Corporate Governance and non-listed companies: application of a code of practice.

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Non-listed entities encompass a wide variety of corporate ownership, financing and management structures which renders the applicability of a standard code intricate. This paper examines how non-listed companies respond to the publication of a code of corporate governance in the context of developing economy. We propose that a 'borrowed' code is not always suited to non-listed companies of an emerging nation. We draw on annual report disclosures to measure the extent of adoption four years after the code came into force. The evidence shows that all requirements are being ignored by at least half of the surveyed companies. Our study brings empirical evidence to support the development of more appropriate mechanisms of corporate governance for non-listed companies. It proposes possibilities for research in corporate governance among an untraditional category of companies: the unlisted. This study offers insights to policy makers to enhance codes of Corporate Governance to accommodate the specificities of non-listed entities. Moreover, the findings could be useful to international bodies and agencies who advocate the adoption of borrowed corporate governance models for emerging nations.

Keywords: Corporate Governance; Code of Corporate Governance; Non-listed Companies; Emerging Economy, Mauritius.

1.0 INTRODUCTION

Two areas of academic interest for developing countries have emerged recently, namely the role of the 'Anglo-American' model of corporate governance for businesses displaying high levels of ownership concentration and owner-management (McCahery and Vermeulen, 2008) and the operation of this model in contexts that exhibit different economic, social, legal and political characteristics compared to those of the developed world (Reed, 2002; Uddin and Choudhury, 2008). By 'Anglo-American', we refer to Reed's (2002, p. 230) argument that such a model of corporate governance is characterized by (i) a single tiered board structure assigning almost exclusive primacy to shareholder interests, (ii) a dominant role played by financial markets in providing finance and regulating management behaviour, (iii) a correspondingly weak role for banks and (iv) little or no industrial policy involving firms cooperating with government bodies or labour unions.

This research on non-listed companies is motivated under two fronts. Firstly, Brennan and Solomon (2008, p. 889) contend that there is scope for researchers to investigate the operation of corporate governance models beyond the traditional constituencies (i.e. listed companies), by considering whether non-agency

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perspectives can explain how codes are adopted in the non-listed sector. Secondly, in line with Reed's (2002) comments about the lack of primacy of equity finance in developing countries and in view of the observed under-development of capital markets in the African region (Yartey and Adjasi, 2007), we argue that research evidence gathered only from listed companies does not reflect the state of corporate governance practices and implementation on a national basis.

Our study principally relies on disclosures companies provide in their annual reports to demonstrate implementation of the code. The annual report remains one of the preferred secondary source of data (e.g. Krambia-Kapardis and Psaros, 2006; Tsamenyi et al., 2007), researchers have favoured a single year analysis. In our instance, it would be appropriate to evaluate evidence of corporate governance adoption prior to the enactment of the code i.e. a pre- and post- design. We examine corporate governance disclosures one year prior to its official implementation (2004) and three years thereafter (2007) to assess the influence of the local code on corporate structures and policies.

The remainder of the paper is structured as follows: next we review the literature relating to corporate governance in non-listed entities. The context, data and research methods are then outlined. The findings are subsequently presented and analyzed in light of the theoretical and empirical discussions on corporate governance in non-listed entities. Finally, we conclude with a discussion of the relevance, contribution and implications of the paper's findings.

2.0 LITERATURE REVIEW

McCahery and Vermeulen (2008, p. 2-3) are critical of the mainstream corporate governance discourse in that it appears to have little concern in understanding the organization and structure of non-listed companies and the conflicts arising within such firms. It is acknowledged that the non-listed category of companies represents a broad church of organizations, activities and ownership patterns. Also, the non-listed sector includes family-controlled and government-owned (but profit focused) companies which have remained prominent in many economic sectors and countries and for such organisations, McCahery and Vermeulen (2008) question the applicability of the traditional principal-agent theory. In this regard Berglof and Claessens (2004) argue that there is a three-way conflict between majority shareholders, managers and minority shareholders and that principal-agent mechanisms used to address opportunistic behaviours by management is less useful in such circumstances. We propose that:

> *P1: the adoption of a code of corporate governance will improve the corporate governance structure and processes of non-listed companies.*

An assertion is that the Anglo-American model does not appear to be suited for non-listed entities in developing countries (Berglof and Claessens, 2004; Singh and Zammit, 2006; McCahery and Vermeulen, 2008; Uddin and Choudhury 2008; Wanyama et al., 2009). Non-listed entities encompass a variety of corporate ownership, financing and management structures which do not reflect a situation that is symptomatic of the principal-agent problem. At the same time there is increasing awareness that specific corporate governance practices could be effective in regulating contractual arrangements between parties e.g. between joint-venture

partners, family factions or between venture capitalists and entrepreneurs. In longer term, a non-listed entity that adopts better corporate governance structures and improves its transparency and disclosure of information could become a more attractive investment for a merger or takeover. Countries have coyly started to acknowledge the need for a separate code for non-listed entities (4 countries as reported by McCahery and Vermeulen, 2008, p. 212-213). Furthermore, there is scant empirical evidence of how non-listed companies have adopted corporate governance codes (e.g. Kula, 2005; Foley and Lardner, 2006). We propose:

> *P2: the adoption of a borrowed model is not well suited for non-listed companies of a developing economy.*

According to Reed (2002), the development policies (import substitution and export-led industrialisation) pursued by developing countries (including Mauritius) have provided favourable conditions for domestic firms to expand their activities. This has led to over-dependence on state support. Following the dismantlement of preferential treatments and removal of protectionist policies, many companies now face a downturn in their competitiveness. The absence of publicly-available information on non-listed companies and their closely-held ownership structure make it difficult for new investors (foreign ones) to judge the potential value of the company. Policy makers and regulators in developing countries see corporate governance as a way to drive internal efficiency and external transparency - with the aim of facilitating foreign direct investment and economic development (Mueller, 2006).

Kula (2005) finds evidence that the resource role of the board is positively related to performance rather than the service and control roles. This leads to the proposition that:

> *P3: implementation of a code of corporate governance by non-listed companies will lead to enhanced disclosure of corporate governance components.*

3.0 CONTEXT, DATA AND METHODS

Context

This study considers the case of Mauritius, an Indian Ocean island country, which is part of various African trade and economic blocks. Since the 1980s, Mauritius has been singled out as one of the most thriving nations in the African context. On a GDP per capita basis, it is ranked fifth in Africa. The recent World Bank and IMF report on 'Doing Business 2010' assessed Mauritius as the best country in Africa (and 17th worldwide) in terms of the ease of doing business.

Following several World Bank reports (Report on the Observance of Standards and Codes: ROSC) on corporate and business regulation in Mauritius at the start of the 2000s, the government adopted international financial reporting standards (IFRS) and recommended the drafting of a corporate governance code. Issues pertaining to family or closely-held control, transparency and board efficiency were highlighted in one of the World Bank reports (Fremond and Gorlick, 2002). It was stated that there was a lack of transparency regarding shareholder agreements (2002, p. 6), management remuneration and related party transactions. Many boards and outside directors were not seen to be playing an oversight role and directors were reportedly appointed on the basis of personal contacts rather than competence (2002, p. 13). The authors of the report identified the corporate governance code as one important mechanism towards improving the transparency, accountability and earnings potential of local companies. As a result, a corporate governance code was made

applicable from financial year ending 2005 for all listed and non-listed enterprises, although only large non-listed companies (i.e. with a turnover in excess of MUR 250 Million [1]) were expected to implement. There was no explicit mention of the specificities of non-listed companies and no additional guidance that such companies may select particular requirements of the code. In other words, as mentioned in McCahery and Vemeulen (2008, p. 203-204), a 'one-size fits all' approach was adopted.

Annual report data and scoring procedures

Based on the above Top 100 survey[2], we contacted 79 non-listed companies for a copy of their recent (2007) and past (2004) annual reports. Many companies displayed reluctance in providing their annual reports and this was interpreted as a challenge for policy-makers in improving the country's transparency. The fact that a registered company argues that its accounts are 'confidential' is testimony to a long standing awkwardness with concepts such as transparency and accountability in corporate Mauritius[3]. We were able to access annual reports of 34 companies (19 public and 15 private) which represent 43% of the large non-listed companies.

Founding ourselves on the local corporate governance code, we identify 41 individual requirements[4] and analyze the annual reports to ascertain whether the company has adopted these requirements from 2004 to 2007. This is an accepted approach used in similar studies (e.g. Qu and Leung, 2006; Krambia-Kapardis and Psaros, 2006; Tsamenyi et al., 2007) whereby the 'measurement' of adoption is expressed as a percentage (e.g. 76% of – or 25 out of 33). The method enables one to aggregate a numerical score (i.e. as a score of 20 out of 41) which can be compared to other studies (using a similar scoring system). Whilst there are arguments against the non-weighted nature of both scoring procedures, these have the advantage of being objective and comparable. In classifying the individual requirements the sub-headings and themes used were: A: Implementation and B: Disclosure and Transparency and a further eight sub-headings (six related to implementation and two related to disclosure and transparency – refer to Appendix 1).

4.0 FINDINGS AND ANALYSIS

Overall Implementation and Disclosure

This section provides a picture of implementation and disclosure based on the percentage of non-listed companies having adopted a particular corporate governance requirement in 2004 and 2007. The mean scores (and standard deviations) for each of the main categories and sub-headings are also displayed for 2004 and 2007. From Table 1, the mean implementation score is 5.3 (over 25 i.e. 21.2%) in 2007 compared to 2 out of 25 (8%) in 2004. Over the same period, the disclosure and transparency score increased from a mean of 1.8 over 16 (11.3%) to 4.4 (27.5%). The mean corporate governance score in 2007 was 9.7 (out of 41). This is significantly higher than the average score in 2004 (3.8/41; 9.3%), the results reflect a low level of interest in the code's requirements. we note higher level of standard deviations in 2007 which is interpreted as a widening difference on the extent to which companies in this sample have been implementing the code.

TABLE 1
Corporate Governance Implementation and Disclosure (Non-Listed Companies)

* Mean scores & ** standard deviation for 2007 *(2004 in italics)*	Mean*	SD**	% Count (N=34)	
Board composition (4)	**1.1** *(0.5)*	**1.4** *(0.9)*	**2004**	**2007**
Balance on the Board			2.9%	17.6%
At least two executive on board			5.9%	17.6%
At least two independent non executive directors on board			5.9%	20.6%
Chairperson must be a non-executive or independent			35.3%	52.9%
Audit committee (4)	**1.3** *(0.6)*	**1.6** *(1.1)*		
Audit committee set up			23.5%	47.1%
Chairperson is a non-executive independent director			0.0%	17.6%
Audit committee composition (non-executives only)			17.6%	41.2%
Audit committee meets regularly during the year			14.7%	26.5%
Corporate governance committees (6)	**1.7** *(0.5)*	**2.3** *(1.4)*		
Corporate governance committee set up			11.8%	38.2%
Chairperson is a non executive or independent director			5.9%	26.5%
Corporate governance committee composition			11.8%	29.4%
Corporate governance committee meets regularly			2.9%	14.7%
Remuneration Committees set up			11.8%	32.4%
Nomination Committees set up			8.8%	29.4%
Risk management policies (3)	**0.8** *(0.2)*	**1.1** *(0.5)*		
A risk management policy has been developed			14.7%	29.4%
Risk Committee set up or included in audit committee			0.0%	29.4%
Internal audit set up, answerable to chairperson/audit committee			8.8%	20.6%
Remuneration policies (4)	**0.3** *(0.2)*	**0.7** *(0.5)*		
Statement of remuneration philosophy			2.9%	17.6%
Transparent remuneration policy			2.9%	5.9%
Transparent policy for executive benefits and privileges			0.0%	0.0%
A fixed term service contract for executives			14.7%	8.8%
Board appraisal, training and ethics (4)	**0.1** *(0)*	**0.2** *(0)*		
Board/director appraisal system			0.0%	0.0%
Formal training and develop programme for directors			0.0%	5.9%
Formal reporting mechanism to disclose conflicts of interests			0.0%	0.0%
Code of conduct specifically for board			0.0%	0.0%
A: Total implementation (25)	**5.3** *(2.0)*	**6.2** *(3.2)*		
Corporate governance disclosures (9)	**3.7** *(1.2)*	**3.9** *(2.3)*		
Separate corporate governance report/section			8.8%	47.1%
Statement of compliance or statement of explanation			20.6%	41.2%
Profile and status of directors			20.6%	47.1%
Information on board/committee meetings			2.9%	41.2%
Audit committee – composition			20.6%	47.1%
Audit committee information on meetings/attendance			14.7%	32.4%
Corporate governance committees-composition			17.6%	41.2%
Corporate governance committees-information on meetings/attendance			8.8%	35.3%
Information on committees' terms of reference			8.8%	41.2%
Disclosure of directors' remuneration and interests (7)	**0.7** *(0.6)*	**1.1** *(0.7)*		
Statement of remuneration philosophy			2.9%	17.6%
Explanation of remuneration and reward policies			2.9%	5.9%
Details of executive service contracts			20.6%	11.8%
Remuneration details for directors (individual)			0.0%	8.8%
Shareholding of directors			23.5%	11.8%
Related party transactions involving directors			0.0%	0.0%
Disclosure of other directorships			8.8%	14.7%

	2004	2007
B: Total disclosure and transparency (16)	**4.4** *(1.8)*	**4.7** *(2.6)*
Total corporate governance score (41)	**9.7** *(3.8)*	**10.6** *(5.5)*

The scores reveals that the number of companies with a zero corporate score has only marginally decreased from 12 to 11. The frequency analysis shows a set of scores skewed to the lower end of the scale for the remaining companies in the sample. No company in 2004 rated more than 50% of the implementation score and this increased to only 4 in 2007. In terms of disclosure and transparency, the frequency analysis shows that 12 companies have a zero score (compared to 15 in 2004). Only one company achieved a 50% rating in 2004 (i.e. 8/16), 13 companies in 2007 achieved this score or higher. Hence, disclosure scores appear to reflect a slightly more positive picture compared to implementation.

A further test was used to explore the statistical associations between the corporate governance scores (implementation and disclosure) and a number of firm based variables namely turnover, profit ratio, ownership concentration, staff ratio, remuneration ratio, directors' shareholdings, the percentage of independent directors on the board and gearing ratios. Using a non-parametric test (Spearman's rank correlation), no significant associations were found except for a positive correlation between percentage of independent directors and the implementation (0.634; p=0.003) and disclosure (0.715; p=0.000) scores. The remuneration ratio (for non-executives) was also found to be positively related to the implementation (0.486; p=0.009) and disclosure (0.510; p=0.006) scores.

Board Composition

The scores and percentage counts in Table 1 indicates a progression from 2004 to 2007 in the case of the chairing of the board by a non-executive director. There appears to be a growing acceptance of the dual leadership principle which may be related to an increased awareness of the mediating role of a non-executive chairperson particularly in managing the expectations of different shareholder groups. 15 companies still have a zero score in terms of board composition and this is reflective of a continued and significant resistance to changes to board membership. Furthermore, the appointment of suitable number of independent directors has only been achieved by 20% of the companies.

Committee structures, risk management and internal audit

Table 1 shows a significant improvement in the setting up of audit and corporate governance committees and risk management practices. This allows the main board to concentrate on strategic issues. More than half of the surveyed companies have a zero score for the audit committee, corporate governance and/or the risk management categories. In considering the progress of the mean scores, one could conclude to some improvement in audit and corporate governance committee implementation. The frequency count mentioned suggests that the mean scores may be biased by high and low performers. The risk management and internal audit score points to the lack of (i) an adequate appreciation of risk management and (ii) support system (internal audit) to assist the audit committee in carrying out its tasks. In addition, the relatively lower percentage count on the requisite number of committee meetings (at least two annually) suggests that these committees may not be operating. In this regard, authors such as Krambia-Kapardis and Psaros (2006) argue that these committees are merely 'tokenistic' ones.

Remuneration policies and board appraisal

Table 1 indicates a low level of implementation for policies on the determination of directors' remuneration and for practices relating to director appraisal, training, ethics and conflicts of interests. We agree to the notion of an *ad hoc* training regime for directors and find some reluctance in deciding whether, and how, directors should be trained or assessed. Interviewees agreed that a professional assessment is needed for company executive but somehow would not be necessary for board members. The need for a formal appraisal and training is seen as a personal affront and implies that he/she does not have the competence.

Corporate governance disclosures

Disclosure and transparency is a signal in a company's bid to implement the corporate governance code. The code (Section 8, 2004, p. 114-117) requires that relevant information be disclosed in a corporate governance report within the annual report. Table 1 reveals an increase in relevant disclosures but as mentioned, half of the companies have yet to provide the required information. With reference to the case of compliance statements, we note that disclosing companies provide statements of 'intent' whereby they will comply in subsequent years and these statements are viewed as explanatory statement prior to implementation. We provide examples of the compliance statements and 'changes' in the discourse used by the same company in 2004 vs. 2007 in Table 2 below, and this is presented relative to the achieved implementation and disclosure rated for 2004 vs. 2007.

TABLE 2 Examples of Compliance Statements of Non Listed Companies		
Statements	**Implementation and Disclosure Scores (**2004 **vs. 2007)**	
	Implementatio n	**Disclosure**
Example 1 (Public company having a public-sector affiliations) *"The company believes that in today's business world, good corporate governance and effective compliance practice have become key success factors for a business enterprise. The company is fully committed to promoting a compliance culture in the organisation" (2004).* *"The company ensure compliance with relevant laws and regulations and is committed to good governance and effective practices (2007)"*	5/25 (20%) **11/25 (44%)**	6/16 (37.5%) **8/16 (50%)**
Example 2 (Public company) *"The principles of good governance which have always prevailed in the company have been further formally structured in the course of the year" (2004)* *No statement in 2007*	6/25 (24%) **14/25 (56%)**	8/16 (50%) **12/16 (75%)**
Example 3 (Public company) *"Implementation of Good Corporate Governance principles within the company was accepted by the board of directors even before the creation of the 'code' published recently" (2004)* *"The board directors has the overall responsibility for ensuring that the company complies with the standards of good corporate governance" (2007)*	1/25 (4%) **11/25 (44%)**	3/16 (18.8%) **9/16 (56.3%)**
Example 4 (Public company with family affiliations) *No statement in 2004* *"The company recognizes that corporate governance practices based on transparency and accountability would reinforce the confidence of its shareholders, partners and other stakeholders. Hence, the company commits itself to correctly apply the rules of corporate governance in terms of transparency, quality of information, and board balance whilst taking into account its family-based shareholdings"* (2007)	0/25 (0%) **2/25 (8%)**	0/16 (0%) **6/16 (37.5%)**
Example 5 (Entrepreneur oriented private company) *No statement in 2004* *"The company adheres to and ensures that the highest standard of principles of good governance are followed and applied throughout the company" (2007)*	0/25 (0%) **11/25 (44%)**	2/16 (12.5%) **12/16 (75%)**
Example 6 (Family-led private company) *"The board of directors is following the guidelines of good governance promoted by the "Code of Corporate governance for Mauritius." In this context, the board of directors is proposing to appoint an independent non executive director on the board of the company. The company is in the process of appointing additional independent directors" (2004)* *"The board is fully committed to attaining and maintaining the highest standards of corporate governance" (2007)*	0/25 (0%) **8/25 (32%)**	5/16 (31.3%) **6/16 (37.5%)**
Example 7 (Private company) *"Further to the implementation of the code of corporate governance, the board of directors now consists of 8 members" (2004)*	10/25 (40%)	5/16 (31.3%)

No Statement in 2007	**16/25 (64%)**	**11/16 (68.8%)**

Table 1 shows an increase in the mean scores for other disclosures over the period but these scores remain relatively low and is associated to the absence of detailed information on the profile and status of directors, the details of the operations (e.g. attendance of directors, number of meetings) of board committees and to the terms of reference of committees.

As mentioned in the literature, the absence of detailed attendance information can be seen as evidence of committees and boards not operating regularly and being established for ritualistic reasons. The interviews clearly relate to situations where 'outsider' directors have been appointed and, attendance statistics are a measure of their accountability to the board and to the company. We are aware that the use of outsider directors is not particularly widespread in non-listed companies. Furthermore, the last quotation seems to infer that attendance disclosures are not particularly relevant if all the directors are insiders and/or part of the same family.

Disclosure of director's remuneration and interests

For this section we acknowledge that results may be influenced by previously established requirements that remuneration numbers must be disclosed for executive and non-executive directors. The scores reflect the combination of disclosure items relating to directors dealings with the company or materially relating to matters that might reflect the company's business. Whilst there is slight progress regarding the specific issue of remuneration, other items are not being disclosed. Given the critical nature of such disclosures, we carried out a Mann-Whitney test to highlight any disclosure differences between public and private companies. At a 1% significance level, public companies are disclosing more remuneration information than private companies.

5.0 DISCUSSION OF FINDINGS

Firstly, the overall level of implementation achieved by the non-listed companies four years after the code was published (2007) remains low (23.7%), hence we find that propositions 1 and 3 do not hold. This average score does not reflect the different attitudes towards specific requirements of the code and is not representative of the significant variations in implementation between the different types of companies (proposition 3). The 'private' vs. 'public' dichotomy appeared statistically relevant but this difference in compliance behaviour was not confirmed by the varying characteristics of private and public companies (proposition 1).

Secondly, the potential for country comparison is limited, it is noted that there is a lower level of enthusiasm for audit committee structures and the appointment of independent directors compared to Foley and Lardner's (2006) study of US non-listed companies. On the other hand, the use of dual leadership is similar to that of Turkey (Kula, 2005) but Mauritian non-listed companies have been relatively more amenable to the establishment of committee structures. We conclude that proposition 1 does not hold on the whole, though for certain elements of the code we notice a certain degree of adherence.

Thirdly, we identify three types of company behaviour. For one group, the corporate governance code is simply not suited to their circumstances and there has not been any discussion of seeking to adopt the code's requirements. To a second group of companies, there is a view that some requirements of the code could be beneficial but a comprehensive implementation would imply radical (counter-productive) changes to the existing structures. Hence, we conclude that proposition 2 holds since the code is not catering for the local context. Unsurprisingly, the interviewed directors of these companies are also on the board of listed companies. In particular, we observe the use of vague and 'inspirational' compliance statements which were at odds with the real extent of compliance was singled out and from Table 2 we do find some evidence of this disclosure behaviour. Given the directors' links with listed companies, we argue that a mimetic process – drawn from institutional theory (e.g. Aerts et al, 2006).

Fourthly, resistance to the code is due to the fact that 'the board' remains a private 'space' where insiders 'do business' without the need for accountability and transparency. The code attempts to open up of 'the board' and its decision-making processes to unlock potential benefits arising from constructive debates, a strong executive oversight and control, strategic thinking, and the use of outsiders, which reflect the conformance and performance roles set out by Tricker (1994). Tricker's (1994) conceptualisations of the 'inward looking' characteristic appears to be the dominant feature of boards in these non-listed companies.

Fifthly, companies have retained a minimum disclosure policy and the lack of transparency remains a key problem within private companies. We conclude that proposition 3 does not hold too. The evidence is visible from the number of companies which were reluctant to provide copies of their annual reports. The patterns in corporate governance disclosures support the view that sensitive information on corporate structures are not for public consumption. Selective information on the profile of directors, the use of audit committees and the compliance statements is acceptable since it (i) enhances the prestige and status of directors and (ii) conveys an impression of the company adopting new governance practices. In contrast, remuneration disclosures are largely considered to be inappropriate in terms of maintaining confidentiality and the perceived social impact should the public be made aware of the size of executive remuneration.

6.0 CONCLUSIONS

It is clear that a one-size fits all approach advocated by many policy-makers (Reed, 2002) is counter-productive. Large non-listed companies are a significant part of the economy but their ownership, management and cultural specificities cannot be ignored as highlighted by McCahery and Vermeulen (2008). The focus of the Anglo-American corporate governance model is to reform the board of directors to ensure it becomes more accountable externally. This perspective collides with a context where the board of directors is less concerned with formal levels of accountability as a result of the existing level of involvement of shareholders in the company's operations. The interviewees contend that boards are attuned to an informal relationship between executive and non-executives and are mindful of the status of directorship and chairmanship. These attributes are linked to family-owned companies but were noted in the case of entrepreneur-led ones. In this respect, the

role of independent directors is seen as a challenge to the existing board's status and resistance takes the form of a number of functional conditions under which companies 'might' to the appointment of independent directors. Finally, the poor level of disclosure is interpreted as a reflection of the 'private' and 'confidential' nature of business activities.

Our findings contribute to the literature by providing empirical evidence on how non-listed companies engage (or not) with the corporate governance code (McCahery and Vermeulen, 2008). We analyse how directors perceive, resist or re-interpret the requirements of the code. There are indications of selective adoption by a few of the companies and attempts to project an image of compliance which is at odds with the reality. We argue that this is suggestive of a corporate behaviour that has less to do with the reinforcing of contractual arrangements and more to do with attempts at managing impressions and ensuring the existing directors' status and privileges. This supports Brennan and Solomon's (2008) argument that non-agency motivations are relevant in understanding corporate governance adoption. It is acknowledged that the sample size of company annual reports and the number of interviewees do preclude further generalisation.

From a policy making standpoint and a developing country perspective, our findings puts into the question the efforts of various international bodies and agencies (e.g. World Bank, International Monetary Fund, European Union) to advocate the adoption of Western-based corporate governance models without regard to the fact that non-listed companies constitute a major part of economic growth in developing countries. A blanket approach does not address the concerns of non-listed companies. These companies perceive calls for more transparency and accountability to be bureaucratic and a threat to their business and ownership structures.

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APPENDIX 1 **Corporate Governance Headings and Items**	
A: Implementation	**No. of items**
Board composition *Balance on board; At least two executive on board; At least two independent non-executive directors on board; Chairperson must be non-executive or independent*	4
Audit committee *Committee established; Chairperson is a non-executive independent director; Committee entirely made up of non-executives; Committee meets more than twice annually*	4
Corporate governance committees *Committee established; Chairperson is non-executive director; Committee in majority made up of non-executives; Committee meets more than twice annually; Terms of reference include nomination and remuneration or separate committees established.*	6
Risk management policies *Risk management policy developed; Risk committee established or merged with audit committee; Internal audit function established answerable to board or audit committee.*	3
Remuneration policies *Statement of remuneration philosophy formulated; Transparent remuneration policy; Transparent policy for executive benefits, privileges and retirement; fixed term service contracts for executive directors.*	4
Board appraisal, training and ethics *Board/director appraisal system in place; Formal training and development programme for directors; Formal reporting mechanism to disclose conflicts of interests; Code of conduct for board members*	4
Total implementation score	**25**
B: Disclosure and Transparency	
Corporate governance disclosures *A separate corporate governance report; Statement of compliance; Profile and status of directors; Information on board meetings; Audit committee composition; Audit committee information on meetings/attendance; Corporate governance committees composition; Corporate governance committees information on meetings and attendance; Terms of reference of committees.*	9
Disclosures of directors ‘remuneration and interests *Statement of remuneration philosophy; Explanation of remuneration and reward policies applicable to executives; Details of executive service contracts; Remuneration details for individual directors; Shareholding of directors; Related party transactions involving directors; Disclosure of other directorships.*	7
Total disclosure score	**16**
Total corporate governance score	**41**

APPENDIX 2
Semi-structured Interview Checklist

Kindly comment and elaborate, firstly with relevance to your experience in your own company and secondly with respect to other companies (if applicable).

1. What is your understanding of corporate governance in Mauritius? What is it for?
2. The current level of compliance in companies in Mauritius. What are your initial perceptions and opinions on how far companies have engaged with the code?
3. How far has the code's implementation of the code helped? Will the implementation of corporate governance improve the overall performance of the firm? If so, in what way?
4. Is there a perception that corporate governance is for 'them' (large and visible companies) and not 'us' (i.e. non-listed companies)?
5.Can you describe the various aspects of the implementation phase in your company? If none has been done, could you explain the arguments arising from your decision?
6. (a) What have you perceived to be the main issues or barriers encountered during that period? Or what barriers need to be removed or incentives provided to lead you to adopt (if none at all or more comprehensively) the corporate governance code?
(b) Can you provide any examples of a difficult (or easy) process?
7. Have you been aware of any actions by regulatory authorities to investigate what is happening in terms of corporate governance implementation?
8. The code asks for the disclosure of attendance of directors at various meetings. Is this important?
9. The code also asks for the detailed disclosure of remuneration and third party interests for directors. What is your opinion on such requirements?
10. What is your assessment of the level of training, appraisal, and development of directors? How are the directors briefed as to what should be their roles?
11. Do you have a code of ethics? How is this applied for directors?

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[1] The local currency is the Mauritian Rupee (MUR). At current rates, 1 GBP = MUR 48.40

[2] There is no official directory or register of local companies which could identify all companies by size or profitability.

[3] It also appears that some private companies have made use of a legal clause whereby the company does not need to prepare an annual report if such a resolution is agreed by all shareholders.

[4] The code also requires a number of CSR disclosures but this requirement is not considered in this study.