Answers

Tutorial note.
The specific references to academic and literature sources in answers is for illustrative purposes only and do not mean that candidate answers need to refer to those sources in order to achieve good marks.

1 (a) Transparency and its importance at WM

Define transparency
Transparency is one of the underlying principles of sound corporate governance. As such, it is one of the 'building blocks' that underpin a sound system of governance. In particular, transparency is required in an agency relationship. In terms of definition, transparency means openness (say, of discussions), clarity, lack of withholding of relevant information unless necessary and a default position of information provision rather than concealment. This is particularly important in financial reporting, and non-financial reporting as in the case of WM, as these are the primary sources of information that investors have for making effective investment decisions.

Evaluation of importance of transparency
There are a number of benefits of transparency. For instance, it is part of gaining trust with investors and state authorities (e.g. tax people). Transparency provides access for investors and other stakeholders to company information thereby dispelling suspicion and underpinning market confidence in the company through truthful and fair reporting. It also helps to manage stakeholder claims and reduces the stresses caused by stakeholders (e.g. trade unions) for whom information provision is important. Reasons for secrecy/confidentiality include the fact that it may be necessary to keep strategy discussions secret from competitors. Internal issues may be private to individuals, thus justifying confidentiality. Finally, free (secret or confidential) discussion often has to take place before an agreed position is announced (cabinet government approach).

Reference to case
At Worldwide Minerals, transparency as a principle is needed to deal with the discussion of concealment. Should a discussion of possible concealment even be taking place? Truthful, accurate and timely reporting underpins investor confidence in all capital-funded companies including WM. The issue of the overestimation of the mallerite reserve is clearly a matter of concern to shareholders and so is an example of where a default assumption of transparency would be appropriate.

(b) Kohlberg's levels of moral development

Description of levels
Kohlberg described human moral development in terms of three consecutive levels.

Preconventional moral responses view morality in terms of rewards, punishments and whether or not the act will be penalised, found out or rewarded.

Conventional moral responses view morality in terms of compliance with the agreed legal and regulatory frameworks relevant at the time and place in which the decision is taking place.

Postconventional responses go beyond the other two and frame morality in terms of the effects of the action on oneself and others, on how it will affect one's own moral approach and how it will accord with wider systems of ethics and social norms.

Three people in the case
The three people mentioned in the case exhibit different levels of moral development.

Gary Howells is demonstrating the *preconventional* in that he sees the decision to disclose or not in terms of whether WM can get away with it. He was inclined to conceal the information because of the potential impact on the company's share price on the stock market. His suggestion was underpinned by his belief that the concealment of the incorrect valuation would not be 'found out'.

Vanda Monroe demonstrates *conventional* behaviour, reminding the WM board of its legal and regulatory obligations under the rules of its stock market listing. In particular, she reminded the board about the importance of the company's compliance with corporate governance and ethics codes by the stock market. To fail to disclose would, in Vanda's view, be a breach of those stock market expectations. Rather than rewards and punishments, Vanda was more concerned with compliance with rules and regulations.

Martin Chan is demonstrating *postconventional* morality by referring to consistency of treatment and the notion of 'do as you would be done by'. He said that he wouldn't want to be deceived if he were an outside investor in the company. His response was underpinned neither by rewards or punishments, nor by compliance with regulations, but rather than a persuasion that moral behaviour is about doing what one believes to be right, regardless of any other factors.

(c) Non-executive directors

Roles of NEDs
Non-executive directors have four principal roles.

The *strategy* role recognises that NEDs are full members of the board and thus have the right and responsibility to contribute to the strategic success of the organisation for the benefit of shareholders. The enterprise must have a clear strategic direction and NEDs should be able to bring considerable experience from their lives and business experience to bear on ensuring that chosen strategies are sound. In this role they may challenge any aspect of strategy they see fit and offer advice or input to help to develop successful strategy.

In the *scrutinising* or performance role, NEDs are required to hold executive colleagues to account for decisions taken and company performance. In this respect they are required to represent the shareholders' interests against the possibility that agency issues arise to reduce shareholder value.

The *risk* role involves NEDs ensuring the company has an adequate system of internal controls and systems of risk management in place. This is often informed by prescribed codes (such as Turnbull in the UK and Code of Corporate Governance in Singapore) but some industries, such as minerals, have other systems in place, some of which fall under ISO standards. In this role, NEDs should satisfy themselves on the integrity of financial and key non-financial (like reserves) information and that financial controls and systems of risk management are robust and defensible.

Finally, the '*people*' role involves NEDs overseeing a range of responsibilities with regard to the management of the executive members of the board. This typically involves issues on appointments and remuneration, but might also involve contractual or disciplinary issues and succession planning.

Tutorial note: these four roles are as described in the UK Higgs Report and are also contained in the Combined Code 2003.

Tensions in NED roles in the case

This refers to a potential tension in the loyalties of the NEDs. Although the NED is accountable, through the chairman to the shareholders and thus must always act in the economic best interests of the shareholders, he or she is also a part of the board of the company and they may, in some situations, advise discretion. Withholding information might be judged correct because of strategic considerations or longer-term shareholder interests. In most situations, NEDs will argue for greater transparency, less concealment and more clarity of how and why a given action will be in the interests of shareholders.

The case of mallerite overestimation places the WM NEDs in a position of some tension. Any instinct to conceal the full extent of the overestimate of the reserve for the possible protection of the company's short-term value must be balanced against the duty to serve longer-term strategic interests and the public interest. Whilst concealment would protect the company's reputation and share price in the short term, it would be a duty of the NEDs to point out that WM should observe transparency as far as possible in its dealing with the shareholders and other capital market participants.

(d) Letter for Tim Blake to send to WM's investors

Worldwide Minerals plc
Address line 1
Address line 2
Address line 3

Date

Dear Shareholders,

Estimation of mallerite reserves

You will be aware of the importance of accurate reserves valuation to Worldwide Minerals (WM). Unfortunately, I have to inform you that the reserve of mallerite, one of our key minerals in a new area of exploration, was found to have been overestimated after the purchase of a mine. It has been suggested that this information may have an effect on shareholder value and so I thought it appropriate to write to inform you of how the board intends to respond to the situation.

In particular, I would like to address two issues. It has been suggested that the overestimation arose because of issues with the internal control systems at WM. I would firstly like to reassure you of the importance that your board places on sound internal control systems and then I would like to highlight improvements to internal controls that we shall be implementing to ensure that the problem should not recur.

(i) Importance of internal control

Internal control systems are essential in all public companies and Worldwide Minerals (WM) is no exception. If anything, WM's strategic position makes internal control even more important, operating as it does in many international situations and dealing with minerals that must be guaranteed in terms of volume, grade and quality. Accordingly, your board recognises that internal control *underpins investor confidence*. Investors have traditionally trusted WM's management because they have assumed it capable of managing its internal operations. This has, specifically, meant *becoming aware of and controlling known risks*. Risks would not be known about and managed without adequate internal control systems. Internal control, furthermore, *helps to manage quality throughout the organisation* and it provides management with *information on internal operations and compliance*. These features are important in ensuring quality at all stages in the WM value chain from the extraction of minerals to the delivery of product to our customers. Linked to this is the importance of internal control in helping to *expose and improve underperforming internal operations*. Finally, internal control systems are essential in providing *information for internal and external reporting* upon which, in turn, investor confidence rests.

(ii) Proposals to improve internal systems at WM

As you may be aware, mineral estimation and measurement can be problematic, particularly in some regions. Indeed, there are several factors that can lead to under or overestimation of reserves valuations as a result of geological survey techniques and regional cultural/social factors. In the case of mallerite, however, the issues that have been brought to the board's attention are matters of internal control and it is to these that I would now like to turn.

In first instance, it is clear from the fact that the overestimate was made that we will need to audit geological reports, including external professional valuation, at an appropriate (and probably lower) level in the organisation in future.

Once a claim has been made about a given mineral reserve level, especially one upon which investor returns might depend, appropriate systems will be instituted to ask for and obtain evidence that such reserves have been correctly and accurately quantified.

We will recognise that single and verbal source reports of reserve quantities may not necessarily be accurate. This was one of the apparent causes of the overestimation of mallerite. A system of auditing actual reserves rather than relying on verbal evidence will rectify this.

The purchase of any going concern business, such as the mallerite mine, is subject to due diligence. WM will be examining its procedures in this area to ensure that they are fit for purpose in the way that they may not have been in respect of the purchase of the mallerite mine. I will be taking all appropriate steps to ensure that all of these internal control issues can be addressed in future.

Thank you for your continued support of WM and I hope the foregoing goes some way to reassure you that the company places the highest value on its investors and their loyalty.

Yours faithfully,

Tim Blake
Chairman

2 (a) Risks at Southland and management strategies

Risk management strategies
There are four strategies for managing risk and these can be undertaken in sequence. In the first instance, the organisation should ask whether the risk, once recognised, can be transferred or avoided.

Transference means passing the risk on to another party which, in practice means an insurer or a business partner in another part of the supply chain (such as a supplier or a customer).

Avoidance means asking whether or not the organisation needs to engage in the activity or area in which the risk is incurred.

If it is decided that the risk cannot be transferred nor avoided, it might be asked whether or not something can be done to *reduce or* mitigate the risk. This might mean, for example, reducing the expected return in order to diversify the risk or re-engineer a process to bring about the reduction.

Risk sharing involves finding a party that is willing to enter into a partnership so that the risks of a venture might be spread between the two parties. For example an investor might be found to provide partial funding for an overseas investment in exchange for a share of the returns.

Finally, an organisation might *accept or retain* the risk, believing there to be no other feasible option. Such retention should be accepted when the risk characteristics are clearly known (the possible hazard, the probability of the risk materialising and the return expected as a consequence of bearing the risk).

Risks in the case and strategy
There are three risks to the Southland factory described in the case.

Risk to the *security of the factory* in Southland. This risk could be transferred. The transference of this risk would be through insurance where an insurance company will assume the potential liability on payment, by SCC, of an appropriate insurance premium.

Risk to the *supply of one of the key raw materials* that experienced fluctuations in world supply. This risk will probably have to be *accepted* although it may be possible, with redesigning processes, to *reduce* the risk.

If the raw material is strategically important (i.e. its use cannot be substituted or reduced), risk acceptance will be the only possible strategy. If products or process can be redesigned to substitute or replace its use in the factory, the supply risk can be reduced.

The *environmental risk* that concerned a possibility of a poisonous emission can be *reduced* by appropriate environmental controls in the factory. This may require some process changes such as inventory storage or amendments to internal systems to ensure that the sources of emissions can be carefully monitored.

Tutorial note: the strategies for the individual risks identified in the case are not the only appropriate responses and other strategies are equally valid providing they are supported with adequate explanation.

(b) Embedded risk

Risk awareness is the knowledge of the nature, hazards and probabilities of risk in given situations. Whilst management will typically be more aware than others in the organisation of many risks, it is important to embed awareness at all levels so as to reduce the costs of risk to an organisation and its members (which might be measured in financial or non-financial terms). In practical terms, embedding means introducing a taken-for-grantedness of risk awareness into the culture of an organisation and its internal systems. Culture, defined in Handy's terms as 'the way we do things round here' underpins all risk management activity as it defines attitudes, actions and beliefs.

The embedding of risk awareness into culture and systems involves introducing risk controls into the process of work and the environment in which it takes place. Risk awareness and risk mitigation become as much a part of a process as the process itself so that people assume such measures to be non-negotiable components of their work experience. In such organisational cultures, risk management is unquestioned, taken for granted, built into the corporate mission and culture and may be used as part of the reward system.

Tutorial note: other meaningful definitions of culture in an organisational context are equally acceptable.

(c) Choo Wang's remuneration package

Benefits of PRP

In general terms, performance-related pay *serves to align directors' and shareholders' interests* in that the performance-related element can be made to reflect those things held to be important to shareholders (such as financial targets). This, in turn, serves to *motivate directors*, especially if they are directly responsible for a cost or revenue/profit budget or centre. The possibility of additional income serves to motivate directors towards higher performance and this, in turn, *can assist in recruitment and retention*. Finally, performance-related pay can increase the board's *control over strategic planning and implementation* by aligning rewards against strategic objectives.

Critical evaluation of Choo Wang's package

Choo Wang's package appears to have a number of advantages and shortcomings. It was *strategically correct to include some element* of pay linked specifically to Southland success. This will *increase Choo's motivation* to make it successful and indeed, he has said as much – he appears to be highly motivated and aware that additional income rests upon its success. Against these advantages, it appears that the performance-related component does not take account of, or *discount in any way for, the risk* of the Southland investment. The bonus does not become payable on a sliding scale but only on a single payout basis when the factory reaches an 'ambitious' level of output. Accordingly, Choo has *more incentive to be accepting of risk* with decisions on the Southland investment than being risk averse. This may be what was planned, but such a bias should be pointed out. Clearly, the company should accept some risk but recklessness should be discouraged. In conclusion, Choo's *PRP package could have been better designed,* especially if the Southland investment is seen as strategically risky.

3 (a) Roles of the chairman in corporate governance

The chairman is the leader of the board of directors in a private or public company although other organisations are often run on similar governance lines. In this role, he or she is responsible for *ensuring the board's effectiveness* as a unit, in the service of the shareholders. This means agreeing and, if necessary, *setting the board's agenda* and ensuring that board meetings take place on a regular basis.

The chairman *represents the company to investors* and other outside stakeholders/constituents. He or she is often the 'public face' of the organisation, especially if the organisation must account for itself in a public manner. Linked to this, the chairman's roles include *communication with shareholders*. This occurs in a statutory sense in the annual report (where, in many jurisdictions, the chairman must write to shareholders each year in the form of a chairman's statement) and at annual and extraordinary general meetings.

Internally, the chairman ensures that directors receive relevant information in advance of board meetings so that all discussions and decisions are made by directors fully apprised of the situation under discussion. Finally, his or her role extends to *co-ordinating the contributions of non-executive directors* (NEDs) and *facilitating good relationships between executive and non-executive directors and the board and management.*

(b) Separation of the roles of CEO and chairman

Benefits of separation of roles

The separation of the roles of chief executive and chairman was first provided for in the UK by the 1992 Cadbury provisions although it has been included in all codes since. Most relevant to the case is the terms of the ICGN clause s.11 and OECD VI (E) both of which provide for the separation of these roles. In Singapore, this is covered by Principle 3 of the Code of Corporate Governance 2005.

The separation of roles offers the benefit that it frees up the chief executive to *fully concentrate on the management of the organisation* without the necessity to report to shareholders or otherwise become distracted from his or her executive responsibilities. The arrangement provides a position (that of chairman) that is *expected to represent shareholders' interests* and that is the point of contact into the company for shareholders. Some codes also require the chairman to represent the interests of other stakeholders such as employees.

Having two people rather than one at the head of a large organisation *removes the risks of 'unfettered powers'* being concentrated in a single individual and this is an important safeguard for investors concerned with excessive secrecy or lack of transparency and accountability. The case of Robert Maxwell is a good illustration of a single dominating executive chairman operating unchallenged and, in so doing, acting illegally. Having the two roles separated *reduces the risk of a conflict of interest* in a single person being responsible for company performance whilst also reporting on that performance to markets. Finally, the chairman provides a *conduit for the concerns of non-executive directors* who, in turn, provide an important external representation of external concerns on boards of directors.

Tutorial note: Reference to codes other than the UK is also acceptable. In all cases, detailed (clause number) knowledge of code provisions is not required.

Accountability and separation of roles
In terms of the separation of roles assisting in the accountability to shareholders, four points can be made.

The chairman scrutinises the chief executive's management performance on behalf of the shareholders and in conjunction with the remuneration committee of the board will be involved in approving the design of the chief executive's reward package. It is the responsibility of the chairman to hold the chief executive to account on shareholders' behalfs.

Shareholders have an identified person (chairman) to hold accountable for the performance of their investment. Whilst day-to-day contact will normally be with the investor relations department (or its equivalent) they can ultimately hold the chairman to account.

The presence of a separate chairman ensures that a system is in place to ensure NEDs have a person to report to outside the executive structure. This encourages the freedom of expression of NEDs to the chairman and this, in turn, enables issues to be raised and acted upon when necessary.

The chairman is legally accountable and, in most cases, an experienced person. He/she can be independent and more dispassionate because he or she is not intimately involved with day-to-day management issues.

In Singapore, companies may appoint a NED to be the lead independent director where the chairman and the CEO is the same person, where the chairman and the CEO are related by close family ties, or where the chairman and the CEO are both part of the executive management team.

(c) Corporate governance provisions varying by country
There is a debate about the extent to which corporate governance provisions (in the form of either written codes, laws or general acceptances) should be global or whether they should vary to account for local differences. In this answer, Vincent Viola's view is critically evaluated.

In general terms, corporate governance provisions vary depending on such factors as local business culture, businesses' capital structures, the extent of development of capital funding of businesses and the openness of stock markets. In Germany, for example, companies have traditionally drawn much of their funding from banks thereby reducing their dependence on shareholders' equity. Stock markets in the Soviet Union are less open and less liquid than those in the West. In many countries in Asia, including Singapore, business activity is concentrated among family-owned enterprises.

Against Vincent's view
Although business cultures vary around the world, all business financed by private capital have private shareholders. Any dilution of the robustness of provisions may *ignore the needs of local investors* to have their interests adequately represented. This dilution, in turn, may *allow bad practice, when present, to exist and proliferate.*

Some countries suffer from a poor reputation in terms of *endemic corruption and fraud* and any reduction in the rigour with which corporate governance provisions are implemented fail to address these shortcomings, notwithstanding the fact that they might be culturally unexpected or difficult to implement.

In terms of the effects of macroeconomic systems, Vincent's views *ignore the need for sound governance systems to underpin confidence in economic systems.* This is especially important when *inward investment needs* are considered as the economic wealth of affected countries are partly underpinned by the robustness, or not, of their corporate governance systems.

Supporting Vincent's view
In favour of Vincent's view are a number of arguments. Where local economies are driven more by small family businesses and less by public companies, *accountability relationships are quite different* (perhaps the 'family reasons' referred to in the case) and require a different type of accounting and governance.

There is a high *compliance and monitoring cost* to highly structured governance regimes that some developing countries may deem unnecessary to incur.

There is, to some extent, a link between the stage of economic development and the adoption of formal governance codes. It is generally accepted that developing countries need not necessarily observe the same levels of formality in governance as more mature, developed economies.

Some countries' governments may feel that they can use the laxity of their corporate governance regimes as *a source of international comparative advantage.* In a 'race to the bottom', some international companies seeking to minimise the effects of structured governance regimes on some parts of their operations may seek countries with less tight structures for some operations.

4 (a) Stakeholders

Definition
There are a number of definitions of a stakeholder. Freeman (1984), for example, defined a stakeholder in terms of any organisation or person that can *affect* or *be affected by* the policies or activities of an entity. Hence stakeholding can result from one of two directions: being able to affect and possibly influence an organisation or, conversely, being influenced by it. Any engagement with an organisation in whom a stake is held may be voluntary or involuntary in nature.

Tutorial note: any definition of a stakeholder that identifies bi-directional influence will be equally valid.

Importance of identifying all stakeholders

Knowledge of the stakeholders in the stadium project is important for a number of reasons. This will involve surveying stakeholders that can either affect or be affected by the building of the stadium. In some cases, stakeholders will be bi-directional in their stakeholding (claim) upon the stadium project. Stakeholders in the stadium project include the local government authority, the local residents, the wildlife centre, the local school and the football club's fans.

Stakeholder identification is necessary to gain an understanding of the *sources of risks and disruption*. Some external stakeholders, such as the local government authority, offer a risk to the project and knowledge of the nature of the claim made upon the football club by the stakeholder will be important in risk assessment.

Stakeholder identification is important in terms of assessing the *sources of influence* over the objectives and outcomes for the project (such as identified in the Mendelow model). In strategic analysis, stakeholder influence is assessed in terms of each stakeholder's power and interest, with higher power and higher interest combining to generate the highest influence. In the case, it is likely that the fans are more influential on the club's objectives than, say, the local wildlife centre, as they have more economic power over the club.

It is necessary in order to identify *areas of conflict and tension* between stakeholders, especially relevant when it is likely that stakeholders of influence will be in disagreement over the outcomes for the project. In this case, for example, the claims of the football club board and the local residents are in conflict.

There is a *moral case* for knowledge of how decisions affect people both inside the organisation or (as is the case with the stadium project) externally.

(b) Pristine capitalist and social contract approaches

Definitions

The pristine capitalist position sees economic performance as the primary and only legitimate goal of all business organisations, especially those owned by private shareholders. The *agency relationship is viewed as monofiduciary.* Any claim upon the organisation that would threaten the optimal profitability of the organisation is viewed as morally unacceptable as it would be an *effective theft of shareholder wealth.* It would also introduce economic inefficiencies that lead to the misallocation of capital resources. All such claims are therefore dismissed. The position is sometimes put as 'the business of business is business'.

The social contractarian position sees a business organisation as a citizen of society bound by society's norms and beliefs. Accordingly, organisations exist and thrive *only with a societal 'licence' to operate* in the same way that democratic governments only exist with the explicit consent of the governed. Discordance between organisational and societal values can result in the *withdrawal of support by society.* Accordingly, organisations seek to align themselves with social values, norms and expectations so as to maximise their social legitimacy. This sometimes necessitates modifying business objectives to take account of certain stakeholders' concerns.

Application to case

The pristine capitalist position *would recommend proceeding with the stadium project* notwithstanding local concerns. The reason is that the building of the stadium *offered the club the best way of maximising its primary strategic goals* by gaining larger crowds and thereby increasing revenues and obtaining more funds for players and other improvements.

Conversely, the social contractarian position would suggest that *the club only exists with the permission of its local stakeholders* (that could, collectively, harm the club) and accordingly, the *club needs to align its values with those of its key stakeholders* to continue to enjoy its 'licence' to exist. It may, therefore, need to amend its plans to continue to enjoy ongoing social support. It would be against the interests of the club to be seen to harm the interests of the school or the wildlife centre, for example, and so stadium plans may need to be amended accordingly to take their concerns into account.

(c) Fiduciary responsibility

Definition of 'fiduciary responsibility'

A fiduciary responsibility is a duty of trust and care towards one or more constituencies. It describes direction of accountability in that one party has a fiduciary duty to another. In terms of the case, the question refers to whose interests the directors of the football club should act in. Traditionally, the fiduciary duty of directors in public companies is to act in the economic interests of shareholders who invest in the company but are unable to manage the company directly. The case raises a number of issues concerning broadening the fiduciary duties of the directors of the football club with regard to the building of the new stadium, to other stakeholder groups.

The case for extending fiduciary responsibility

Although the primary fiduciary duty of directors in large public companies will be to shareholders, directors in businesses such as the football club described in the case may have good reason to broaden their views on fiduciary responsibility. This would involve taking into account, and acting in the interests of, the local wildlife centre, the residents, the school, the local government authority and the fans. The stakeholders in the case are not in agreement on the outcome for the new stadium and the club will need to privilege some stakeholders over others, which is a common situation whenever a proposal involving multiple impacts is considered. The specific arguments for broadening the fiduciary duties in this case include the following:

Such an acceptance of claims made on the football club would clearly demonstrate that the *club values the community* of which it considers itself a part.

It would help to maintain and *manage its local reputation,* which is important in progressing the stadium project.

To broaden the fiduciary responsibility in this case would be to an important part of the *risk management strategy,* especially with regard to risks that could arise from the actions of local stakeholders.

It could be argued that there is a moral case for all organisations to include other stakeholders' claims in their strategies as it *enfranchises and captures the views* of those affected by an organisation's policies and actions.

1 **(a)** Up to 2 marks for definition of transparency.
1 mark per relevant point on advantages of transparency up to a max of 3 marks.
1 mark per relevant point on reasons for confidentiality or concealment up to a max of 3 marks.
Up to 2 marks for relevance to case.
(10 marks)

(b) Up to 2 marks for each Kohlberg level identified and described up to a maximum of 6 marks.
Up to 2 marks for each person's position identified with reasons/evidence from the case. 1 mark for identification only.
(12 marks)

(c) 2 marks for each NED role identified and briefly explained up to a maximum of 8 marks.
4 marks for discussion of tension in advising on reserve overestimate.
(12 marks)

(d) **(i)** 1 mark for each relevant point made on importance of internal control up to a maximum of 6 marks.
(ii) Up to 2 marks for each relevant point identified and examined up to a maximum of 6 marks.

Up to 4 professional marks for structure, content, style and layout of letter.
(Up to a maximum of 16 marks)

(Total 50 marks)

2 **(a)** Risk strategies:
Half mark for identification of each strategy up to a maximum of 2 marks.
1 mark for each strategy explained up to a maximum of 4. (Four from the five listed strategies needed to get maximum marks)

Risks in case: 2 marks for each risk identified from case with an appropriate strategy identified and explained.
(Up to a maximum of 6 marks)
(12 marks)

(b) 1 mark for each relevant point made on 'embedding' up to a maximum of 4 marks.
Up to 2 marks for recognition of the importance of culture in embedding risk.
(Up to a maximum of 5 marks)

(c) 1 mark for each relevant point made on benefits of PRP up to a maximum of 5.
1 mark for each relevant critical comment made on Choo's reward package up to a maximum of 5.
(Up to a maximum of 8 marks)

(Total 25 marks)

3 **(a)** 1 mark for each relevant role clearly identified. (5 marks)

(b) 'Cross mark' points made in these answers.
Benefits of separation of roles: Up to 2 marks for each point identified and assessed as an argument.
(Up to a maximum of 10 marks)
Accountability and separation of roles: 1 mark for each point made explaining the comment up to a maximum of 4 marks.
(Up to a maximum of 12 marks)

(c) 'Cross mark' points made/issues raised in the two parts of this answer.
1 mark for each relevant point made on why corporate governance provisions should not vary by country, up to a maximum of 5 marks.
1 mark for each relevant point made on why corporate governance provisions might vary by country up to a maximum of 5 marks.
(Up to a maximum of 8 marks)

(Total 25 marks)

4 **(a)** 1 mark for each relevant point made on definition of 'stakeholder' up to a maximum of 2 marks.
Up to 2 marks for each relevant point on the importance of stakeholder identification up to a maximum of 8 marks.
(10 marks)

(b) 2 marks for description of pristine capitalist position.
2 marks for description of social contractarian position.
1 mark for each relevant point made applying the theories to the case up to a maximum of 4.
(8 marks)

(c) 1 mark for each relevant point made defining 'fiduciary responsibility' up to a maximum of 3 marks.
1 mark for each relevant point made in favour of extending fiduciarity up to a maximum of 4 marks.
(7 marks)

(Total 25 marks)