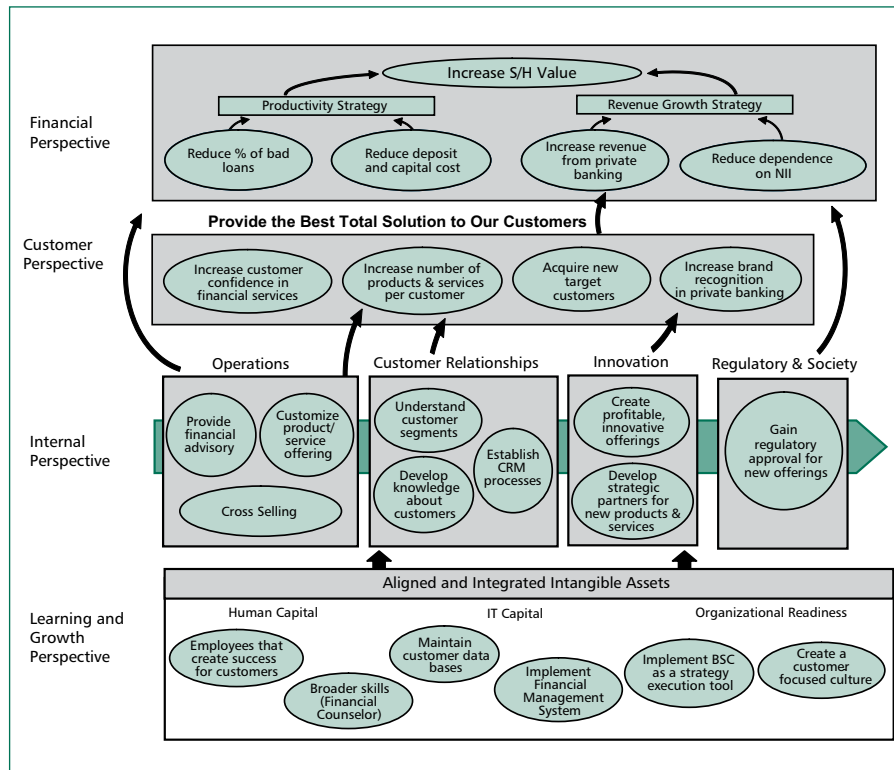


Appendix 1

ABC BANK'S MODIFIED STRATEGY MAP AND BALANCE SCORECARD



| | Strategic Objectives | Strategic Measures |
|---------------------|--|--|
| Financial | <p>Grow revenue rapidly</p> <p>Reduce cost</p> | <p>F1 Revenue mix (private banking and fee coverage)</p> <p>F2 Profitability</p> <p>F3 Funding cost</p> <p>F4 Bad debt ratio</p> <p>F5 Deposit servicing cost</p> |
| Customer | <p>Increase brand recognition in private banking</p> <p>Acquire new target customers</p> | <p>C1 Market share in private banking in the local market</p> <p>C2 # of and revenue from new target customers</p> <p>C3 Customer satisfaction</p> |
| Internal | <p>Cross sell</p> <p>Improve customer service</p> <p>Offer new products/services</p> <p>Improve efficiency</p> | <p>I1 % of revenue generated from cross selling</p> <p>I2 % of Timely Customer database maintenance and updates</p> <p>I3 % of Completion of CRM processes</p> <p>I4 # of new offerings</p> <p>I5 Success rate of process improvement projects</p> |
| Learning and Growth | <p>Develop employee competency</p> <p>Increase knowledge about customers</p> <p>Achieve strategy execution success</p> | <p>L1 Competency development</p> <p>L2 CRM system and financial system implementation</p> <p>L3 Access to Strategic Information (BSC implementation)</p> |

Appendix 2

DVFA SCORECARD FOR GERMAN CORPORATE GOVERNANCE

Scorecard for German Corporate Governance® (according to GCG-Code May 21, 2003)

DVFA Corporate Governance Working Group (Prof. Dr. Alexander Bassen (Speaker), Prof. Dr. Otto Lohst, Christian Strenger)

Methodic Remarks:

Important basis is the official 'German Corporate Governance Code' in its current version (May 21, 2003)

References in brackets are printed in bold for 'Shall-Recommendations'. For 'Should-Suggestions', references in brackets are printed in italics.

The different criteria of the Scorecard refer to each chapter of the Code.

The degree of fulfillment of every single question is being determined by marking the applicable field in column. (1)

Weighting of the questions: In addition to the Standard Weighting an Individual Weighting can be made in columns (3) and (5). The sum of the weightings of all points per criterion must add up to 100%.

Total Score: Summary of the results of the partial criteria shown on page 5.

Information Source: The respective source of every point should be indicated in column (6)

| Partial Criterion | Fulfillment (1) | | Standard Weighting (2) | Individual Weighting (3) | No. Of Points (4) = (1) x (2) Standard Partial Score | No. Of Points (5) = (1) x (3) Individual Partial Score | Information Source (6) |
|--|-----------------|----|------------------------|--------------------------|--|--|------------------------|
| | yes | no | | | | | |
| | | | | | 10% | 10% | |
| I. Corporate Governance-Commitment (10%) | | | | | | | |
| I.1 Does the company have its own specific corporate governance principles based on the 'German Corporate Governance Code'? | | | 20% | | 0.0% | 0.0% | |
| I.2 Are these principles based on the Code easily available to all stakeholders (e.g. via internet) in an up-to-date version? | | | 10% | | 0.0% | 0.0% | |
| I.3 Do these company principles include an explicit commitment to adapt them to best practice developments of corporate governance? | | | 15% | | 0.0% | 0.0% | |
| I.4 Do the management and the supervisory board report annually about the company's governance? | | | | | | | |
| a) Is any non-compliance with the 'Shall-Recommendations' of the GCG-Code explained? (3.10) | | | 10% | | 0.0% | 0.0% | |
| b) Are the 'Should-Suggestions' commented? (3.10 p.2) | | | 15% | | 0.0% | 0.0% | |
| I.5 Is a sufficiently neutral corporate governance officer in charge of the implementation of the principles and the compliance with them? | | | 15% | | 0.0% | 0.0% | |
| I.6 Is the report of the corporate governance officer regularly discussed in the Supervisory Board? | | | 15% | | 0.0% | 0.0% | |
| | | | 100% | 0% | 0% | 0% | |

| Partial Criterion | Fulfillment (1) | | Standard Weighting (2) | Individual Weighting (3) | No. Of Points (4) = (1) x (2) | No. Of Points (5) = (1) x (3) | Information Source (6) |
|--|-----------------|----|------------------------|--------------------------|-------------------------------|-------------------------------|------------------------|
| | 1 | 0 | | | | | |
| | yes | no | | | | | |
| II. Shareholders and the General Meeting (12%) | | | | | | | |
| II.1 | | | 20% | | 0.0% | 0.0% | |
| II.2 | | | 20% | | 0.0% | 0.0% | |
| II.3 | | | 10% | | 0.0% | 0.0% | |
| II.4 | | | 15% | | 0.0% | 0.0% | |
| II.5 | | | 15% | | 0.0% | 0.0% | |
| II.6 | | | 20% | | 0.0% | 0.0% | |
| | | | 100% | 0% | 0% | 0% | |
| III. Cooperation between Management Board and Supervisory Board (15%) | | | | | | | |
| III.1 | | | 20% | | 0.0% | 0.0% | |
| III.2 | | | 20% | | 0.0% | 0.0% | |
| III.3 | | | 20% | | 0.0% | 0.0% | |
| III.4 | | | 30% | | 0.0% | 0.0% | |
| III.5 | | | 10% | | 0.0% | 0.0% | |
| | | | 100% | 0% | 0% | 0% | |

| Partial Criterion | Fulfillment (1) | | Standard Weighting (2) | Individual Weighting (3) | No. Of Points (4) = (1) × (2) Standard Partial Score | No. Of Points (5) = (1) × (3) Individual Partial Score | Information Source (6) |
|-----------------------------------|-----------------|----|------------------------|--------------------------|--|--|------------------------|
| | 1 | 0 | | | | | |
| | yes | no | | | | | |
| IV. Management Board (10%) | | | | | | | |
| IV.1 | | | 20% | | 0.0% | 0.0% | |
| IV.2 | | | 15% | | 0.0% | 0.0% | |
| IV.3 | | | 15% | | 0.0% | 0.0% | |
| IV.4 | | | 10% | | 0.0% | 0.0% | |
| IV.5 | | | 10% | | 0.0% | 0.0% | |
| IV.6 | | | 15% | | 0.0% | 0.0% | |
| IV.7 | | | 15% | | 0.0% | 0.0% | |
| | | | 100% | 0% | 0% | 0% | |
| V. Supervisory Board (15%) | | | | | | | |
| V.1 | | | 15% | | 0.0% | 0.0% | |
| V.2 | | | 15% | | 0.0% | 0.0% | |
| V.3 | | | 5% | | 0.0% | 0.0% | |
| V.4 | | | 15% | | 0.0% | 0.0% | |

| Partial Criterion | Fulfillment (1) | | Standard Weighting (2) | Individual Weighting (3) | No. Of Points (4) = (1) x (2) Standard Partial Score | No. Of Points (5) = (1) x (3) Individual Partial Score | Information Source (6) |
|-------------------------------------|-----------------|----|------------------------|--------------------------|--|--|------------------------|
| | 1 | 0 | | | | | |
| | yes | no | | | | | |
| (still Supervisory Board, V) | | | | | | | |
| V.5 | | | 15% | | 0.0% | 0.0% | |
| V.6 | | | 5% | | 0.0% | 0.0% | |
| V.7 | | | 5% | | 0.0% | 0.0% | |
| V.8 | | | 5% | | 0.0% | 0.0% | |
| V.9 | | | 5% | | 0.0% | 0.0% | |
| V.10 | | | 15% | | 0.0% | 0.0% | |
| | | | 100% | 0% | 0% | 0% | |
| VI. Transparency (20%) | | | | | | | |
| V.1 | | | 30% | | 0.0% | 0.0% | |
| V.2 | | | 15% | | 0.0% | 0.0% | |
| V.3 | | | 15% | | 0.0% | 0.0% | |
| V.4 | | | 10% | | 0.0% | 0.0% | |
| V.5 | | | 20% | | 0.0% | 0.0% | |
| V.6 | | | 10% | | 0.0% | 0.0% | |
| | | | 100% | 0% | 0% | 0% | |

| Partial Criterion | Fulfillment (1) | | Standard Weighting (2) | Individual Weighting (3) | No. Of Points (4) = (1) x (2) | No. Of Points (5) = (1) x (3) | Information Source (6) |
|---|-----------------|----|------------------------|--------------------------|-------------------------------|-------------------------------|------------------------|
| | 1 | 0 | | | | | |
| | yes | no | | | | | |
| VII. Reporting and Audit of the Annual Financial Statements (18%) | | | | | | | |
| VII.1 | | | 10% | | 0.0% | 0.0% | |
| Are the Reports prepared according to IAS / US-GAAP (7.1.1), and are International Standards on Auditing (ISA) or the US Generally Accepted Auditing Standards (US-GAAS) applied complementary to the IDW (German Institute of Auditors) Standards on Auditing? | | | | | | | |
| VII.2 | | | 20% | | 0.0% | 0.0% | |
| Is sufficient independence an important criterion for the selection of the auditors? (7.2.1) | | | | | | | |
| VII.3 | | | 15% | | 0.0% | 0.0% | |
| Does the Supervisory Board set an appropriate level for the auditing fee? | | | | | | | |
| VII.4 | | | 10% | | 0.0% | 0.0% | |
| In case of audit work conducted by different auditors for the group: are special accounting standards and measures made transparent? | | | | | | | |
| VII.5 | | | 10% | | 0.0% | 0.0% | |
| Are the Consolidated Financial Statements published within 90 days of the end of the financial year and the interim reports within 45 days? (7.1.2) | | | | | | | |
| VII.6 | | | 10% | | 0.0% | 0.0% | |
| Are interim reports prepared according to IAS or US-GAAP (alternatively: DVFA Reporting Standards or DSR - German Standardisation Council)? (7.1.1) | | | | | | | |
| VII.7 | | | | | | | |
| Do the Consolidated Financial Statements contain details for the following shareholdings: (7.1.4) | | | | | | | |
| | | | 5% | | 0% | 0% | |
| a) Shareholdings of at least 5 % of the equity capital (also in non-listed companies). | | | | | | | |
| | | | 5% | | 0.0% | 0.0% | |
| b) Mutual shareholdings | | | | | | | |
| VII.8 | | | 15% | | 0.0% | 0.0% | |
| Has the Supervisory Board mandated the auditor to report all relevant deviations from the 'German Corporate Governance Code'? (7.2.3) | | | | | | | |
| | | | 100% | 0% | 0% | 0% | |

| | |
|-------------------|---------------------|
| 0% | 0% |
| Standard CG Score | Individual CG Score |

Appendix 3

SAMPLE LISTING OF CHINESE CORPORATE GOVERNANCE LEGAL FRAMEWORK

| Law/Regulation | Date | Coverage |
|---|------|------------------|
| Law on Industrial Enterprises owned by the Whole People | 1988 | SOEs |
| Company Law of the PRC | 1994 | All Companies |
| Auditing Law of the PRC | 1994 | All Companies |
| Accounting Law | 1995 | All Companies |
| Code of Corporate Governance for SOEs (Provisional) | 2000 | SOEs |
| Code of Corporate Governance for Listing Companies | 2001 | Listed Companies |
| Basic Guidelines for Establishing Modern Enterprises and Enhancement of Management for Large- and Medium-sized SOEs | 2000 | SOEs |
| Interim Regulations on Supervision and Management of SOEs | 2003 | SOEs |
| Guidelines on Introducing Independent Directors to the Board of Directors of Listed Companies | 2003 | Listed Companies |

Appendix 4

CGRI INDEX FOR NON-100% PRC GOVERNMENT-OWNED COMPANIES

| | Not 100% Owned by Government |
|--|------------------------------|
| I. Role of the Board | 25 points |
| II. Transparency and Disclosure | 25 points |
| III. Audit | 20 points |
| IV. Stakeholders and Corporate Citizenship | 10 points |
| IV. Treatment of Shareholders | 20 points |
| Total | 100 points |

I. ROLE OF THE BOARD OF DIRECTORS

| | |
|------------------------|------------------|
| Board Composition | 10 Points |
| Board Meetings | 4 Points |
| Board Policies | 4 Points |
| Board Responsibilities | 7 Points |
| Total | 25 Points |

| Board Composition (10 Points) | Justification |
|---|---|
| <p>1. (2 Points) The ideal size of a Board of Directors is 9–15 members. If your Board has <= 3 members – Award 0 Points 4–8 members – Award 1 Point 9–15 members – Award 2 Points 16–18 members – Award 1 Point >=19 members – Award 0 Points</p> | <p>Article 112 of the PRC Company Law requires that companies to have a Board of Directors of 5–19 members. International best practices generally indicate an optimum board size of 9–15 members. WSOCs are required by Article 68 to have between 3 and 9 members on the Board of Directors. Article 45 of the PRC Company Law requires a limited liability company to have a Board of Directors of 3–13 members.</p> |
| <p>2. (1 Point) Is there a limit to the number of total board seats directors may hold?</p> | <p>The PRC limits any individual to five board seats on public companies.</p> |
| <p>3. (2 Points) Are the offices of Chairperson of the Board of Directors and CEO (or Managing Director) separated?</p> | <p>Article 120 of PRC Company Law allows for separation of office, but Chairperson and CEO may be the same. OECD Principles recommend that separation be considered. Most institutional investors favor separation. In view of PRC's problem of strong managers' weak oversight, separation is recommended.</p> |

| Board Composition (10 Points) | Justification |
|--|--|
| <p>4. (2 Points) What percentage of the Board of Directors are independent directors? If less than 20% – Award 0 Points If between 20% and 49% – Award 1 Point If 50% or more – Award 2 Points</p> | <p>Code of Corporate Governance for Listed Companies (paragraph 49) requires independent directors, but does not specify number.</p> |
| <p>5. (1 Point) Does the Board have Remuneration and Nomination committees?</p> | <p>Paragraphs 52–58 of the Code of Corporate Governance for Listed Companies deal with specialized committees of the Board. These include a corporate strategy committee (not covered in this system), the audit committee (covered separately), as well as remuneration and Nomination committees. The duties of these committees re as noted in the system. The OECD Corporate Governance Principles note the importance of director independence on key committees.</p> |
| <p>6. (1 Point) Is each of these committees chaired by an independent director?</p> | |
| <p>7. (1 Point) Do independent directors represent a majority of committee members?</p> | |

| Board Meetings (4 Points) | Justification |
|--|---|
| <p>8. (1 Point) Over the last 12 months, did the Board meet at least 6 times and conduct meetings that lasted for at least a half-day?</p> | <p>Article 116 of the PRC Company Law requires boards to meet twice per year. International practice indicates that more frequent meetings are necessary. Code of Corporate Governance for Listed Companies indicates that Board should meet as necessary (Paragraph 45).</p> |
| <p>9. (1 Point) Over the last 12 months, did all members of the Board of Directors receive notification of board meetings at least 7 working days in advance of meetings? Can Directors place items on the meeting agenda? If answer is yes for both questions, award 1 Point.</p> | <p>PRC Company Law requires notification of meeting 10 days in advance. Code of Corporate Governance for Listed Companies requires that material be available with sufficient time and that independent directors may object if not received in time (Paragraph 46).</p> |
| <p>10. (1 Point) Did the Board of Directors keep meeting minutes, attendance records, and voting records for all meetings over the last 12 months? Are these meeting minutes and records available to all board members and SASAC? If answer is yes for both questions, award 1 Point.</p> | <p>The Code of Corporate Governance for Listed Companies establishes guidelines for the preparation of records of the meeting.</p> |
| <p>11. (1 Point) Do the independent members of the Board meet without management present?</p> | <p>This practice is frequently recommended as a means of improving oversight by independent directors.</p> |

| Board Policies (4 Points) | Justification |
|--|--|
| 12. (1 Point) Does the Board of Directors have a policy specifying the professional qualifications and training requirements for board members? | The Code of Corporate Governance for Listed Companies requires directors to have adequate professional background (Paragraph 41) and to familiarize themselves with the duties of directors (Article 37). |
| 13. (1 Point) Does the Board of Directors have a policy specifying tenure limits for board members (such as a requirement for retirement and/or rotation of directors)? | Articles 56–57 of the PRC Company Law disqualify persons having been found guilty of certain crimes or responsible for bankruptcy through failure to perform duties from serving as directors. |
| 14. (1 Point) Is there a Code of Conduct for directors and does the company have a manual on Corporate Governance approved by the Board of Directors? | Specific training as directors, and the mix of skills and policies regarding rotation and retirement are standard corporate governance practices. |
| 15. (1 Point) Does the Board of Directors have a policy that a director is required to excuse (dismiss) himself when the Board considers issues in which the Board member has a personal interest? | The OECD Corporate Governance White Paper for Asia recommends specific training for directors. The PRC also has begun an Institute of Directors in which many directors have received training. |
| | Paragraph 41 of the Code of Corporate Governance for Listed Companies requires directors to have adequate professional background and to familiarize themselves with the duties of directors (Article 37). Specific training as directors, as well as the mix of skills and policies regarding rotation and retirement, is included in many codes for directors. The OECD Corporate Governance White Paper for Asia recommends specific training for directors. The PRC also has begun an Institute of Directors in which many directors have received training. |

| Board Responsibilities (7 Points) | Justification |
|--|--|
| <p>16. (1 Point) Is the Board responsible for (1) the selection and compensation of senior management; (2) adjudicating conflicts of interest and review of related party transactions; (3) changes to capital structure; organization and conduct of shareholder meetings; (4) capital plans; (5) acquisitions, joint ventures, and divestments; (6) deciding on whether to pay dividends and the amount of such dividend payments; and (7) taking interests of stakeholders into accounts?</p> | <p>Article 120 of PRC Company Law specifies the responsibilities of the Board. All items are covered by the PRC Company Law. The Code of Corporate Governance for Listed Companies (paragraphs 12–14) cover related party transaction but do not identify the Board as specifically responsible. However, independent directors are mandated to assure that the interests of minority investors are respected against interested parties. The OECD Principles identify a similar set of responsibilities and, in addition, specify that the Board should be responsible for the other items mentioned in this section.</p> |
| <p>17. (1 Point) Is the Board responsible for business plan budget and strategic plans?</p> | |
| <p>18. (1 Point) Is the Board responsible for review and approval of annual reports?</p> | |
| <p>19. (1 Point) Is the Board responsible for legal and ethical compliance?</p> | |
| <p>20. (1 Point) Is the Board responsible for integrity of financial controls?</p> | |
| <p>21. (1 Point) Is the Board responsible for disclosure and communications?</p> | |
| <p>22. (1 Point) Is the Board responsible for developing a risk management system?</p> | |

II. TRANSPARENCY AND DISCLOSURE #2

| | |
|------------------------------|------------------|
| Annual Report | 10 Points |
| Audited Financial Statements | 10 Points |
| Corporate Communications | 5 Points |
| Total | 25 Points |

| Annual Report (10 Points) | Justification |
|---|--|
| <p>1. (1 Point) Did the company provide its shareholders with an annual report within the last 12 months?</p> <p>2. (1 Point) Did the annual report provided to shareholder within the last 12 month include financial statements audited by an external auditor?</p> <p>3. (1 Point) Did the company provide formal quarterly and semi-annual reports to shareholders within the last 12 months?</p> | <p>Article 175 of the PRC Company Law stipulates that the annual accounts must be audited. The OECD Principles also require an annual audit of financial statements. The OECD Corporate Governance White Paper for Asia calls attention to the need for high-quality audits of company accounts. Also, the Statements on Corporate Governance by Hermes (a major UK pension Fund) and the Asian Development Bank identify an audited annual report as a requirement. Because the whole people own companies that are 100% owned by the PRC Government, it follows that an annual report should be publicly available to all citizens of the PRC.</p> |
| <p>4. (1 Point) Does the company's latest annual report identify the company's main executives and their responsibilities?</p> <p>5. (1 Point) Does the company's latest annual report include the compensation of the company's main executives and is this information disclosed in the annual report?</p> | <p>Main executives and their compensation are items that are identified as requiring disclosure in the OECD Principles and the OECD Corporate Governance White Paper for Asia.</p> |
| <p>6. (1 Point) Does the company's latest annual report include a management discussion and analysis of the company's finances and operations?</p> | <p>OECD Principles identify the need for a company's management to provide an analysis of the company's current finances and operations.</p> |
| <p>7. (1 Point) Does the company's latest annual report include the management's assessment of the company's outlook for the future and identify important risks that the company faces in the future?</p> | <p>OECD Principles identify the need for management to provide an accurate assessment of the company's outlook for the future and future risks. Such disclosure helps ensure the company's management focuses on the future and on possible risks.</p> |
| <p>8. (2 Points) Has the company produced and included in its annual report a statement of its corporate objectives ("mission statement") and does it periodically update this statement?</p> | <p>A "mission statement" is an important tool to communicate to all a company's stakeholders the reason for a company's existence. It aligns all employees with the company mission so that there is no confusion.</p> |

| Annual Report (10 Points) | Justification |
|--|---|
| 9. (1 Point) Does the company's latest annual report disclose significant "related party" transactions (that is, loans, contracts, or other large transactions with key stakeholders)? | OECD Principles identify the need for management to disclose "related party" transactions. Such disclosure reduces the risks that unfair deals are made with stakeholders. |
| Audited Financial Statements (10 Points) | Justification |
| 10. (3 Points) Does the company's financial accounts comply with the "Accounting System for Business Enterprises" adopted by the MOF in January 2001? | Older Chinese accounting standards allowed for different rules to be applied in different sectors of the economy. The "Accounting System for Business Enterprises" (the System) imposes greater homogeneity of accounting rules. Although SOEs require approval from "the relevant government authority" to adopt the System, it is widely recognized that the System provides the most advanced accounting rules that are closest to IAS. In addition, if a parent company adopts the System, it is required that the System be adopted by all the parent's subsidiaries. |
| 11. (2 Points) Within the last 12 months did an external auditor audit the company? | Article 175 of the PRC Company Law indicates the financial statements that firms are expected to produce. The OECD Principles identify the basic accounts that are normally produced by companies. Many companies have misrepresented their true situation by failing to report of balance sheet operations and/or operations by other companies within a group. |
| 12. (2 Points) Did the external audit contain a balance sheet, income statement, and cash flow with auditor's explanatory notes? | Article 175 of the PRC Company Law indicates the financial statements that firms are expected to produce. The OECD Principles identify the basic accounts that are normally produced by companies. Many companies have misrepresented their true situation by failing to report of balance sheet operations and/or operations by other companies within a group. |
| 13. (1 Points) Are year-end audited financial reports produced within 120 days of the end of the fiscal year? | Article 175 of the PRC Company Law stipulates that reports are to be produced within 120 days of the end of the reporting period. |
| 14. (2 Points) Does the CEO and company's Board of Directors both separately certified the company's financial reports and annual reports as truthful and accurate? | A 1999 amendment of the <i>Accounting Law 1985</i> clarified the respective roles and responsibilities of the State, organization managers, and accountants for accounting procedures and accounting information. First, the revised law makes the person in charge of a corporation legally responsible for the truthfulness of accounting information. The more precise statement of responsibility is expected to strongly motivate enterprise leaders to work harder on internal management in pursuit of a good image. Second, accountants were previously responsible for |

| Audited Financial Statements (10 Points) | Justification |
|---|---|
| | <p>monitoring financial operations on behalf of the State and organization owners. In addition to assigning responsibility to organization managers, the revised law personalizes the activities of accountants, who are now responsible for themselves rather than acting on behalf of the State. Finally, the revised law reinforced role clarity by introducing a range of financial penalties for contraventions. (An example of such a statement is as follows: "The Board of Directors of Anhui Gujing Distillery Company Limited hereby confirms that there are no important omissions, fictitious statements or serious misleading information in this report, and shall take all responsibility, individual and/or joint, for the reality, accuracy and completion of the whole contents." This statement is from Anhui Gujing Distillery Company Limited. 2000. (<i>Annual Report for the Year ended 31 December 1999.</i>)</p> |
| Corporate Communications (5 Points) | Justification |
| <p>15. (1 Point) Does the company produce periodic reports and press releases to indicate significant developments?</p> <p>16. (1 Point) Does the company have a corporate communications program?</p> | <p>The Code of Corporate Governance for Listed Companies requires disclosure on an ongoing basis of information that has a material influence on the decisions of shareholders and stakeholders and to deliver that information efficiently (Paragraphs 87–88).</p> |
| <p>17. (1 Point) Does the company disclose in its annual report and elsewhere a discussion of company policies in relation to legal and environmental issues?</p> <p>18. (1 Point) Does the company disclose (in its annual report and by other formal documentation) its commitments to stakeholders such as its workforce, suppliers, customers, and local communities?</p> | <p>The Code of Corporate Governance for Listed Companies outlines the responsibilities of the company to stakeholders. In the interest of transparency, it is suggested that commitments to stakeholders be disclosed (Paragraphs 81–88).</p> |
| <p>19. (1 Point) Does the company provide its current financial and nonfinancial company information using electronic communications techniques, such as the company website?</p> | <p>The Code of Corporate Governance for Listed Companies requires disclosure on an ongoing basis of information that has a material influence on the decisions of shareholders and stakeholders and to deliver that information efficiently (Paragraphs 87–88).</p> |

III. AUDIT #2

| | |
|----------------------------|------------------|
| Audit Committee Procedures | 8 Points |
| Audit Committee Structure | 3 Points |
| Internal Audit | 3 Points |
| External Audit | 6 Points |
| Total | 20 Points |

| Audit Committee Procedures (8 Points) | Justification |
|--|--|
| 1. (1 Point) Does the Board of Directors have an Audit Committee? | The Code of Corporate Governance for Listed Companies (Paragraphs 52 and 54) stipulates that the company must have an Audit Committee. Paragraphs 52 and 54 also specify the duties of the Audit Committee. |
| 2. (1 Point) Do the procedures governing the Audit Committee state the Audit Committee is responsible for the selection of, oversight of, and all Board of Directors communications with external auditors? | The OECD Principles also refer to the need for an Audit Committee. |
| 3. (1 Point) Do the procedures governing the Audit Committee state the Audit Committee is responsible for the oversight of the company's financial accounts? | In the last few years, best practices on the Audit Committee have become better defined. For example, see Carolyn Brancato and Christian A. Plath, <i>Corporate Governance Best Practices: A Blueprint for the post-Enron Era</i> . The Conference Board. New York. 2003. pp. 36–47. |
| 4. (1 Point) Do the procedures governing the Audit Committee state the Audit Committee is responsible for the reviewing and ensuring the effectiveness of internal controls and risk management? | |
| 5. (1 Point) Do the procedures governing the Audit Committee state the Audit Committee is responsible for reviewing and ensuring the company's audits are in compliance with applicable laws, regulations, and company policies? | |
| 6. (1 Point) Did the Audit Committee meet at least six times during the last 12 months? | |
| 7. (1 Point) Are minutes of the audit committee meetings maintained and circulated to the full board? | |
| 8. (1 Point) Are there procedures and rules governing the Audit Committee approved by the full board? | |

| Audit Committee Structure (3 Points) | Justification |
|---|--|
| 9. (1 Point) Does the Audit Committee have between five and seven members? | The Conference Board document (see Item 1) suggests the optimum size for the Audit Committee is between three and five members. |
| 10. (1 Point) Does the Audit Committee have a Chairperson that is an independent director? 11. (1 Point) Are at least 50% of the Audit Committee members independent directors? | The Code of Corporate Governance for Listed Companies (Paragraphs 52) species that the chairperson of the Audit Committee and the majority of members must be independent and that one member must be a specialist in accounting. The Conference Board document (see Item 1) proposes more rigorous standards. |
| Internal Audit (3 Points) | Justification |
| 12. (1 Point) Does the company have an internal audit department? 13. (1 Point) Does that internal audit department report directly to the Audit Committee of the Board and not the CEO or Company Director? | The Fundamental Code On The Modern Corporate System (Article 43) refers the need to strengthen the internal audit process. More precise guidelines are available in the Conference Board document (see Item 1) pages 45–46. All companies (SOE and non-SOE) are required to establish accounting procedures and associated internal controls in line with Article 27 of the 1995 Accounting Law (Amended) and associated regulations. |
| 14. (1 Point) Is there a system of protection for employees and others who report infractions to the internal audit function or the external auditors (“whistle blowers”)? | The OECD Principles refer to the need to protect employees who reveal shortcomings in company practices (“whistle blowers”). |

| External Auditors (6 Points) | Justification |
|---|---|
| <p>15. (1 Point) Does the company have external auditors?</p> <p>16. (1 Point) Are the external auditors appointed by shareholders upon the recommendation of the Board of Directors following screening by the Audit Committee?</p> <p>17. (1 Point) Is an annual external audit performed?</p> <p>18. (1 Point) Are the auditors certified or licensed by an appropriate body responsible for regulating the auditing profession?</p> <p>19. (1 Point) Has the external auditor ever been sanctioned by courts or by bodies responsible for regulating the auditing profession?</p> | <p>The Fundamental Code On The Modern Corporate System (Article 43) refers the requirement of an annual external audit of accounts. The OECD Principles identify the need for an annual audit by an independent auditor and recommend strict oversight by the Audit Committee.</p> |
| <p>20. (1 Point) Does the Audit Committee have policies to mitigate conflicts of interest facing the external auditor, such as rotation of auditors?</p> | <p>The OECD Principles note possible conflicts of interest between audit and other services and the need to strengthen auditor independence. IOSCO Principles of Auditor Oversight (2002) and Principles of Auditor Independence and the Role of Corporate Governance in Monitoring Auditor Independence are also relevant standards.</p> |

IV. STAKEHOLDER AND CORPORATE CITIZENSHIP

| | |
|-----------------------|------------------|
| Workplace Safety | 3 Points |
| Financial Obligations | 7 Points |
| Total | 10 Points |

| Workplace Safety (3 Points) | Justification |
|---|---|
| <p>1. (1 Point) Does the company have a written policy toward its personnel covering a) employment security or b) training, promotion, or mobility?</p> | <p>Article 55 of the PRC Company Law requires the company to take account of the interests of its workers when formulating policy. The Fundamental Code On The Modern Corporate System (Articles 16–17) refers to the need to engage highly qualified personnel through training and to produce in ways that reduce environmental damage. Articles 20–22 deal with improving the quality of labor and taking the interests of workers into account. Article 25 obliges the enterprise to respect the rights of workers. Article 26 requires the form to make timely payments to social security account. Articles 63–64 cover employee training. The Code of Corporate Governance for Listed Companies (Paragraphs 81–83) stipulates that the company shall respect the legal rights of employees, creditors, consumer, the community, and other stakeholders. The OECD Principles state that the rights of stakeholders that are protected by law should be respected, that employees should have access to legal redress in cases of violation of their rights, and that performance-enhancing mechanisms for employee participation should be permitted.</p> |
| <p>2. (1 Point) Does the company have a written policy regarding social, ethical, worker safety, and environmental issues?</p> | <p>The Fundamental Code On The Modern Corporate System (Articles 56–62) specifies the obligation to observe norms of employee safety and environmental protection.</p> |
| <p>3. (1 Point) Has the company committed infractions of worker safety or environmental laws or regulations in the last 3 years?</p> | <p>The Code of Corporate Governance for Listed Companies (Paragraph 86) notes the company's obligation to promote sound environmental policies and to contribute to the community where it is located.</p> <p>The OECD Principles enjoin the Board to observe high ethical standards. The OECD Principles further recommend that companies develop in-house codes on issues on worker safety and the environment.</p> |

| Financial Obligations (7 Points) | Justification |
|---|---|
| 4. (1 Point) Is the company in arrears in payments to social security funds? | The Code of Corporate Governance for Listed Companies requires to respect the rights of banks and other creditors and to provide creditors with adequate information. The position of creditors and the respect of creditor rights are recognized as important issues in Asian countries by the OECD Asian Corporate Governance Roundtable. Similarly, the revised OECD Principles identify the insolvency framework and the protection of creditor rights as important priorities in strengthening the governance framework. |
| 5. (2 Points) Is the company well rated better than A or equivalent, [2] or better than B [1] or equivalent by its creditors? | |
| 6. (1 Point) Does the company have relations with more than three creditors? | |
| 7. (1 Point) Has the company agreed to a postponement of payments of principal with any of its creditors? | |
| 8. (2 Points) Has the company been in arrears on tax payments in the last 3 years? | |

V. EQUITABLE TREATMENT OF SHAREHOLDERS

| | |
|-----------------------|------------------|
| Annual Meetings | 8 Points |
| Shareholder Rights | 8 Points |
| Shareholder Relations | 4 Points |
| Total | 20 Points |

| Annual Meetings (8 Points) | Justification |
|---|--|
| 1. (1 Point) Did the company hold an Annual General Meeting (AGM) at a convenient time and place that was open to all shareholders? | Articles 102 and 104 of the PRC Company Law indicates that there shall be an annual meeting of shareholders (AGM) open to all shareholders. Article 106 indicates that all shares have equal votes. |
| 2. (1 Point) For the last AGM, was the notice of the AGM sent to shareholders at least 30 days before the meeting? | Article 105 of the PRC Company Law requires that notice of the AGM and a detailed statement of items to be considered must be given 30 days in advance of the meeting. |
| 3. (1 Point) For the last AGM, did the notice sent to shareholders contain a detailed agenda? | |
| 4. (1 Point) Do the company's by-laws allow non-controlling shareholders place items on the agenda of an AGM? | |
| 5. (1 Point) Is there a mechanism in place for shareholders to use cumulative voting procedures at an AGM? | The Code of Corporate Governance for Listed Companies (Paragraph 31) stipulates that shareholders can use cumulative voting procedures. It also indicates that voting procedures should enable non-controlling investors to representation. |
| 6. (1 Point) Can shareholders vote by proxy at an AGM? | Article 108 of the PRC Company Law stipulates that shareholders may vote by proxy. |
| 7. (1 Point) Does the company's by-laws state that shareholders may ask questions at the AGM? | It is common practice to allow shareholders to ask questions at AGMs. |
| 8. (1 Point) Do the company's articles of association allow shareholders holding 10% of equity to request an extraordinary shareholder meeting? | Article 104 of the PRC Company Law specifies conditions under which various parties, including the Board or investors holding 10% of the equity of the company can request a special meeting. |
| Shareholder Relations (4 Points) | Justification |
| 9. (4 Points) Does the company have an investor relations program? | The Code of Corporate Governance for Listed Companies (Paragraphs 87–94) establishes the obligation of companies to communicate basic information to shareholders and spells out the general kinds of information that must be disclosed. The Code (Paragraphs 87–94) establishes the right of shareholders to have information related to the performance of the company. |

| Shareholder Rights (8 Points) | Justification |
|--|--|
| 10. (1 Point) Does the company's by-laws require shareholder approval for the appointment and removal of directors? | Article 108 of the PRC Company Law enumerates the issues on which the AGM is normally expected to vote. This corresponds with the list of questions shown above. |
| 11. (1 Point) Does the company's by-laws require shareholder approval for the appointment, compensation of, and removal of the external auditor? | |
| 12. (2 Points) Does the company's by-laws require shareholder approval of amendments to the company's statutes, articles, and by-laws? | |
| 13. (2 Points) Does the company's by-laws require shareholder approval for major corporate transactions, mergers, acquisitions, divestments, and/or takeovers? | |
| 14. (1 Point) Does the company's by-laws require shareholder approval of the company's annual report that contain the company's financial accounts? | |
| 15. (1 Point) Do all company shares have equal voting rights? | Article 106 of the PRC Company Law indicates that all shares have equal votes. |

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