

**CORPORATE  
OWNERSHIP & CONTROL**

Postal Address:

Postal Box 36  
Sumy 40014  
Ukraine

Tel: +380-542-698125  
Fax: +380-542-698125  
e-mail: alex\_kostyuk@virtusinterpress.org  
www.virtusinterpress.org

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## EDITORIAL

*Dear readers!*

The recent issue of the journal *Corporate Ownership and Control* pays attention to issues of corporate social responsibility, risks management, audit issues, corporate codes etc. More detailed issues are given below.

*Julien Bilodeau, Franck Missonier-Piera* investigate the use of covenants in debt contracts as well as the role played by accounting numbers in those contracts. *Shamharir Abidin, Mohammed Abobaker Baabbad* investigate the extent to which Yemeni auditors use analytical review procedures during the audit of client's financial statements. *Md. Jahidur Rahman* provides the analysis of the changes that the prohibition of the non-audit services by section 201 of SOX brought in the relationship between the audit fees and non-audit fees. *Jayalakshmy Ramachandran* investigates Corporate Governance in Airline Industry of five different countries that are listed on 2013 Index of Economic Freedom provided by the Heritage foundation. *Michele Bonollo, Irene Crimaldi, Andrea Flori, Fabio Pammolli, Massimo Riccaboni* draw an organic picture of the current regulations, moving from the definitions of systemic risk to the issues concerning data availability. *Hamide Özyürek* carried out the study in order to find out the applicability of time-driven activity based budgeting method at manufacturing companies in Turkey.

*Hamdouni Amina* extends and tests the implications of two extant static agency models making opposite predictions.

*Nikolaos Sariannidis, George Konteos, Grigoris Giannarakis* investigate the impact of a plausible set of determinants, namely, greenhouse gas (GHG) emissions, Dow Jones Sustainability Index (DJSI), anti-bribery policy, the industry's profile and the company's size on the extent of CSR disclosure in the United States (US). *Hassan M. Hafez* checks if the concept of the CSR is widely applied to local, international and Islamic banks operating in Egypt over the interim period from 2005 to 2013 and if there is a difference in the application.

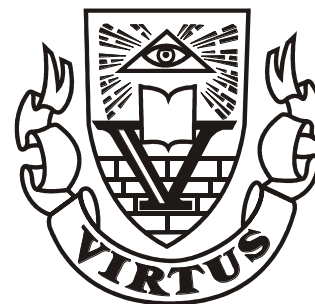
*Suren Pillay, Pieter Buys* explore the policy decision to implement the carbon tax within the context of socially responsible governance in the motor vehicle manufacturing industry. *Gciniwe Khumalo, Lucian J. Pitt* test the relationship between the firms' corporate social responsibility (CSR) disclosures, the extent of media exposure it enjoys and its size, profitability and leverage. *Jonty Tshipa* examines corporate governance compliance by South African listed firms.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

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*Julien Bilodeau, Franck Missonier-Piera*

This paper investigates the use of covenants in debt contracts as well as the role played by accounting numbers in those contracts. More specifically, it provides evidence that covenants, and more importantly accounting based covenants, are used in a cost effective way in these contracts. It also provides a unique description of the types of covenants and accounting numbers which are used in a large sample of loan issued to small Canadian firms.

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*Michele Bonollo, Irene Crimaldi, Andrea Flori, Fabio Pammolli, Massimo Riccaboni*

The recent financial crisis highlighted the relevant role of the systemic effects of banks' defaults on the stability of the whole financial system. In this work authors draw an organic picture of the current regulations, moving from the definitions of systemic risk to the issues concerning data availability. They analyse how the new regulatory framework allows regulators to describe OTC derivatives markets according to more detailed partitions, thus depicting a more realistic picture of the system.

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*Hamide Özyürek*

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**DIVIDEND POLICY AND CORPORATE GOVERNANCE IN SAUDI STOCK MARKET: OUTCOME MODEL OR SUBSTITUTE MODEL?**

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*Hamdouni Amina*

Theories suggest that corporate governance mechanisms affect corporate dividend policies. This study extends and tests the implications of two extant static agency models making opposite predictions. The outcome model predicts an increase in dividends when the corporate governance mechanisms improve, because shareholders are better able to force managers to disgorge cash. In contrast, the substitute model suggests that an improvement in the corporate governance mechanisms reduces the role of dividends in controlling agency costs, leading to a decrease in dividends. This paper investigates the dividend policy for firms listed on Saudi Arabia Stock Exchange.

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*Nikolaos Sariannidis, George Konteos, Grigoris Giannarakis*

This paper investigates the impact of a plausible set of determinants, namely, greenhouse gas (GHG) emissions, Dow Jones Sustainability Index (DJSI), anti-bribery policy, the industry's profile and the company's size on the extent of CSR disclosure in the United States (US). The Environmental, Social and Governance (ESG) disclosure score is used as a proxy for the extent of CSR disclosure calculated by Bloomberg, incorporating different - in terms of importance - disclosure items. The relationship between the extent of CSR disclosure and its determinants was examined using multiple linear regression analysis incorporating 133 companies listed in S&P Composite 1500 Index for the year 2011. The results illustrate that the company's size, GHG emissions, DJSI and anti-bribery policy are significantly positively associated with the extent of CSR disclosure.

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*Hassan M. Hafez*

Due to the significance of the banking sector in the stability and welfare of any economy; it is important to constantly monitor and evaluate its performance. Most banks have incorporated social

practices in their business operations regardless of the managers' real intentions of whether it is for the corporate image that might lead to better performance; or it is for the well being of the environment or society overall. Consequently, the purpose of this study is to check if the concept of the CSR is widely applied to local, international and Islamic banks operating in Egypt over the interim period from 2005 to 2013 and if there is a difference in the application. The difference in performance will be tested for statistical significance using one way ANOVA tests. The statistical study conducted on 35 banks categorized under Local commercial, International and Islamic banks are operating in Egypt.

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*Suren Pillay, Pieter Buys*

Socially responsible corporate governance is an essential aspect of the contemporary corporate environment, and then especially in ensuring continuous sustainable development within a South African context. As such, it also encompasses broad environmentally focused aspects. The motor vehicle manufacturing industry in South Africa was among the first to be faced with the implementation of carbon taxes. This paper explores the policy decision to implement the carbon tax within the context of socially responsible governance in the motor vehicle manufacturing industry. The research methodology applied incorporates both review of supporting literature and an exploratory empirical case study. The research suggests that the industry is cognizant of the importance of environmental damage costs and their responsibility therein, while also indicating that corporate social investment in this industry was non-responsive to the implementation to carbon tax. The results also suggest that the current carbon tax rate may be adequately priced and is an effective instrument in lowering greenhouse gas emissions.

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*Gciniwe Khumalo, Lucian J. Pitt*

This paper tests the relationship between the firms' corporate social responsibility (CSR) disclosures, the extent of media exposure it enjoys and its size, profitability and leverage. The study is confined to firms who meet the Johannesburg Stock Exchange (JSE) criteria for inclusion in its Social Responsibility Index (SRI) and as such the focus is on those firms who are perceived to display best practice with regard to social responsibility. The objective of the study is to determine which factors act as drivers for CSR disclosure. The study uncovered statistically significant positive relationships between CSR disclosures and industry environmental impact as well as media exposure. Legitimacy theory was found to best explain the drivers of CSR disclosure among listed companies in South Africa.

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*Jonty Tshipa*

The paper examines corporate governance compliance by South African listed firms. The study seeks to explore if better governed firms exhibit greater financial performance than poorly governed firms. The paper employs a panel study methodology for a sample of 137 Johannesburg Stock Exchange (JSE) listed firms between 2002 and 2011. The paper provides empirical insights about the impact of corporate governance on firm performance. The results show that the compliance levels to corporate governance in South Africa (SA) has been improving since 2002 when King II came into force. However, the compliance level in large firms appears to be higher than in small firms. Further, the findings show that the market value of large firms is higher than that of small firms. These results largely support the notion that better governed firms outperforms poorly governed firms in terms of financial performance.

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#### **SUBSCRIPTION DETAILS**

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