basis points. Our Africa Regions franchise delivered strong top line growth in local currency terms. Inflation and weaker currencies in key markets dampened translated earnings growth. Revenue growth from ongoing client acquisition, balance sheet growth and improved activity was offset by higher costs driven by inflation and investment in our digital lending and payment solutions.

2.9 A healthy corporate control market

The frequency of aggressive take - overs in South Africa is a relic of the mining finance house's clubby environment (Bryant, 2018). Listed corporations have employed pyramid arrangements as well as unequal voting shares to consolidate founding group power.

While economic pressure has caused some of these partnerships to be dismantled, many endure. In a significant step, the JSE would no longer allow the listing of low-voting shares or shares of pyramid businesses (Johnson et al., 2019). However, creating a robust market for corporate governance would need additional effort. The legislation and organisations that supervise takeovers must be reinforced, and boards, especially independent directors, must be instructed on their responsibilities and tasks during takeovers.

According to the group, Standard Bank South Africa had a 'moderate' performance, with operations hit by the struggling economy. It noted that all of South Africa's fiscal metrics have deteriorated over the period, and business and consumer confidence, consumption and investment are likely to remain subdued in 2019.

The outlook for 2019 is poor, with only some recovery expected in second half, the group said. It added that there are better medium-term prospects on a reform trajectory."While we expect the environment in South Africa to improve it is likely to be a slow and bumpy recovery," it said. The group does not report its client numbers, but said that it lost customers in South Africa, while its margins came under pressure from competitive pricing."The number of active clients remained stable, with Africa Regions growth offset by the marginal reduction in South Africa. We continue to remain focused on delivering our client value proposition," it said.

The group's local retail portfolio has grown by mid-single digits with mortgages growing lower and vehicle and asset finance growing higher, it said.

"Margin pressure from competitive pricing in South Africa and negative endowments in Africa Regions has continued. In contrast, good asset growth has supported net interest income growth. Non-interest revenue growth has remained subdued. Trading revenue growth has been muted due to the sluggish South African environment," it said.

The group has also been closing branches in South Africa, which have placed pressure on costs in the first half of 2019. However the group expects positive numbers for the full year."We will provide an update on the branch closure process when we report our interim results in August," it said.

Empirically, little is known about the association between board meetings and bank performance. Much attention on the aforementioned subject employed datasets from developed and emerging economies in Asia, Europe, and America. Liang et al. (2013), for example, examine board characteristics and performance of bank asset quality using a sample of 50 largest Chinese banks from 2003 to 2010. They find that the number of board meetings has a positive impact on the bank performance (ROA). Similarly, in Australian banks, Salim et al. (2016) find a positive effect of frequency of board meetings on bank performance. Consistent with agency theory, Grove et al. (2011) used a dataset of US commercial banks to examine the corporate governance and performance in the wake up of the financial crisis. They employed a multiple regression model with a sample of 236 public commercial banks in the US. Their findings reveal that the frequency of board meetings is positively associated with financial performance. The results indicate that boards of US public commercial banks that meet more frequently increase the bank's financial performance. Recent evidence documents that board meeting is positively related to return on assets (Abdul Gafoor et al., 2018) and return on equity (Mohamed et al., 2016).

2.10 Director remuneration disclosure

The JSE's new listing standards include the disclosure of salary per director. Due to opposition from publicly traded corporations, the implementation of this provision has been delayed until 2002. The level of resistance has been unexpected, and close monitoring will be required to ensure that the requirement is not successfully avoided. Two aspects must be emphasised that will impact the future form of corporate structure and behaviour, as well as capital markets in general, in South Africa.

The non-binding advisory vote at the AGM in respect of the Remuneration Policy was below the requisite 75%, at 68.05% votes for and 31.95% votes against. Engagement with the dissenting shareholders in line with King IV requirements were held and a SENS announcement was issued inviting dissenting shareholders to engage with the group. Other engagements with shareholders were held throughout the year, including other matters raised at the AGM.

Non-financial measures in executive remuneration are becoming increasingly important, with providers of capital, governments and social actors adding their voices to the call for stakeholder involvement. Environmental, social and governance (ESG) and sustainability are imperatives; companies must show that they are being run on ethical grounds, with due consideration of societal impact. Further, the concept of integrated reporting is based on the idea that companies enhance or deplete value which we measure across six value drivers, five of which are non-financial. Another way of thinking about financial versus non-financial performance measures is in terms of lag and lead indicators. By definition, non-financial measures are lead indicators, anticipating the positive outcomes of brave and prescient decision-making; be they operational or in the wider realm of ESG. The rise of non-financial metrics creates a challenge: the responsibility for remuneration committees to make, and justify, judgements on financial rewards. Our discretion is underpinned by a commitment to balanced outcomes and shared value, as encapsulated in our purpose and the clearly defined strategy that gives effect to it.

Shareholder engagement is an increasingly complex and important endeavour. As the 'shareholder spring' continues worldwide, South African shareholders are standing up and taking more notice of company governance, with executive remuneration continuing to attract the bulk of shareholder attention. This is resulting in a corresponding awareness in companies of the need to engage their shareholders. To manage shareholder expectations, and ensure that their interests are adequately looked after, companies must maintain regular, transparent and informative dialogue with their shareholders. This dialogue should aim to build relationships with shareholders based on trust and mutual understanding.

It is a well-established principle that remuneration policies and practices should create value for shareholders. To support this principle, King III recommends that shareholders have an annual non-binding advisory vote at companies' annual general meetings, allowing them to express views on remuneration policies adopted and the implementation thereof. The advisory vote is intended to ensure that shareholders are afforded an opportunity annually to debate the remuneration policy of a company with the board, allowing them to influence the board's perspective on remuneration matters. However, the advisory vote also functions as a method for shareholders to express their concern on aspects of executive remuneration which they do not have a vote on.

If less than 50% of the advisory shareholder votes are in favour of a remuneration policy, although there is no obligation on the board to change the strategy and policies, it is advisable for the board to make efforts to engage with shareholders and investors to understand their concerns. To avoid such circumstances, proactive discussions with investors around intended changes to the remuneration policy are encouraged. For maximum benefits, shareholder engagement and an analysis of investor views should be undertaken in two stages: • proactively before a remuneration policy, long-term incentive or proposal regarding NED fees is tabled and presented for shareholder vote; and • retrospectively, after a vote against, or an insufficient number of votes in favour of a remuneration policy, long-term incentive, or NED fees proposal.

An interesting recent publication by Mergence, a South African fund management company, shows that the ratio of total CEO pay to average company pay is around 73 times, with a range of 30 in Norway, up to 164 in the US, India at 32, Australia at 55 and the UK at 93. South Africa's pay for CEOs is thus not extreme compared to some countries with successful economies, but it is higher than that of other developing countries such as India.

If the use of incentive devices is effective, then this should manifest itself in a positive relationship between managerial compensation and firm performance. Excluding stock options, current evidence indicates that sensitivities of pay to performance are quite small. Murphy (1985), all find pay-performance elasticities in the range 0.10 to 0.17, suggesting that a 10% rise in firm profitability leads to a 1% to 1.7% rise in CEO compensation consisting of salary plus bonus. However, Hall and Liebman (1997) suggest that previous sensitivity measures ignored changes in the value of stock and stock options, which account for virtually all of the sensitivity. From a sample based on 478 large US companies from 1980 to 1994, the authors obtain similar results as the rest of the empirical literature regarding the sensitivity of performance to salary-plus-bonus (e.g. an elasticity of 0.2). They show that the driving force behind the pay-performance relationship is the use of both stock and stock options. When the authors include stock and stock options, they find a mean elasticity of 4.5, suggesting a 10% rise in performance leads to a 45% increase in CEO remuneration. 42 However, Murphy (1998) finds that most of this increase is attributable to a general increase in the stock market and that there is little evidence that higher pay-performance sensitivities lead to higher stock performance.

2.11 Institutions come to the fore, tentatively.

South Africa's regulators and business media, like those in other developing nations, are under-resourced. It is also difficult for regular investors to efficiently oversee corporations. Institutions will have to take the initiative. South Africa's generally capable domestic institutions, however, have not actively and openly examined corporate governance. There are also no collective investor boards like those found in the United States and the United Kingdom. There may be various barriers, not the least of which are strong relationships between institutions and huge corporations. Without institutional investors playing a vital role, sound corporate governance is difficult to take root in South Africa and other developing nations. The involvement of domestic funds invested in a large number of domestically listed enterprises is particularly significant.ver the past three years, average tax-to-GDP ratios have remained at 17.2% of GDP, half the rate of OECD countries (OECD/ATAF/AUC, 2019[16]). The situation varies widely across countries: some have ratios resembling that of high-income countries (South Africa), sometimes maintaining a public social security system, while others are more dependent on grants and resource revenues.

The variance of both profitability and growth decreases with firm size. The second key source of divergence is that smaller enterprises have a lower probability of survival than larger enterprises. In a normally functioning financial market, some of these differences should be reflected in higher interest rates or less favourable terms of debt financing.For many existing SMEs "insiders" (the entrepreneur, management) have better information about the expected profits of activities than external financial institutions. This lack of information leads to higher market rates to compensate for risk which may crowd out lowrisk, low-return borrowers, leaving a relatively higher number of high risk/return borrowers in the market. Charging higher interest rates may therefore not be in the interest of banks as low-risk borrowers those most likely to repay loans are driven from the market. In the case of new enterprises or activities, outsiders (experienced bankers or other specialised financial intermediaries) can, in many cases, better assess the risks involved than relatively inexperienced "insiders". A specific disadvantage of young firms is that they cannot point to credit histories which provide important signals and help facilitate access to debt financing

2.12 Where will capital markets on the outskirts go?

Since 1997, five of South Africa's eight biggest publicly listed firms have changed their domicile and principal listing to the United Kingdom (Bryant, 2018). The transfer has significantly lowered the overall market value of JSE-listed primary companies, although trading volumes have not yet affected. The movements were prompted by the need to obtain huge sums of off-shore money, and these enterprises have raised more than $5.1 billion since relocating. The goal for government policymakers and the JSE is to keep South Africa's stock market functional for enterprises that cannot or do not want to seek money in overseas markets. At the same time, the benefits of a London listing must be considered. One clear distinction is the differing degrees of corporate governance, takeover regulation, and enforcement. Convergence has become a question of survival in the local stock market.

Convergence forces at work in both types of system are primarily a result of globalisation of financial markets. There is also growing evidence that firms are adopting corporate governance arrangements that international investors appear to value. Firms, and in particular large multinational firms, are increasingly adopting the best practices of existing systems in an effort to improve corporate efficiency and to attract external capital funds. In addition, the interests of international investors, coupled with the capital requirements of major firms expanding abroad, has led to a number of firms seeking a listing on foreign stock exchanges. This change in the method of financing is having a major impact on corporate governance. Raising capital though foreign stock exchanges, where shareholders are more concerned about firm risks, is very different from a bank-based system, where the banks are more interested in the risk of default. Therefore, in many insider systems of corporate governance, the increasing importance of foreign investors as a source of capital for listed companies, is raising the demand for more transparency and minority shareholder protection.

The agency problems that arise from the separation of ownership and control raises the need for a corporate governance framework which strengthens managerial accountability and encourages managers to maximise profits, rather than pursue their own objectives. In addition, a good corporate governance framework needs to protect minority shareholders from rent extraction by either managers or controlling shareholders while at the same time encouraging efficient investment by stakeholders. The means by which this is attained varies widely across countries and, even within a single country, across industrial sectors. Each country has through time developed a wide variety of capital market mechanisms and financing arrangements, legal and regulatory frameworks, and other mechanisms to address these agency problems. This is exemplified by the current divergence in corporate governance structures found in OECD countries.

The full implications of recent developments are hard to predict, but there appears to be an overall trend towards a degree of convergence in governance and financing patterns, with outsider systems adopting some of the features of insider systems, and vice versa. However, the extent of the divergences between systems, which are historically contingent and rooted in cultural, historical and legal differences, suggests that complete convergence is unlikely. Furthermore, these different systems of corporate governance are converging from different directions. Therefore, the instruments through which improvements will be attained, and the policy actions that are called for, are also different.

Bank managements in Africa must implement good corporate governance structures to promote both shareholder and stakeholder value maximization and avoid weak corporate governance structures as much as possible, which reduce both shareholder and stakeholder value maximization. In addition, in an attempt to promote shareholder and stakeholder value maximization, banks in Africa must not only focus on instituting good corporate governance structures but also consider other bank-specific and macroeconomic factors, such as bank size, diversification, management quality, credit risk and inflation. Future research into corporate governance and profit maximization may consider if contextual differences will have any impact on the effect of corporate governance on profit maximization perspectives.

II. Conclusion

The parallels and concealing features of corporate governance codes are examined. Despite the fact that the two countries have companies with diverse cultural backgrounds, business directions, political viewpoints, institutional ownership, as well as legal origins, the corporate governance frameworks of both of these countries are focused on protecting as well as preserving stakeholders' interests and investors' self-belief in general. Both have well-developed corporate governance laws and are working to enhance their corporate governance regulations. These two nations have carefully defined rules, while others may have broad and generic concepts governing particular sections. While the Russian and Indian codes are very specific about the presence of a certain proportion of impartial as well as external directors on the board, as one-fourth (in Russia) and one-third (in India) depending on the merits of the individual case, the Chinese and South African Codes of Good Governance are very open to interpretation but have a higher tendency towards maintaining independence in Boards.

Table 2. Similarities and difference between South African and Chinese corporate governance.

	Basis of difference	China	South Africa
1.	Regulatory Bodies	China Securities Regulatory Commission.	The Institute of Directors.
2.	Name of the code	Code of Corporate Governance for listed companies in China	The King Reports on Corporate Governance
3.	Structure of Board	Two –tier 1.Supervisory Board 2.Board of directors	Unitary
4.	Composition of Board	Company Law of the People's Republic of China provides setting up of a board of directors for a limited liability company (LLC) and a joint-stock Limited Company (JSC) with three to thirteen directors for LLC and five to nineteen directors in JSC. Directors' terms are determined by the Articles	The board should comprise of both executive and non-executive directors, with majority of non-executive directors. Further, one-third of the non-executive directors Shall retire by rotation each year. In a Private Company – 1 Director Minimum Public
5.	Frequency of Board Meetings	The Board shall meet twice in a year periodically and shall convenient in meetings in a timely manner when necessary and the meetings of the Board of a listed company shall be conducted in strict compliance with the prescribed procedures.	No such provisions are laid down for the frequency of board meetings. But, it was said that the Chairman should meet the CEO prior to Board Meetings to discuss important issues.
6.	Number of Independent Directors (ID)	Article122 of Company Law of the People's Republic of China as amended in 2013, require the listed companies to have independent directors on its board. The specific procedures thereon shall be stipulated by the State Council..	King 3 requires boards to be Comprised of a majority of non-executive directors, of whom the Majority should be independent. Every year the directors who are classified as independent should
7.	Appointment Of Women Director	There is no provision on appointment of women director in Law.	There is no provision on appointment of women director in Law.
8.	Separation of positions of Chairman and CEO	There is no such provision.	The CEO and chairman positions should be separate
9.	Composition of Audit Committee	The audit committee shall be chaired by an independent director, and independent directors shall constitute the majority of the committees. At least one independent director from the audit committee shall be an accounting professional.	The audit committee should consist of at least three independent members, all of whom should be independent non-executive directors. The chairman of the board should therefore not be eligible for appointment as an audit committee member but may be invited to join the audit committee by invitation, subject to any specific legislation prohibiting attendance, such as the Banks Act. The audit committee chairman should be Elected by the board, set the agenda and be present at the AGM.
10.	Frequency of meetings of Audit Committee	There is no specific provision regarding frequency of Audit Committee Meeting.	The audit committee chairman should, in consultation with the company secretary, decide the frequency and timing of its meetings. The audit committee should meet as frequently as necessary to perform its role, but should meet at least twice a year. Reasonable

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