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A Comparative Analysis of Corporate Governance Guidelines: Bangladesh Perspective

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Abstract

Purpose – The purpose of this research study is to make a comparative analysis between corporate governance guidelines 2016 and 2012 and area of further improvement to ensure better governance, accountability and transparency.
Research design, data and methodology - This research study is mainly based on the corporate governance guidelines 2016 and 2012 issued by the regulatory authority known as Bangladesh Securities and Exchange Commission (BSEC).
Results - This study finds that corporate governance guideline 2012 include some new issues such as criteria and qualification of independent director; some additional statements in the directors' report; mandatory requirement of separation of chairman and CEO; constitution of audit committee; chairman of audit committee; role of audit committee, duties of CEO and CFO on financial statements; and collection of compliance certificate from professional accountant or secretary in compare to corporate governance guidelines 2016.
Conclusions – This study suggests that the regulatory authority should include more issues such as tax management and reporting, risk management and reporting; individual and overall performance analysis of the board and independent directors; separate nomination and compensation committee; assessment of true independence of the board and its supporting committees to ensure higher quality of corporate governance and transparency.

Keywords: Corporate Governance, Board of Directors, Independent Director, Audit Committee.

JEL Classifications: G28, G34, G38, M42.

1. Introduction

Corporate governance is an emerging issue in academic research because it ensures better monitoring and meets the company's objective or shareholders demand of value maximization and interest of other stakeholders. Corporate governance monitors management effectiveness and makes sure legal conformity by preventing improper and irregular behavior (Turrent & Ariza, 2016) and ensures the protection of shareholders' rights and investors' confidence (La porta et al., 2000). Quality of corporate governance also scrutinizes the transparency and accountability of the firm's governance related issues and helps to assess whether the firm is better or poorly governed. Effective corporate governance depends on code of corporate governance issued by the government or the regulatory authority. Code of corporate governance is also a relevant issue in academic research because of chain of financial scandals worldwide (Turrent & Ariza, 2016) and various corporate scandals such as Enron and Andersen in US and Marconi in UK (Khanchel, 2007). The major objectives of code of corporate governance are to improve the quality of board governance and to increase the accountability to minority shareholders (Biswas, 2012).

Bangladesh Securities and Exchange Commission (BSEC), the regulatory authority, introduces corporate governance guidelines in 20 February, 2016 on 'comply or explain' basis

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to ensure corporate governance for the interest of the general investors and capital market. Comply or explain basis implies that listed firms of stock exchange should comply the condition of corporate governance guidelines or should explain in case of non-compliance. Bangladesh Securities and Exchange Commission (BSEC), the regulatory authority further revised the corporate governance guidelines of 2016 and issued corporate governance guidelines 2012 on 'comply' basis in 7 August, 2012.

Thus, the objective of this study is to make a comparative analysis between corporate governance guideline 2016 and 2012 and area of further improvement to ensure better governance, accountability and transparency. This study is mainly based on the corporate governance guidelines 2016 and 2012 issued by the regulatory authority known as Bangladesh Securities and Exchange Commission (BSEC).

2. Comparative Analysis of Corporate Governance Guidelines 2016 and 2012

The comparative analysis between corporate governance guidelines 2016 and 2012 is presented in the appendix and details are explained below:

2.1. Board of Directors

2.1.1. Board Size

Board size should be not less than 5 and not more than 20 according to corporate governance guidelines 2016 and 2012. <Table 1> shows the comparative analysis of corporate governance guideline 2012 and 2016 in terms of board size.

<Table 1> Board Size

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	changes
Board's Size	1.1	Board members should be within 5 to 20	1.1	Same	No

2.1.2. Independent Director

Corporate governance guidelines 2012 incorporated some additional requirement for independent directors in compare to corporate guidelines 2016. Independent director increased from one tenth (1/10) or minimum one (CG guideline 2016) to one fifth (1/5) (CG guideline 2012) to ensure better governance. Corporate governance guidelines 2016 explained some criteria as part of explanation of independent director means, not as a part of compliance. But corporate governance guidelines 2012 incorporated those criteria of independent director means as the mandatory compliance requirement. Independent director should not –hold more than 1% shares of the paid up shares; be the sponsor of the company; have any pecuniary relationship; be the member, director or officer of any stock exchange; director or shareholder or officer of stock exchange; be the partner, executive during the preceding three years of the concerned company's statutory audit firm; be an independent director in more than three listed companies; be a loan defaulter convicted by the court; be convicted for a criminal offense according to corporate governance guidelines 2012. In addition, independent director should be appointed by the board of directors and approved by the shareholders in the annual general meeting; post should not be remained vacant for more than 90 days, tenure of independent director should be for a period of three years and extended for one term only and compliance of code of conduct by the board members.

There was no information about qualification of independent director in corporate governance guidelines 2016 but new corporate governance guidelines 2012 fix the qualification of independent director. New guidelines requires independent director should - be knowledgeable with integrity and have the ability to ensure compliance with financial, legal and corporate laws and make meaningful contribution to business; be a business leader or corporate leader or bureaucrat or university teacher having economics or business studies or law background or professionals like chartered accountants (CA), cost and management accountants (CMA) and chartered secretary (CS); have at least twelve years of professional or corporate management experiences. The qualification of independent director might be relaxed in special cases with the prior approval of the commission.

<Table 2> presents the comparative analysis of corporate governance guideline 2012 and 2016 in terms of independent directors.

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Independent directors	1.2 (i)	Independent directors should be at least one fifth (1/5) of the total number of directors	1.2 (i)	Independent directors should be at least one tenth (1/10) or minimum one of the total number of directors	Yes
	1.2 (ii-a)	Independent directors should not hold any shares of the company or hold less than 1% shares of the total paid up shares of the company.	1.2 (i)	Same but described as part of explanation of 1.2 (i), not as a separate part of compliance.	Yes

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
	1.2 (ii-b)	Independent directors should not be the sponsor of the company. Independent directors should not be connected with any sponsor, director or shareholder who holds 1% or more shares of the total paid up shares of the company on the basis of family relationship. Family members of the independent directors should not hold above mentioned shares of the company.	1.2 (i)	There is no information of holding shares of the family members of independent directors. Other than the above information all are same but described as part of explanation of 1.2 (i), not as a separate part of compliance.	Yes
	1.2 (ii-c)	Independent directors should not have any other relationship such as pecuniary with the company, or subsidiary or associated companies	1.2 (i)	Same but described as part of explanation of 1.2 (i), not as a separate part of compliance	Yes
	1.2 (ii-d)	Independent director should not be a member, director, or officer of any stock exchange	1.2 (i)	Same but described as part of explanation of 1.2 (i), not as a separate part of compliance	Yes
	1.2 (ii-e)	Independent director should not be a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	1.2 (i)	Same but described as part of explanation of 1.2 (i), not as a separate part of compliance	Yes
	1.2 (ii-f)	Independent director is not a partner, or an executive or was not a partner or an executive during the preceding 3 years of the concerned company's statutory audit firm		No information	Yes
	1.2 (ii-g)	Independent director should not be an independent director in more than three (3) listed companies		No information	Yes
	1.2 (ii-h)	Independent director has not been convicted by the court of competent jurisdiction as a defaulter in payment of loan to bank or non-bank financial institution (NBFI)		No information	Yes
	1.2 (ii-i)	Independent director has not been convicted for a criminal offense involving moral turpitude		No information	Yes
	1.2 (iii)	Independent directors shall be appointed by the BODs and approved by the shareholders in the annual general meeting (AGM)	1.2 (ii)	Independent directors should be appointed by the elected directors	Yes
	1.2 (iv)	Post of independent director(s) should not remain vacant for more than 90 days		No information	Yes
	1.2 (v)	The board place a code of conduct for all members of the board and compliance of the code is recorded annually		No information	Yes
	1.2 (vi)	The tenure of office of an independent director should be for a period of three years and extended for 1(one) term only		No information	Yes
Qualification of Independent Director	1.3 (i)	Independent director should be a knowledgeable individual with integrity and have the ability to ensure compliance with financial, regulatory, and corporate laws and make meaningful contribution to the business		No information	Yes
	1.3 (ii)	Independent director should be a business leader /corporate leader/ bureaucrat/ university teacher with economics / business studies or law background / professionals like chartered accountants (CA), cost and management accountants (CMA) and chartered secretaries. The independent directors must have 12 years of corporate management / professional experiences.		No information	Yes
	1.3 (iii)	The qualification of independent director may be relaxed with the prior approval of BSEC		No information	Yes

2.1.3. Chairman of the Board and Chief Executive Officer

The position of chairman and chief executive officer (CEO) should preferably filled by different individuals according to corporate governance guidelines 2016 which means that separation of chairman and CEO is preferred but not mandatory requirement. But corporate governance guidelines 2012 require position of chairman and CEO should be filled by different individuals and it is mandatory. Both of the guidelines 2016 and 2012 require that chairman of the board should be elected among the directors of the company and the roles and responsibilities of chairman and CEO should be defined clearly by the board.

<Table 3> shows the comparative analysis of corporate governance guideline 2012 and 2016 in terms of Chairman of the board and Chief Executive Officer.

2.1.4. The Directors' Report to the Shareholders

Directors of the company should report to the shareholders by including some additional statements in the directors' report. Both corporate governance guidelines 2016 and 2012 requires additional statement about the fairness of the financial statements; maintenance of appropriate books of accounts; constant application of accounting policies; financial statements are prepared following accounting standard like IAS, BAS, IFRS, BFRS; efficiency of internal control systems, compliance of assumption of going concern; significant deviation from last year's operating results; key operating and financial results in a summarized form at least preceding three years; explanation for failure to pay dividend; number of board members meetings along with attendance of each director; and aggregate and name wise details of pattern of shareholdings.

But corporate governance guidelines 2012 requires new additional statements about industry outlook and possible future development in the industry; segment based and product based performance; risk and concern; discussion on cost of goods sold, gross profit margin, net profit margin, extraordinary gain or loss; related party transactions; utilization of proceeds from public issues, right issue or any other instruments; explanation for deterioration of financial results if the company goes for initial public offering, repeat public offering, rights offer, direct listing; explanation of variance of quarterly financial performance with annual financial statements; remuneration to directors along with independent directors; key operating and financial results in a summarized form at least preceding five years; and these additional statements were not incorporated in previous governance guidelines 2016.

In addition, in case of appointment or reappointment of directors, the company should disclose a brief resume of director, nature of expertise in functional areas and name of the companies where directors have the membership or directorship interest according to new corporate governance guidelines 2012.

There are some new issues which are included in the directors' report to the shareholders as part of corporate governance guideline 2012 in compare to 2016 which is presented in <Table 4>.

<Table 3> Chairman of the Board and Chief Executive Officer

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Chairman of the Board and Chief Executive Officer	1.4	Chairman of the board and Chief Executive Officer (CEO) should be different individuals and the chairman of the board should be elected from among the directors of the company. The board should clearly define the respective roles and responsibilities of the chairman and CEO.	1.3	All are same except Chairman of the board and Chief Executive Officer (CEO) should be preferred by different individuals	Yes

<Table 4> The Directors' Report to the Shareholders

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
The Director's Report to Shareholders	1.5 (i)	Industry outlook and possible future developments in the industry		No information	Yes
	1.5 (ii)	Segment wise or product wise performance		No information	Yes
	1.5 (iii)	Risk s and concerns		No information	Yes
	1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin		No information	Yes
	1.5 (v)	Discussion on continuity of any extra ordinary gain or loss		No information	Yes
	1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report		No information	Yes
	1.5 (vii)	Utilization of proceeds from public issues, right issues and/or through any other instruments		No information	Yes

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
	1.5 (viii)	Explanation of deterioration of financial results if the company goes for initial public offering (IPO), Repeat public offering (RPO), rights offer and direct listing		No information	Yes
	1.5 (ix)	Explanation of management if significant variance occurs between quarterly financial performance and annual financial statement in the annual report		No information	Yes
	1.5 (x)	Remuneration to directors including independent directors		No information	Yes
	1.5 (xi)	Fairness of the financial statements (state of affairs, result of operations, cash flows and changes in equity) which is prepared by the management	1.4 (a)	Same	No
	1.5 (xii)	Proper books of account of the issuer company have been maintained	1.4 (b)	Same	No
	1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statement and accounting estimates are based on reasonable and prudent judgment	1.4 (c)	Same	No
	1.5 (xiv)	Financial statements have been prepared following International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh and any departure there-from has been adequately disclosed	1.4 (d)	Same	No
	1.5 (xv)	Internal control system is sound in design and implemented and monitored effectively	1.4 (e)	Same	No
	1.5 (xvi)	The company's ability to continue as a going concern. If the company is not considered to be a going concern, the fact and reason should be disclosed	1.4 (f)	Same	No
	1.5 (xvii)	Significant deviation from the last years in operating result should be highlighted and explanation should be given for this deviation	1.4 (g)	Same	No
	1.5 (xviii)	Key operating and financial data of at least preceding five years should be summarized	1.4 (h)	Key operating and financial data of at least preceding three years should be summarized	Yes
	1.5 (xix)	If the issuer company has not declared dividend(cash or stock) for the year, explanation should be given	1.4 (i)	Same	No
	1.5 (xx)	Number of board meeting and attendance of each directors should be disclosed	1.4 (j)	Same	No
	1.5 (xxi-a)	Pattern of shareholding should be reported to disclose the aggregate number of shares along with name wise details held by parent/subsidiary/ associated companies and other related parties	1.4 (K-i)	Same	No
	1.5 (xxi-b)	Pattern of shareholding should be reported to disclose the aggregate number of shares along with name wise details held by directors, chief executive officer, company secretary, chief financial officer, head of internal audit and their spouses and minor children	1.4 (K-ii)	Same	No
	1.5 (xxi-c)	Pattern of shareholding should be reported to disclose the aggregate number of shares along with name wise details held by executives	1.4 (K-iii)	Same	No
	1.5 (xxi-d)	Pattern of shareholding should be reported to disclose the aggregate number of shares along with name wise details held by shareholders holding 10% or more voting interest in the company	1.4 (K-iv)	Same	No
	1.5 (xxii-a)	In case of appointment /reappointment of director, the company should disclose a brief resume of the director to the shareholders		No information	Yes

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
	1.5 (xxii-b)	In case of appointment /reappointment of director, the company should disclose to the shareholders about the nature of director expertise in specific functional areas		No information	Yes
	1.5 (xxii-c)	In case of appointment /reappointment of director, the company should disclose to the shareholders about the names of companies in which the person holds the directorship and the membership of committees of the board		No information	Yes

<Table 5> Appointment and Requirement to attend the board meeting

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Appointment	2.1	The company should appoint CFO, head of internal audit and company secretary. The board of directors should clearly define respective roles, responsibilities and duties of the CFO, head of internal audit and company secretary	2.1	Same	No
Requirement to attend the board meeting	2.2	The CFO and company secretary should attend in meeting of the board of directors. If the agenda of the meeting is related to their personal matters, they should not attend in board meeting	2.2	Same	No

<Table 6> Audit Committee

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Audit Committee	3(i)	The company should have an audit committee, as a subcommittee of the board of directors	3	Same	No
	3(ii)	The audit committee should assist the board of directors in ensuring that financial statements reflect true and fair view of the state of affairs of the company and ensure good monitoring system within the business	3	Same	No
	3(iii)	The audit committee is responsible to the board of directors and duties of audit committee are clearly stated in writing	3	Same	No

2.2. Appointment of Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary

The company should appoint the chief financial officer, head of internal audit and company secretary and board should define roles, responsibilities and duties of the CFO, head of internal audit, and company secretary according to both corporate governance guidelines 2016 and 2012.

2.2.1. Requirement to attend the board meetings

There is no difference between corporate governance guidelines 2016 and 2012 in terms of attendance in board meeting. CFO and company secretary should attend the board meeting but they should not attend in board meeting if the agenda is related to their personal matters according to governance guidelines 2016 and 2012.

<Table 5> presents the comparative analysis of corporate governance guideline 2012 and 2016 in terms of appointment and requirement to attend the board meeting

2.3. Audit Committee

Both the guidelines 2016 and 2012 require that audit committee, a sub-committee of the board, should be formed and this committee should be responsible to the board of directors. In addition, the guidelines also require that duties of the audit committee should be clearly stated in writing and the audit committee should assist the board of directors to make sure that financial statements present the true and fair view of the company and good monitoring system is present in the business.

The comparative analysis between corporate governance guideline 2012 and 2016 is presented in the <Table 6> in terms of audit committee.

2.3.1. Audit Committee Formulation

The audit committee should consist of three members including at least one independent director. The members of the audit committee should be directors of the company and they should be appointed by the board of directors. The guidelines 2016 and 2012 also require that if audit committee members are lower than prescribed number of three persons due to expiry of the term or any other circumstances, board of directors should recruit the new audit committee member(s) immediately or maximum one month from the date of vacancy to ensure continuity of the performance of the audit committee.

New corporate governance guidelines 2012 incorporate some new issues as part of constitution of the audit committee such as all members of the audit committee should have financial literacy and minimum one member should have the experience of accounting or financial management, company secretary should act as the secretary of the audit committee, and minimum one independent director should be present to fulfill the quorum of audit committee meeting.

2.3.2. Chairman of the Audit Committee

Corporate governance guidelines 2016 stated that chairman of the audit committee should be selected by the board and should have professional qualification or knowledge, understanding and experience in accounting or finance. But corporate governance guidelines 2012 require that the chairman of the audit committee should be an independent director and he should present in the annual general meeting.

The previous guidelines 2016 emphasized only the chairman of the audit committee who should have professional qualification or knowledge, understanding and experience in accounting and finance where as the new guidelines 2012 requires that all the members of the audit committee should have financial literacy and minimum one member should have accounting or financial management experience and chairman should be an independent director. Moreover, the new guidelines also include the presence of the chairman in the annual general meeting (AGM) which was not exist in earlier corporate governance guidelines 2006.

The requirements of the chairman of the audit committee vary between corporate governance guideline 2012 and 2016 and the variation is described in <Table 8>.

<Table 7> Comparative analysis of audit committee formulation between corporate governance guideline 2012 and 2016.

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Audit committee formulation	3.1 (i)	The audit committee should consist of at least three members	3.1 (i)	Same	No
	3.1 (ii)	The board of directors should appoint the members of the audit committee who should be directors of the company and at least one member should be the independent director	3.1 (ii)	Same	No
	3.1 (iii)	All members of the audit committee should be financially literate and at least one member should have accounting or financial management experience		No information	Yes
	3.1 (iv)	The board of directors should appoint the new audit committee member(s) to fill up the vacancy immediately or not more than one month from the date of vacancy to ensure continuity of the performance of audit committee, if audit committee members are lower than prescribed number of three persons due to expiry of the term or any other circumstances	3.1 (iii)	Same	No
	3.1 (v)	The company secretary should act as the secretary of the audit committee		No information	Yes
	3.1 (vi)	The quorum of the audit committee should not constitute without at least one independent director		No information	Yes

<Table 8> Chairman of the Audit Committee

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Chairman of the audit committee	3.2 (i)	The board of directors should select one member of the audit committee to be the chairman of the audit committee. The chairman of the audit committee should be an independent director	3.2 (i)	The board of directors should select one member of the audit committee to be the chairman of the audit committee.	Yes
	3.2 (ii)	Chairmen of the audit committee should remain present in the annual general meeting		No information	Yes
			3.2 (ii)	Chairman of the audit committee should have a professional qualification or knowledge, understanding and experience in accounting or finance	Yes

2.3.3. Role of the Audit Committee

Previous corporate governance guidelines 2016 didn't explain anything about the role of audit committee where as new corporate governance guidelines 2012 discuss the role of the audit committee. The audit committee should oversee or monitor or review - about the financial reporting process; accounting policies and principles; external auditor recruitment and performance; quarterly, half yearly and annual financial statements before submission to the board; internal audit function; material related party transaction submitted by management; management letter or letter of internal control weakness issued by statutory auditor. The company should report to the audit committee about the uses/application of funds on a quarterly basis when money is raised through initial public offering (IPO) / repeat public offering (RPO) / right issue. Moreover, the company should prepare the statement of funds utilized for the purpose on an annual basis.

Role of the audit committee is included as a new item in the corporate governance guideline 2012 in compare to corporate governance guideline 2016 and presented in the <Table 9>.

2.3.4. Reporting of Audit Committee to the Board of Directors

According to both corporate governance guidelines 2016 and 2012, the audit committee should report its activities to the board of directors and immediately report to BODs in the following cases such as conflict of interests, presumed or suspected irregularity or fraud; or significant deficiency in internal control systems, suspected violation of laws including securities laws, rules and regulations, and any other significant matter.

<Table 10> presents the comparative analysis between corporate governance guideline 2012 and corporate governance guideline 2016 in terms of reporting of audit committee to the board of directors.

<Table 9> Role of the Audit Committee

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Role of audit committee	3.3 (i)	The audit committee should oversee the financial reporting process		No information	Yes
	3.3 (ii)	The audit committee should monitor choice of accounting policies and principles		No information	Yes
	3.3 (iii)	The audit committee should monitor internal control risk management process		No information	Yes
	3.3 (iv)	The audit committee should oversee hiring and performance of external auditors		No information	Yes
	3.3 (v)	The audit committee should review along with the management, the annual financial statements before submission to the board		No information	Yes
	3.3 (vi)	The audit committee should review along with the management, quarterly and half yearly financial statements before submission to the board for approval		No information	Yes
	3.3 (vii)	The audit committee should review the adequacy of internal audit function		No information	Yes
	3.3 (viii)	The audit committee should review statement of significant related party transactions submitted by the management		No information	Yes
	3.3 (ix)	The audit committee should review management letter or letter of internal control weakness issued by statutory auditors		No information	Yes
	3.3 (x)	The company should report to the audit committee about the uses/application of funds on a quarterly basis when money is raised through initial public offering (IPO)/ repeat public offering (RPO) / right issue. Moreover, the company should prepare the statement of funds utilized for the purpose other than those stated in the offer document /prospectus on an annual basis		No information	Yes

<Table 10> Reporting of Audit Committee to the Board of Directors

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Reporting of the audit committee to board of directors	3.4.1 (i)	The audit committee should report its activities to the board of directors	3.3.1 (i)	Same	No
	3.4.1 (ii-a)	The audit committee should immediately report on conflicts of interest to the board of directors	3.3.1 (ii-a)	Same	No
	3.4.1 (ii-b)	The audit committee should immediately report on suspected or presumed fraud or irregularity or material defect of the internal control system to the BODs	3.3.1 (ii-b)	Same	No
	3.4.1 (ii-c)	The audit committee should immediately report on suspected infringement of laws, including securities related laws, rules and regulations to the BODs	3.3.1 (ii-c)	Same	No
	3.4.1 (ii-d)	The audit committee should immediately report any other relevant matters to the BOD	3.3.1 (ii-d)	Same	No

<Table 11> Reporting of Audit Committee to the Authorities

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Reporting of the audit committee to the Authorities	3.4.2	If the audit committee has identified any significant issue that is violated by BODs and management, the audit committee should report such finding to the BSEC	3.3.2	Same	No

<Table 12> Reporting of Audit Committee to the Shareholders and General Investors

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Reporting of the audit committee to the Shareholders and General Investors	3.5	The audit committee should report its activities including any report made to the board of directors and this report should be signed by the chairman of the audit committee and disclosed in the annual report	3.4	Same	No

2.3.5. Reporting of Audit Committee to the Authorities

Corporate governance guidelines 2016 and 2012 stated that if the audit committee has identified any significant issue that is violated by BODs and management, the audit committee should report such finding to the Bangladesh Securities and Exchange Commission (BSEC).

<Table 11> shows the reporting of audit committee to the authorities and find that there is no change between corporate governance guideline 2012 and corporate governance guideline 2016.

2.3.6. Reporting of Audit Committee to the Shareholders and General Investors

The audit committee should report its activities including any report made to the board of directors and this report should be signed by the chairman of the audit committee and disclosed in the annual report according to both corporate governance guidelines 2016 and 2012.

<Table 12> presents the reporting of audit committee to shareholders and general investors and find that there is no variation between corporate governance guideline 2012 and corporate governance guideline 2016.

2.4. External/Statutory Auditor

Both corporate governance guidelines 2016 and 2012 require that the issuer company should not engage its external / statutory auditor to perform some services and these services are appraisal or valuation services or fairness opinions; design and implementation of financial information system; book keeping or other services related to accounting records or financial statements; broker dealer or actuarial services; internal audit services and any other services that the audit committee determines.

In addition, no partner or employees of the external audit firms should hold any shares of the client's company during their tenure of audit assignment and this item is included as new item as part of external or statutory auditor in the corporate governance guidelines 2012.

The comparative analysis between corporate governance guideline 2012 and corporate governance guideline 2016 in terms of external/statutory auditor is presented in <Table 13>.

<Table 13> External/Statutory Auditor

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
External/ Statutory Auditors	4 (i)	The company should not engage its external/statutory auditor to perform appraisal or valuation services or fairness opinions	4 (i)	Same	No
	4 (ii)	The company should not engage its external/statutory auditor to perform financial information systems design and implementation	4 (ii)	Same	No
	4 (iii)	The company should not engage its external/statutory auditor to perform book keeping or other services related to the accounting records or financial statement	4 (iii)	Same	No
	4 (iv)	The company should not engage its external/statutory auditor to perform broker dealer services	4 (iii)	Same	No
	4 (v)	The company should not engage its external/statutory auditor to perform actuarial services	4 (iv)	Same	No
	4 (vi)	The company should not engage its external/statutory auditor to perform internal audit services	4 (v)	Same	No
	4 (vii)	The company should not engage its external/statutory auditor to perform any other service that the audit committee determines	4 (vi)	Same	No
	4 (viii)	No partner or employee of the external audit firms should possess any share of the company during the tenure of audit engagement of that company		No information	Yes

<Table 14> Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Duties of CEO and CFO	6 (i-a)	CEO and CFO should certify to the board that they have reviewed the financial statements for the year and these statements are free from material untrue statement, or omission of material fact or misleading statements		No information	Yes
	6 (i-b)	CEO and CFO should certify to the board that they have reviewed the financial statements for the year and these statements present the true and fair view of the company and comply existing accounting standards and applicable laws		No information	Yes
	6 (ii)	CEO and CFO should certify to the board that to their best of knowledge, company are not dealing any transactions that is fraudulent, illegal or violation of code of conduct		No information	Yes

2.5. Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

Duties of CEO) and CFO are included as new item in the corporate governance guidelines 2012. CEO and CFO, to the best of their knowledge and belief, should certify to the board that to the best of their knowledge and belief- they reviewed the financial statements and these statement are free from material misstatement or omission of material fact or misleading statement; and these statements present the true and fair view of the company's affairs and in compliance of existing accounting standards and laws; and company are not dealing any transactions that is fraudulent, illegal or violation of code of conduct.

The duties of CEO and CFO are described in the new corporate governance guideline 2012 and presented in <Table 14>.

2.6. Reporting and Compliance of Corporate Governance

Directors of the company should report that the company has fulfilled all the conditions in accordance with the corporate governance annexure 2016 and 2012 in the directors' report.

But new corporate governance guidelines 2012 require one additional requirement as part of reporting and compliance of corporate governance. This new requirement says that the company should obtain a compliance certificate from the professional accountant or secretary like chartered account or cost and management accountant or chartered secretary and this compliance certificate should be sent to the shareholders along with the annual report on a yearly basis.

The reporting and compliance of corporate governance is presented in the <Table 15>.

<Table 15> Reporting and Compliance of Corporate Governance

Items	Section	CG Guideline 2012	Section	CG Guideline 2016	Changes
Reporting and Compliance of Corporate Governance	7 (i)	The company should obtain a certificate of compliance of conditions of corporate governance guideline from professional accountant/ secretary (Chartered Accountant/ Cost Management Accountant / Chartered Secretary) and the company should send the copy of certificate of compliance of corporate governance guideline to the shareholders along with the annual report on a yearly basis		No information	Yes
	7 (ii)	The directors of the company should state that the company has complied the condition of corporate governance in accordance with the annexure attached	5	Same	No

3. Areas of Further Improvement of Corporate Governance Guidelines

The regulatory authority should consider some additional issues as part of corporate governance guidelines such as:

There is no guideline or instruction in the corporate governance guideline 2016 and 2012 about how tax should be reported in the financial statements. All the firms submit the tax return according to income tax law or income tax ordinance but the reporting quality is very poor in the annual report in absence of information in the corporate governance guideline. Corporate governance guidelines should include how tax should be reported, additional statement of tax compliance and computation (current and deferred tax) in details, area of tax rebate etc. Bala and Moniruzzamand (2011) study also recommend reporting tax as part of corporate governance.

Bangladesh bank, the central bank and regulatory authority, introduced some guidelines about the risk reporting and mentioned about only six kind of risk such as: credit, asset liability management, foreign exchange, money laundering, internal control and information and communication technology risks. There was no information about risk reporting in corporate governance guideline 2016. Corporate governance guideline 2012 requires that directors should include an additional statement in the director's report about risk and concerns. But there are no specific guidelines in the corporate governance 2016 and 2012, what kind of risk should be reported other than Bangladesh bank guidelines, how risk should be measured and managed, how many risk should be considered, how to deal with about future risk. As a result, most of the firms reporting quality is not up to the mark. Thus, risk management and reporting guideline should be in details in the corporate governance guidelines.

In most of the developed and developing countries, there exist a separate nomination and compensation committee. But there are no separate nomination committee and compensation committee according to corporate governance guideline. Boards of directors nominate and decide the compensation of the management and employees. But a separate nomination and compensation committee may be most effective for company and will reduce workload of the board of directors. Corporate governance guidelines should incorporate separate nomination and compensation committee as part of corporate governance guidelines. Biswas (2012) study also recommends these two committees as part of corporate governance.

Most of the firms have no appropriate measurement tools or techniques to evaluate the performance of the board. It is also almost difficult for the firm to evaluate individual and independent director's performance. Thus, corporate governance guidelines should set the guideline to measure the individual or board performance. Biswas (2012) study also arguing in favor of individual or overall performance analysis of the board.

Corporate governance guidelines 2012 and 2016 increase the proportion of independent directors in the board. Most of the firms have the minimum number of independent directors but it is difficult to assess the true independence of the board, audit committee, executive committee, risk management committee and other supporting committee without any specific criteria or guidelines. Thus, regulatory authority should include specific criteria or requirement in the corporate governance guidelines to judge the true independence of the independent directors. Biswas (2012) study also supported this recommendation.

4. Conclusions

Corporate governance guidelines have some positive implications. First, this guideline will improve the quality of corporate governance practices of the company. Second, compliance of guidelines will enhance transparency and accountability to the shareholders. Biswas (2012) study also stated that new corporate governance guidelines will improve the corporate governance practices of the listed companies in Bangladesh. He also added that new guideline will indirectly reduce the cost of monitoring of regulator and general investors because the company needs to obtain a certificate of compliance of corporate governance guidelines from the chartered accountant or cost and management accountant or a chartered secretary and this certificate ensure the verification of the contents of compliance of corporate governance guidelines.

In summary, this study finds that corporate governance guidelines 2012 introduces some new issues such as criteria and qualification of independent director; some additional statements in the directors' report; mandatory requirement of separation of chairman and CEO; constitution of audit committee, chairman of audit committee; role of audit committee; duties of CEO and CFO on financial statements; and collection of compliance certificate from professional accountant or secretary. These are the major changes in corporate governance guidelines 2012 in compare to corporate governance guidelines 2016.

In addition, this study provides some suggestions that the regulatory authority should include some issues such as tax management and reporting, risk management and reporting; individual and overall performance analysis of the board and independent directors; separate nomination and compensation committee; assessment of true independence of the board and its supporting committees as part of corporate governance to ensure high quality of corporate governance and transparency.

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