A Review of Disclosure Provisions in Malawian Codes of Corporate Governance

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Abstract

The study was aimed at evaluating the extent of incorporation of disclosure provisions in the Malawian Codes of corporate governance in line with the OECD principles of corporate governance. The study used content analysis to examine the Codes i.e. the "Old Code", "Revised Code" and "RBM Code". An Incorporation index was computed based on a disclosure checklist. The results suggest low level of incorporation of disclosure provisions both in the Old Code (0.35) and the Revised Code (0.30). Besides, the results indicate that the revision of the Code did not improve the disclosure provisions but rather worsen them. On the other hand, the study found high level of incorporation in the RBM Code for banks (0.70). The results indicate that more work is still needed to improve disclosure provisions in the Revised Code, thus the study recommends a comprehensive review of the Revised Code to march to international standards.

Keywords: Corporate governance, corporate governance disclosures, incorporation index

1. Introduction

According to ROSC (2007) corporate governance (CG), refers to the structures and processes for the direction and control of companies. Bhasin (2012) stated that CG involves a set of relationships between a corporation's management, its board, its shareholders and other stakeholders. Solomon and Solomon (2004) cited in Onakoya et al. (2012) defined it as the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity. At the moment CG has no single acceptable meaning (Agamah, 2013). However there is consensus of its importance to the organisations and the entire economy. Furthermore there is general agreement that it is premised on the pillars of integrity, probity, independence, accountability, responsibility, fairness and transparency. Besides, it is acknowledged that good CG contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital (ROSC, 2007). In relation to developing economies, Samaha et al. (2012) pointed out that CG helps them to realise high and sustainable rates of growth, increase confidence in the national economy, deepen the capital market and increase its ability to mobilise savings. On the other side, weak CG frameworks reduce investor confidence, and discourage outside investment (ROSC, 2007). On company level, poor CG is recognised as a route to organizational failure (Biobele et al., 2013). Thus, CG is an issue of achieving sustainable competitive advantage (Biobele et al., 2013).

As a result, countries are adopting CG frameworks. However, resource-constraints forces other countries especially in developing world either to adopt fully or develop their CG frameworks based on already existing CG frameworks of other countries or international organisations. The adoption or development involves minor or major modifications to suit the local context. According to Mulili and Wong (2011) CG must be based on factor unique to a country such as the legal and financial system, corporate ownership structures, culture and economic circumstances. However, the process of modification has its own dangers, one of it being dilution of the basic standards. The expectation is that the modifications should be made solely with the view of matching the CG to local environment whilst upholding or strengthen the basic CG standards.

The study focuses on a country Malawi which recently revised her Code. The revision was necessitated upon realisation that the "Old Code" though drawn from internationally recognised codes was wanting. That rendered it less useful as companies continued to make reference to the internationally recognised codes instead of it (Institute of Directors of Malawi, 2010). This was a clear indication that local companies realise the importance of credibility of a Code they use.

Generally it is acknowledge that due to globalisation credible CG disclosures must reflect the international perspective (Biobele et al., 2013). Thus the purpose of the study was to empirically evaluate extent of incorporation of disclosure provisions in the current CG codes of Malawi in line with the disclosure provisions of OECD principles of CG. The study was significant as it presents an empirical evaluation of one of the important pillars of CG which is also pervasive as it impacts on the other pillars. The study informs the policy makers of the gaps that needs filling in order for Malawi to have a robust CG systems. Furthermore it contributes to literature on the CG from developing countries, moreover from Africa. Generally, despite the increasing body of academic research with regard to CG (ROSC, 2007), much is limited to developed countries, and relatively much less from developing and emerging nations and Africa (Samaha et al., 2012; Okeahalam, 2004; Nganga et al., 2003). Besides, Okeahalam (2004) recognised an urgent need to embark on meaningful analysis and development of policy on CG in Africa. The rest of the paper is structured as follows. The second section briefly discusses the CG developments in Malawi, followed by the review of importance of CG disclosure as provided by extant literature in section three. Section four discusses the research methodology employed and section five presents the findings and the resultant discussion. Section six gives concluding remarks and recommendations.

2. Corporate governance developments in Malawi

This section traces the important landmarks achieved in Malawi over the years in relation to CG. Generally, in spite of the fact that CG originated in the nineteenth century (Fletcher, 1996 and Vinten, 2001cited in Mulili and Wong, 2011), according to Parker (1996) cited in Mulili and Wong (2011) the concept began to be used and spoken about more commonly in the 1980s. However, the first ever open and meaningful discussion on CG in Malawi took place in 1997 at a conference that was organised by the Society of Accountants in Malawi (SOCAM) (SOCAM, 2001). The participant appealed for the formation of CG committee to broadly look at issues of CG in Malawi, in process come up with the CG code and further consider the necessity of establishing an Institute of Directors (SOCAM, 2001). As a result, CG taskforce was constituted in 1998. Consultations and discussions followed that resulted in the development and subsequent adoption of the Code of best practice for CG in Malawi (hereafter referred as the Old Code) in 2001. It is referred as the Old Code as it has since been replaced by a new revised code.

According to the framers, the Old Code was drawn from recognised codes of CG such as the South African King Report, the Kenyan Principles and Sample Code and the Guidelines of the Commonwealth Association for CG (SOCAM, 2001). The Old Code was voluntary, principle-based and was intended to be applicable to all enterprises in Malawi. The basis of the code was the recognition that society was demanding greater accountability and transparency from institutions and enterprises regarding their affairs (SOCAM, 2001).

Besides, another important landmark was the establishment of the Institute of directors of Malawi in 2003. The institute's primary aim was the promotion of good CG in Malawi (www.iod.mw). Its two major objectives include being the custodian of the Malawian CG code and promoter of its compliance and of effective CG generally i.e. the proper function of the board of directors and other senior managers in companies of all sizes (www.iod.mw). Other objectives are educating directors and senior managers of their legal, moral and general rights, duties and responsibilities; advancing competence and knowledge of its members; taking an effective interest in legislation in order to ensure preservation of basic commercial freedoms and rights and maintenance of conducive climate for sustainable economic growth; providing effective voice for directors and executives in public affairs; and upholding the concepts of formal business entity and its importance to free enterprising (www.iod.mw).

In spite of its adoption, the Old Code was not widespread accepted. This was manifested by the continual reference to the compliance with foreign codes such as King and Cadbury Code by companies in their annual reports including in the listings requirements issues by Malawi Stock Exchanges in 2008 (Institute of Directors of Malawi, 2010; MSE, 2008). Undoubtedly this was an indication that the code lacked credibility and thus a need for a stronger code (Institute of Directors of Malawi, 2010). This was also confirmed by a report on observance of standards and codes issued at the conclusion of a country assessment carried out by the World Bank in 2007. The report (ROSC, 2007) highlighted that one of the major obstacles facing Malawi was the existing laws and regulations (including the Code of CG) which needed harmonisation and updating. Thus ROSC (2007) recommended: (1) a comprehensive review of the Companies Act and updating of the Code of CG; (2) incorporation into the Code of CG explicit protection against unfair related party transactions; (3) revision of the non-financial disclosure framework for listed companies; and (4) swift action by the government to strengthen the CG framework for parastatal companies.

Following up on the recommendations the Institute of Directors of Malawi issued the updated Malawi Code II (hereafter referred as the Revised Code) in 2010. The framers indicated that the revision of the Code was the first step; the next step will involve development of sectoral specific Codes (Institute of Directors of Malawi, 2010). As such, the revised Code was intended to contain more general provisions as relevant specific provisions will be made in the sector specific Codes. The Revised Code is principle-based and voluntary and was the primary research object of the study.

Besides, another important CG development was the issuance of the CG guidelines for Malawian banks (hereafter referred as the RBM Code) in 2010 by the Reserve Bank of Malawi (RBM). The RBM Code is principle-based; however unlike the others it is mandatory. According to Reserve Bank Malawi (2010) the RBM Code was issued in lieu of directive in accordance with the Banking Act, 1989. At the moment, in Malawi there are two codes in force; the Revised Code and the RBM Code.

3. Importance of Corporate governance disclosure

The concept of CG is currently acknowledged to play an important role in the management of organizations (Mulili and Wong, 2011). According to Onakoya et al. (2012) the overall effect of good CG should be to strengthen investor's confidence in the economy of the country. Mulyadi and Anwar (2011) posited that good corporate disclosure is one of the best measures for the three principles of good CG namely transparency, accountability, and responsibility. In fact according to Wong et al. (2010) the whole rationale of CG includes the concept of disclosure or transparency, while Bhasin (2012) posited that the timely disclosure is core to good CG.

The disclosures bear testimony of CG systems in place and gives opportunity to the external stakeholders to assess it. It is the results of assessment that strengthen the confidence of the stakeholders. Thus, CG framework without disclosure stipulations is incomplete and cannot serve as an effective tool. As such CG framework should ensure timely and accurate disclosure of all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company (OECD, 2004). In agreement Sternberg's (2004) cited in Agamah (2013) posited that effective CG takes place when directors (and employees and other agents) are held accountable for their conduct and the use of the company's resources, through the use of directors' powers and duties; periodic reporting, and timely and accurate disclosures to shareholders. The importance of disclosure and the awareness of the same are manifested by the inclusion of transparency/disclosure section in CG codes worldwide, with clear stipulations of what must be disclosed to the stakeholders. Besides within the other sections, disclosure provisions are also imbedded. This is an apparent recognition that stakeholders not only require the implementation of sound CG but they are also demand clear disclosures on governance (Biobele et al., 2013).

CG disclosures generally have far-reaching impact on the whole CG system. Illustrating the pervasiveness of disclosure on the pillars of transparency, accountability and responsibility, Mulyadi and Anwar (2011) posited that:

> *"By issuing a good corporate disclosure, a corporation provides important and relevant information for stakeholder (transparency), being accountable of their performance from financial report/financial statement (accountability), and also follow the regulation that public company required to submit their report to capital market supervisory board (responsibility)."*

CG disclosures are essential both to the organisation and its stakeholders. They act as preventive measures of future problems by requiring increased transparency market discipline is imposed earlier and more effectively (Hossain, 2008). Furthermore, a credible CG disclosure is vital for more efficient allocation of resources (Hossain, 2008; Biobele et al., 2013). On the other hand, the absence of CG disclosures dissuades investment and capital inflow, affects organisations' total assets, patronages for their goods and services and accruable profits (Biobele et al., 2013). This was confirmed by a study of Mulyadi and Anwar (2011) who were attempting to answer whether corporate disclosure matter to investors. They concluded that good CG matters to investors when they view a good corporate disclosure as an element of their investment decision. Apparently in the current era of corporate scandals disclosures are essential to decision-making, as observed by Bhasin (2012) disclosure enables the shareholders to evaluate the management's performance by observing how efficiently the management is utilising the corporation's resources in the interest of the principal.

Finally, Bhasin (2012) observed that corporate disclosure is evidently a very important aspect of CG as meaningful and adequate disclosure enhances good CG.

Thus, Onakoya et al. (2012) in attempting to capture all essential features of CG summarised that CG is about building credibility, ensuring transparency and accountability as well maintaining an effective channel of information disclosure that would foster good corporate performance.

4. Research methodology

The study involved evaluation of disclosure provisions in the current Malawian Codes i.e. the Revised Code and RBM Code, in line with the disclosure provisions of the OECD principles of CG. The Old Code was also evaluated to measure the impact of the revision in improving the disclosure provisions. The OECD framework was used consistent with ROSC (2007) which was also a major influence and basis of the revision of the Old Code. OECD framework also reflects internationally recognised principles of CG. **TABLE 1** presents the disclosure provisions of the OECD principles of CG as provided in a section called "disclosure and transparency". As can be noted the provisions are divided into eight (8) disclosure categories; financial and operating results, company objectives, board and remuneration, related party transactions, issues regarding employees and other stakeholders, governance structure and policies, major share ownership and voting rights, and foreseeable risk factors. These eight (8) categories are further subdivided into twenty seven (27) disclosure items.

TABLE 1: Disclosure Provisions Checklist

A. The financial and operating results of the company	**E. Issues regarding employees and other stakeholders.**
Financial statements including the notes	Management/Employee relations
Management's discussion and analysis	Relations with other stakeholders e.g. creditors, suppliers, local communities
Off-balance sheet items	Human resources policies
B. Company objectives.	**F. Governance structures and policies**
Commercial objectives	Comply or explain basis
Business ethics	Company's governance structure and polices
Environment	Procedures for shareholder meetings
Public policy commitment	Assessment of governance - board evaluation
C. Board and Remuneration	**G. Major share ownership and voting rights.**
Information about board members; qualifications, age, experience	Major shareholders
Selection process	Shareholder agreements
Independence status of members	Special voting rights
Directorships in other companies	Beneficial ownership
Remuneration policy for members of board and key executives	Cross shareholding relationships
Disclosure of remuneration on individual basis	
D. Related party transactions	**H. Foreseeable risk factors.**
Details of transactions involving major shareholders and board members, key executives (or their close family, relations)	Risk management systems

The evaluation was done using content analysis based on the disclosure provision checklist (**TABLE 1**). The analysis process was carried out in three stages; (1) checking if the particular item was mentioned anywhere in the particular Code; (2) if mentioned, checking whether it was provided as a disclosable item; and then (3) further check whether vehicle of its disclosure was specified. The Analysis was based on understanding that an item of disclosure can be incorporated within the code without any explicit indication that it should be disclosed by compliant organisations. Furthermore, it is possible to provide that it should be disclosed, without providing where and how it should be disclosed. The study considered full incorporation to include (1) recognition of an item within the CG Code, (3) provision as a disclosable item, (3) specific stipulation of the vehicle of disclosure.

The scoring methodology was used is consistent with other related studies (Hossain, 2008; Bhasin, 2012; Biobele et al., 2013). Thus, if the item is merely mentioned in the particular Code it was awarded a score of '1' or '0' if not. If it was mentioned and provided as a disclosable item, a further score of '1' was awarded.

Furthermore, if the vehicle for the disclosure was specified an additional score of '1' was awarded. Thus the maximum total score for each item on the checklist was '3' and of the entire code, "81". To measure the extent of incorporation, an incorporation index was thus calculated using a model which was employed by Boolaky (2011):

$$TII = \frac{TS}{M}$$

Where: TII = Total Incorporation Index
TS = Total actual score
M = Maximum score

Furthermore, to measure the incorporation gap an incorporation gap index was calculated. The Incorporation gap index obtained by taking actual incorporation score from 1 (Boolaky, 2011), thus consistent with Boolaky (2011) the following model was used:

$$Incorporation\ Gap\ Index = 1 - (TII = \frac{TS}{M})$$

Finally to measure the impact of the revision of the code, the incorporation index of the Old Code was subtracted from that of the Revised Code on the item by item basis and also on a Code basis (Boolaky, 2011). The expected sign was positive (+) indicating improvement in the incorporation of the disclosure provisions.

5. Results and discussion

This section is divided into two; part one is the documentation of the disclosure provisions contained in the three Codes under the study, while part two provides the results of analysis of the levels of incorporation using the incorporation index and the incorporation gap index.

5.1 Review of the corporate governance codes

5.1.1 Old code

The review of the Old Code indicated that the Code regarded disclosure as essential and recognised the annual report as the main vehicle for CG disclosures. Furthermore the Code seems to recognise the director's report within the annual report as an appropriate location. Thus is stipulated issuance of a directors' report within annual report (p. 6). In recognising the importance of the disclosure to the society at large, the Code provided that communication by the organisations must be made in the context that society that was demanding greater transparency and accountability from corporations regarding their non-financial affairs including, for example, employment policies and environmental issues (p. 6).

The Code further recognised relevance and reliability as important qualities of the disclosure, thus it stipulated that the reports should be clear and succinct, balanced, objective, easy to understand and should include all the relevant information that may be useful to investors (p. 6). The Code also recognised the directors to be responsible for reporting, thus it provided that the directors should report on the following matters in their annual report (p. 6 & 7):

a) *The directors' responsibility to prepare financial statements that show a true and fair view of the enterprise's state of affairs as at the end of the financial year and the profit or loss for that period.*
b) *The maintenance of adequate accounting records and an effective system of internal controls.*
c) *The consistent use of appropriate accounting policies supported by reasonable and prudent judgements and estimates.*
d) *Adherence with applicable accounting standards or, if there has been any departure in the interests of fair presentation, it must not only be disclosed and explained but also quantified.*
e) *That there is no reason to believe the business will not be a going concern in the year ahead or an explanation of any reasons otherwise.*
f) *The Code has been adhered to or, if not, in what respects there has not been adherence.*

Furthermore in terms of remuneration the Code provided for "a separate, full and clear disclosure in the annual report of the aggregate amount of the executive and non-executive directors' earnings and benefits (p. 5). Besides, the Code recognised the importance of annual general meeting for the shareholders to freely interact with the directors (p. 6).

5.1.2 The Revised Code

The review of the Revised Code indicated also that annual report is still regarded as the vehicle for disclosure and within it the director's report as the main location. The Code also recognised the current demand of greater transparency, accountability and responsibility from organisations by the society and further requires the organisations to consider making regular, timely, balanced and understandable statements about their activities, performance and future prospects (p. 23). The Code entrust the board with ensuring that the integrated reporting by the organisation is accurate and truthful, at the time of disclosure (p. 14). Besides, it requires the organisations where it is in their best interests; to disclose publicly their reasons for making decisions which may appear compromised due to a perceived conflict of interest of the members making the decision (p. 23).

The Code makes the following specific CG disclosure provisions:

1. *Organisations should agree in advance the type of [board] evaluation suitable for their organisation and how to measure and report it in the organisation's Directors' or Annual Report (p.14).*
2. *An organisation should disclose, at least on an aggregate basis, in its Directors' or Annual Report the remuneration, bonuses and other benefits received by Members of the Board (p. 18).*
3. *Owners should be informed of any "related party transaction" that may significantly affect the current and or future financial position, the performance, the capacity, the opportunities and/or the risks of the organisation. Such disclosure should explain what the nature of the transactions is and how the potential conflicts of interest or other risks for the organisation are being avoided and/or mitigated (p. 21).*
4. *Organisations should report on how they have both positively and negatively impacted on the environment and on the economic and social life of the community in which they operate and how they believe they can improve the positive and eradicate or lessen the negative aspects in the coming year (p. 22).*
5. *Sustainability reporting and disclosure should be integrated with the organisation's financial reporting (p. 23).*
6. *Organisations in their annual or directors' reports should state whether the Code has been adhered to or, if not, explain with reasons in what respects it has not been adhered to (p. 11).*

5.1.3 RBM code

The review of the RBM Code indicated that it has made clear and extensive disclosure provisions. Similar to the others, the RBM Code recognises the annual report as the main vehicle for CG disclosures. The following are the specific disclosures made in the Code:

1. *Every board committee shall have a clear, formal charter that sets out its role, schedule of meetings and delegated responsibilities whilst safeguarding the ultimate decision making authority of the board as a whole. The summary of the charter and membership of each board committee shall be published in the annual report (p.8).*
2. *The annual report of banks shall include information on the name, age, experience, education, affiliation, and committee membership of each director. The reports should also identify which directors are independent, and include the respective dates of the board members' appointments and their percentage shareholding in the institution and other companies if applicable (p.11)*
3. *[Board]Attendances shall be disclosed in the annual report (p.11)*
4. *The [board] evaluation shall be conducted annually, and every institution shall be required to disclose in the annual report that this has been done (p.14).*
5. *The board shall attest in a statement on the adequacy of accounting records and effectiveness of the system of internal controls and risk management, and this statement shall be included in the annual report (p.21).*
6. *The annual report shall include a statement confirming that appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently (p.21):*
    - *The annual report shall also state whether the International Financial Reporting Standards have been adhered to or if there has been any departure in the interest of fair presentation, this shall not only be disclosed and explained but quantified.*
    - *The annual accounts shall give the institutions corporate social responsibility and activities both negative and positive.*
    - *The annual report shall state whether these corporate governance guidelines have been adhered to or, if not, where there has not been compliance the institution shall give reasons.*

7. *Accurate disclosures in the annual report shall be made in the following areas (p.22):*
   - *Basic organisational structure; major share ownership and voting rights, beneficial ownership, major shareholder participation on the board or in senior management positions;*
   - *Board and senior management structure with qualifications and experience;*
   - *Nature and extent of transactions with affiliates and related parties including any institutional matters for which members of the board or senior management have material interests either directly, indirectly or on behalf of third parties;*
   - *Remuneration policy for members of the board and information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board; and*
   - *Foreseeable risk factors.*
8. *The board shall have a clear policy for setting remuneration of executives and nonexecutive directors at levels that are fair and reasonable in a competitive market for the skills, knowledge, experience, nature and size of the institution. Every institution shall provide clear disclosure of its remuneration and bonus scheme policies, level and mix of remuneration and bonus, and the procedure for setting the same in the annual report (p.23).*
9. *Every institution shall provide full disclosure in the annual report of director remuneration on an individual basis, giving details of earnings, share options, restraint payments and any other benefits (p.23).*
10. *The board shall include in its annual report information on risk management and internal controls (p.24).*
11. *The board shall include a statement in the annual report that the directors are satisfied to the best of their ability, that all material risks are being managed effectively (p.25).*
12. *The board shall include in the annual report the amount of fees paid to the auditors by the institution and its affiliates and clearly distinguish audit and non-audit fees (p.28).*
13. *The board shall explain in the annual report what non-audit work was undertaken if any, and why this did not compromise auditor independence (p.28).*
14. *Banks shall include in their annual report information of their activities, performance and how they have served the interests of their stakeholders (p.29).*
15. *Banks shall include in their annual report the nature and extent of their social activities, ethical, safety, health and environmental management policies and practices. The board must determine what is relevant for disclosure, having regard to the institution's particular circumstances (p.29).*

It was noted that although the three Codes recognise annual report as the main vehicle, they all to a larger extent left discretion to organisations to decide on the form and location of the disclosures. According to Bhasin (2012) some degree of "harmonisation" of the location is desirable to make the relevant data more accessible. Biobele et al. (2013) recognised also the greater need for concise and comparable reports due to the increasing sophistication of CG disclosure issues. Specific location will accord users ease in accessing the information and consequently in assessing the organisation and in making appropriate comparisons. The two possible approaches suggested by Bhasin (2012) included putting all CG disclosures in (1) a "separate section" of the annual reports, or (2) in a stand-alone "CG reports".

Furthermore it was noted that the three codes have no disclosure checklist as a guide and to ensure that at least some important minimum information is disclosed. Basically an explicit disclosure checklist can be provided for indicative and standardisation purposes, thus ensuring that there is no leeway. The checklist will ensure explicitness and according to Adamu (2013) explicit regulation is the most powerful driver of corporate disclosure.

5.2 Extent of incorporation

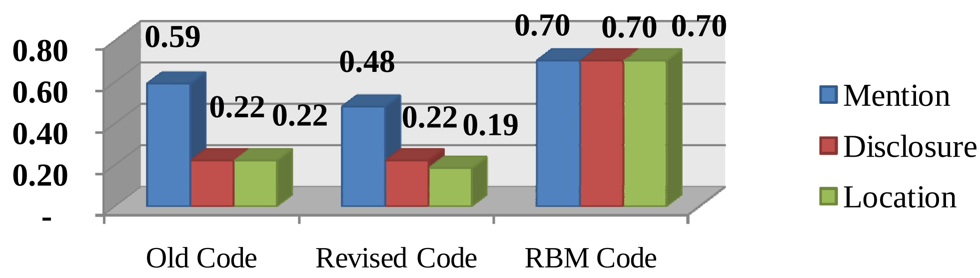
5.2.1 Level of incorporation

The individual scores of the twenty seven (27) items are present in **TABLE 5** (see the **APPENDIX**). However, **TABLE 2** presents the overall incorporation level. As can be noted, the table gives an overall incorporation index of 0.35 for the Old Code, 0.30 for the revised Code and 0.70 for the RBM Code. The results indicate low level of incorporation of the disclosure provisions in both the Old Code and the Revised Code. On the other hand the results reveal high level of incorporation in RBM Code. Thus the incorporation gap index is smaller (0.30) for RBM Code relative to the Revised Code (0.70) and Old Code (0.65). The gap index furthermore indicates the Revised Code is worse off after revision, thus much still need to be done to improve it in terms of disclosure and transparency provisions.

Table 2: Overall level of incorporation		
	Incorporation Index	**Incorporation Gap Index**
Old Code	0.35	0.65
Revised Code	0.30	0.70
RBM Code	0.70	0.30

As can be observed on **FIGURE 1**, the decomposition analysis of the incorporation index indicate that 59% of the items on the disclosure provision checklist were recognised in the Old Code; however only 22% were also explicitly provided as disclosable with specific disclosure vehicle. On the other hand, the Revised Code recognises 48% of the items on the checklist. However, consistent with the Old Code, 22% of the items are provided as disclosable items and 19% have a specified provision of the disclosure vehicle. In contrast RBM Code recognises 70% of the items on the checklist and all of them are provided as disclosable items with a specified vehicle of disclosure.

FIGURE 1: Levels of Incorporation



5.2.2 Impact of revision on Code in terms of disclosure provisions

The assessement of the improvement was done using the incorporation gap between the Revised Code and the Old Code (see **TABLE 5 Column C** in the **APPENDIX**). As shown in **TABLE 2** above, incorporation gap index for the Revised Code is relatively higher (0.70) compared to (0.65) of the Old Code. Furthermore, the mean score the incorporation gap between the Revised Code and the Old Code is negative (-0.05) (see **TABLE 5 Column C**), indicating that the Old Code was relatively better in term of disclosure provisions.

Furthermore, **TABLE 3** shows the disclosure provision items that got bad with the revision of the Code. The table reveals that ‘management discussion and analysis’, ‘benefial ownership’ and ‘human resources policies’ that were fully incorporated in the Old Code, are now completely omitted in the Revised Code. Besides, ‘management/employee relations’ and ‘procedures for shareholder meetings’ merely recognised in the Old Code, are also completely omitted in the Revised Code.

Table 3: Disclosure Provision Items that worsened with the Revision	
	Gap (Revised and Old)
Management's discussion and analysis	-1.00
Beneficial ownership	-1.00
Human resources policies	-1.00
Management/Employee relations	-0.33
Procedures for shareholder meetings	-0.33

Table 4 presents the items that improved with the revision. As can be seen, both ‘environment’ and ‘risk management system’ have a positive gap of (0.33) indicating that they have just been recognised in the Revised Code. Furthermore, ‘board evaluation’ had a positive gap of (0.67) indicating that it has been provided as a disclosable item, however without the disclosure vehicle being specified. On the other hand, details of related party transactions are fully incorporated in the Revised Code.

Table 4: Disclosure Provisions Items that improved with revision	
	Gap (Revised Vs. Old)
Environment	0.33
Risk management systems	0.33
Assessment of governance (board evaluation)	0.67
Details of transactions involving major shareholders and board members, key executives (or their close family, relations) – related party transactions	1.00

6. Conclusion

The study was an evaluation of the Malawian Codes of CG regarding the incorporation of disclosure provisions in line with the OECD principles of CG. The results indicate that the Old Code had wide incorporation gap (0.65) which unfortunately has been further widen by the revision to (0.70). On the other hand a relatively low incorporation gap (0.30) was revealed in relation to the RBM Code.

The study reveals that disclosure provisions seemed to have been neglected in the revision process. The results suggest that more work is still needed to perfect the Code. Furthermore, the study shows that care is needed when developing and revising the Codes. The process should be rigorous with an appropriate checklist to ensure that all important areas have been incorporated, thus ensuring that the development does not end up with a watered down code.

The study therefore recommends a comprehensive review of the whole Revised Code in line with the international CG frameworks to make sure that it stands the test of the international standards. If the review of the whole is not possible, then at least the disclosure provisions should be upgraded. Upgrading should considering making explicit disclosure provisions that include specifying the form and the vehicle for disclosure. Besides, should consider incorporating a standard disclosure checklist. This will prevent superficiality thus ensuring that sufficient disclosures are made by the companies.

Finally it must be noted that strengthening the disclosure provisions is particularly crucial considering that Malawi is in developing stage thus she must be able to attract foreign direct investment. CG is an important consideration for investors around the world, especially in Africa and other emerging markets (Nganga et al., 2003). Furthermore, with globalisation it is increasingly imperative especially for Africa to signal transparency and accountability to potential investors through CG best practice (Humayun and Adelopo, 2012). Biobele et al. (2013) also posited that credible CG reporting has positive impact on the investors' confidence and on revamping image of a country causing her organizations to have unrestricted access to capital from both local and international stock market, that breed economic viability and greater economic growth.

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Appendix
Table 5: Results of Analysis

	(A) Incorporation Index			**(B) Incorporation Gap Index = 1-Incorporation Index**			**(C) Incorporation Gap Between Revised Code and Old Code**
Disclosure Areas	Old	New	RBM	Old	New	RBM	Revised - Old
Financial statements including the notes	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Management's discussion and analysis	1.00	0.00	0.00	0.00	1.00	1.00	-1.00
Off-balance sheet items	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Commercial objectives	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Business ethics	0.33	0.33	1.00	0.67	0.67	0.00	0.00
Environment	0.33	0.67	1.00	0.67	0.33	0.00	0.33
Public policy commitment	0.33	0.33	1.00	0.67	0.67	0.00	0.00
Major shareholders	0.00	0.00	1.00	1.00	1.00	0.00	0.00
Shareholder agreements	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Voting rights	0.00	0.00	1.00	1.00	1.00	0.00	0.00
Beneficial ownership	1.00	0.00	1.00	0.00	1.00	0.00	-1.00
Cross shareholding relationships	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Information about individual board members' qualifications	0.00	0.00	1.00	1.00	1.00	0.00	0.00
Selection process	0.33	0.33	1.00	0.67	0.67	0.00	0.00
Independence status of members	0.33	0.33	1.00	0.67	0.67	0.00	0.00
Directorships in other companies	0.00	0.00	1.00	1.00	1.00	0.00	0.00
Remuneration policy for members of board and key executives & aggregate disclosure	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Disclosure of remuneration on individual basis	0.00	0.00	1.00	1.00	1.00	0.00	0.00
Details of transactions involving major shareholders and board members, key executives (or their close family, relations)	0.00	1.00	1.00	1.00	0.00	0.00	1.00
Risk management systems	0.00	0.33	1.00	1.00	0.67	0.00	0.33
Management/Employee relations	0.33	0.00	0.00	0.67	1.00	1.00	-0.33
Relations with other stakeholders e.g. creditors, suppliers, local communities	0.33	0.33	1.00	0.67	0.67	0.00	0.00
Human resources policies	1.00	0.00	0.00	0.00	1.00	1.00	-1.00
Comply or explain basis	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Governance structure and polices	0.33	0.33	1.00	0.67	0.67	0.00	0.00
Procedures for shareholder meetings	0.33	0.00	0.00	0.67	1.00	1.00	-0.33
Assessment of governance	0.33	1.00	1.00	0.67	0.00	0.00	0.67
MEAN SCORE	**0.35**	**0.30**	**0.70**	**0.65**	**0.70**	**0.30**	**-0.05**