Chapter 5
Disclosure and Transparency

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Introduction

One of the OECD (2004) principles of corporate governance is that:

“The corporate governance framework should ensure that timely and accurate disclosure is made of all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.”

This chapter examines this principle in some depth.

Methodology

The Organisation for Economic Co-operation and Development has published a number of studies on corporate governance. In one study (OECD 2004) it outlined a series of benchmarks intended for use by investors, policy makers, corporations and other stakeholders. Corporations that follow the guidelines provided in this document will have a strong corporate governance system.

The World Bank has conducted a number of studies of corporate governance practices in more than 40 countries, using these OECD guidelines as a template. Seventeen of those studies were of transition economies, i.e., countries that are in the process of transitioning from central planning to a market system. The World Bank (2001–2006) studies examined the corporate governance practices identified by the OECD and classified them into the following five categories:

- O = Observed
- LO = Largely Observed
- PO = Partially Observed
- MNO = Materially Not Observed
- NO = Not Observed

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The present study assigned point values to these categories, where O = 5, LO = 4, PO = 3, MNO = 2 and NO = 1, and then compared how closely the 17 transition countries came to meeting the various OECD benchmarks. This study reports on those findings in the category of disclosure and transparency.

**Findings**

The findings for this category are presented below.

*Timely and Accurate Disclosure of All Material Matters*

Table 5.1 shows the results for the category of timely and accurate disclosure of all material matters. None of the countries achieved the top rating and only Hungary and Poland made it to the second best category. Moldova was ranked in the lowest category. The third and fourth categories accounted for most of the countries.

*Standards of Preparation, Audit and Disclosure of Information*

Table 5.2 shows the results for the category of standards of preparation, audit and disclosure of information. None of the countries achieved the highest ranking and