

"A corporate entity must report publicly and must be accountable of their actions" (this rule was not implemented because it was seen as eroding managerial power, so recommendations were made to report more to stakeholders that are primarily affected by decisions. (Book: Tricker p.503 part. 6)

6. Name some corporate collapses in the 1980s that led to the first studies of CG?

Book: Tricker 503 p.7

Polly Peck Collapse - Polly Peck International grew rapidly in the 1980s from a small British textiles company to a vast FTSE 100 conglomerate corporation, but imploded in 1990 with debts of £1.3bn amid claims of gross mismanagement and fraud. The founding CEO Asil Nadir fled from prosecution to Cyprus in 1993. Polly Peck was one of a few scandals which prompted the 1991/2 Cadbury Committee and Code on Corporate Governance, internationally the first of its type. Nadir returned to the UK to face the court and was found guilty of £multi-million theft and sentenced to 10 years imprisonment in 2012.

BCCI collapse - The Luxembourg-registered Bank of Credit and Commerce International (BCCI) was founded in 1972 by Agha Hasan Abedi, with HQs in Karachi and London. By 1982 BCCI operated in 78 countries, with over 400 branches, and assets exceeding \$20bn, making it the 7th largest private bank in the world. Following regulatory concerns and investigations BCCI was found to be established fraudulently, trading illegally on a vast scale, including money-laundering, and in 1991 regulators raided and shut its operations in seven countries. Legal actions involving \$100s of millions persisted for more than ten years including substantial damages settlements from BCCI auditors Price Waterhouse and Ernst & Young. The BCCI scandal was a major prompt, along with Polly Peck's collapse, for the 1991/2 UK Cadbury Committee on Corporate Governance.

Guinness Scandal - A share-price manipulation fraud of the late 1980s related to the acquisition by Guinness plc of United Distillers plc drinks company, in which The Guinness plc CEO Ernest Saunders and three others were convicted and (three of the four) imprisoned for secretly and illegally inflating the value of Guinness shares to help secure the acquisition. Amusingly, Saunders later gained early release from prison due to contracting the incurable Alzheimer's disease, from which later he made a miraculous full recovery. Guinness later changed its plc name to Diageo.

Exxon Valdez Disaster - This was a huge oil spill off Alaska when the Exxon Valdez tanker ran aground in 1989, resulting in protracted litigation and fines of hundreds of millions for ExxonMobil.

Bhopal Disaster - A gas leak at US Union Carbide's joint-venture Indian plant in 1984 killed thousands of people immediately, and many thousands more subsequently, producing fines of hundreds of millions for the plant's US and Indian owners.

Others:

- Carrian Group - 1983
- Texaco - 1987
- Quintex - 1989
- Lincoln Savings and Loan Association - 1989

7. What was the first official report on corporate governance and why was it commissioned?

Book: Tricker page. 25