

GLOBALISATION OF CORPORATE LAW: A TRANSNATIONAL EXAMINATION OF UNITED KINGDOM AND UNITED STATES.

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ABSTRACT

Globalization is a concept experienced in all areas of law, the world is interactive and that means sharing and mirroring systems or practices within jurisdictions that will represent the best international standards globally. In order for corporations to adhere to the proper standards stipulated, it is vital that good corporate governance is practiced by them, as the globalization of corporate law is an inevitable phenomenon, due to modernization. This paper is appraises globalization of corporate laws, from a transnational perspective with specific

emphasis on the United Kingdom and United States Law using statutes and judicial decisions. It was the findings of this paper amongst others as follows: While multinational corporations, commonly operate on a global scale, the laws governing their internal affairs are national or subnational. There is no way globalization of law or corporate law can be treated without examining the system of corporate governance. Globalization has continued to increase scholarly and analytical attention across the globe. The relevant laws and development levels of countries are different. Globalization may not alter the corporate structure, it influences corporate governance practices in several ways. The interconnection of sovereign nations through trade, capital flows, and harmonization of the economic rules, brought about by globalization encourages the presence of giant public corporations with subsidiaries and off-shoots in various countries. This paper is structured into five parts including the introduction. The second part explores the concept of globalization. The third section examines the meaning, and effect of globalization on corporate law. The fourth provides a cross comparison of various countries including United Kingdom and United States of America. Finally, it was recommended that corporate globalization or globalization of corporate law, should be carried out in line with best global practices. Corporations should promote exemplary and proper corporate governance across all the countries involved in corporate transactions and legal situations. Nigeria as an integral part of global world must adhere to the best international standards of corporate governance, and its corporate laws be completely overhauled as obtainable in the developed Nations.

Keywords: Corporate laws, Globalization, Transnational, Corporate Governance.

1.0 INTRODUCTION

Globalization is a concept experienced in all aspects of law, the world is interactive and that means sharing and mirroring systems or practices within jurisdictions that will represent the best international standards globally. In order for corporations to adhere to the proper standards set, it is essential that good corporate governance is practiced by them, as the globalization of corporate law is an inevitable phenomenon, due to modernization.

While corporations, at least the largest ones, commonly operate on a global scale, the laws governing their internal affairs (in other words, the rights and duties of their owners and managers) are national or subnational. In the last few decades, considerable scholarship has focused on whether these national and sub-national corporate laws are becoming, like many of the corporations they govern, global—in this case by converging upon commonly accepted approaches¹. There is no way globalization of law or corporate law can be treated without examining the system of corporate governance.

Globalization has continued to increase scholarly and analytical attention across the globe. It is, thus not fortuitous that globalization has been at the epicentre of most development and intellectual discourses. Even though it has brought about some great advantages for many countries and people, it must be recognized that the progress has not been even, and although there are great benefits to globalization, there are also drawbacks. While some segments witness great improvements, others may be left behind, at least in the short run². The relevant laws and development levels of countries are different.

Many scholars around the world have been expressing different views concerning globalisation and its effect on lives of the people, particularly the developing economies. While some would rather view it from its merit, others were concerned about its presumed negative impact. Hence, globalisation has been defined by many scholars from different perceptions. For example, Obadan³ (2006) defines globalization as a process which integrates world economies, culture, technology and governance, while Snyder (2002) conceptualizes globalization as an aggregate of multifaceted uneven, often contradictory economic, political, social and cultural processes, which are characteristic of our time. To Jacob (2007), globalization refers to the process and a web of increasing integration of countries into the world economy which allows for a free flow of ideas, people, capital and contacts among enterprises, institutions and people across national borders. While globalization may not alter the corporate structure, it influences corporate governance practices in several ways especially through the strategies it makes available on corporate finance, production and management⁴.

The interconnection of sovereign nations through trade, capital flows, and harmonization of the economic rules, brought about by globalization encourages the presence of giant public corporations with subsidiaries and offshoots in various countries. Nigeria is very much affected by the influence of the multinational and transnational corporations which are major players in her economy. They include nearly all major global oil and

¹ F.A. Gevurtz (2011) *The Globalization Of Corporate Law: The End Of History Or A Never-Ending Story?* Washington Law Review Association

² Z.S. Saheed (2013) *Impact of Globalisation on Corporate Governance in Developing Economies: A Theoretical Approach*, Journal of Business & Management Volume 2, Issue 1 (2013), 01-10

³ Ibid (see further) M. I. Obadan (2006). *Globalization of Finance and the Challenge of National Financial Sector*. *Journal of Asian Economics*, 17 (2) 316-332

⁴ Z.S. Saheed (2013) op. cit at footnote 2

gas companies like Shell, ExxonMobil, Chevron, Texaco, Total, Agip and other multinational corporations like Unilever, Paterson and Zochonis (PZ Cussons), Nestle, and Cadbury. The corporate governance structure and practices of these companies must meet a minimum standard wherever the companies operate, which dictate the need for certain measure of uniformity and consistency in corporate governance strategies and rules all over the globe⁵.

This paper is structured into five parts including the introduction. The second part explores the concept of globalization. The third section examines the meaning, and effect of globalisation on corporate law. The fourth provides a cross comparison of various countries including United Kingdom and United States America.

2.0 HISTORY AND CONCEPT OF GLOBALIZATION

The history of corporations and corporate law has been one of seemingly constant movement toward convergence. From its beginning, corporate law was global law, and its history is marked by ‘promiscuous’ transplants and copying between nations. Nevertheless, much like a school of fish, a flock of birds, a swarm of insects, or a herd of animals, corporate laws have not converged to a single point at which they stay at rest. Instead, corporate law convergence is incomplete and impermanent⁶.

Corporate law literally began as global law because the inception of what we now refer to as the business corporation is found in European nations copying from each other in forming trading companies to engage in international commerce. In the United States for instance what they call a “corporation” (or, more precisely, a business corporation) has been traditionally called a stock company or joint-stock company in other parts of the world⁷. The concept and relationship of globalization was inevitable as trade within different countries or regions was and will always be a way of introducing the system of commercial transactions in order for the parity of commercialization globally which in turn affects the very essence of corporate and commercial law. From the seventeenth to the nineteenth century, joint-stock companies—at least those arising from official sanction rather than creative contracting—came into existence through charters granted individually by crown or legislature. In another great wave of international imitation (convergence), nations and sub-national governments developed general incorporation laws that allowed corporations (joint-stock companies) to come into existence without the need for a special legislative or royal charter. France, as a consequence of its revolution, seems to have pioneered this development—albeit with a retreat, until 1867, to a concession system requiring government approval for incorporation. New York followed the earlier French general-incorporation

⁵ Ibid

⁶ F. A. Gevurtz (2011) op. cit at footnote 1

⁷ Ibid

approach in 1811, from which laws gradually spread in the nineteenth century throughout the United States allowing anyone to incorporate through registration if the company met certain requirements⁸.

Specifically, the largest corporations in the United States and England commonly have widely dispersed shareholdings in which no shareholder or cohesive group of shareholders holds enough stock to control the corporation; in contrast, in many other parts of the world, a relatively few shareholders will hold large enough blocks of voting shares to possess effective control over even the largest companies. Globalization has had a long history of affecting the development of the corporation. For example, the development of chartered companies in the sixteenth and seventeenth centuries arose out of increased trade and discovery of the New World, while globalization itself is a modern term, the idea has a long history. The globalization story, and its impact on comparative corporate governance, usually focuses on the economic aspects of globalization such as trade, capital markets and multinational corporations, part of the story is that trade increases competition, which has the effect of breaking down local barriers resulting

3.0 MEANING OF CORPORATE GOVERNANCE

Narrowly defined, corporate governance concerns the relationships between corporate managers, directors and the providers of equity capital. It can also encompass the relationship of the corporation to stakeholders and society. More broadly defined, corporate governance can encompass the combination of laws, regulations, listing rules and voluntary private sector practices that enable the corporation to:

- Attract capital.
- Perform efficiently.
- Achieve the corporate objective.
- Meet both legal obligations and general societal expectations

All these factors underscore the reality that corporate managers, directors and investors (as well as those advising them, such as lawyers and accountants) function within a larger business and legal environment that shapes behavior. National differences exist as to what constitutes the *raison d'être* of companies (the corporate objective), and the answer to the question “For whom is the corporation governed?” will vary from country to

⁸ Ibid

country. But whatever view prevails, effective governance ensures that boards and managers are held accountable for pursuing the corporate objective, however that objective is defined ⁹.

3.1 National Differences

Different governance systems articulate the corporate objective in different ways, depending on which of two primary concerns is taken as the main focus:

- i. Societal expectations; and
- ii. Ownership rights.

Some nations focus on the need to satisfy societal expectations and, in particular, the interests of employees and other stakeholders (variously defined to include suppliers, creditors, tax authorities and the communities in which corporations operate).

This view predominates in continental Europe (particularly Germany, France and The Netherlands) and in certain countries in Asia. Other countries emphasise the primacy of ownership and property rights, and focus the corporate objective on returning a profit to shareholders over the long term. Under this view, employees, suppliers and other creditors have contractual claims on the company. As owners with property rights, shareholders have a claim to whatever is left after all contractual claimants have been paid. This “residual” right is given weight by companies focusing the corporate objective on shareholder value. Associated with the US, Canada, the UK and Australia, this view of the corporate governance objective is generally justified on the following grounds:¹⁰

- i. Accountability to shareholders provides a single measurable objective that avoids the risk of diffusing the accountability of managers and directors. If managers and directors are accountable to a whole range of stakeholders, almost any action can be justified as in the interest of some group of stakeholders, and this gives managers and directors unfettered discretion;
- ii. Focusing on long-term shareholder value encourages investment capital to be put to the most efficient economic use from a market perspective and this should benefit society broadly;¹¹

⁹ H J Gregory (2000) *The Globalization Of Corporate Governance* published by Wells, Gotshal & Manges, www.lawdepartment.net/global

¹⁰ H J Gregory (2000) op. cit at footnote 11

¹¹ Ibid

- iii. Effective governance ensures that boards and managers are accountable for pursuing it. The role of corporate governance in making sure that board and management are accountable is of broad importance to society for a number of reasons. Effective corporate governance:
- iv. Promotes the efficient use of resources both within the company and the larger economy. Debt and equity capital should flow to those corporations capable of investing it in the most efficient manner for the production of goods and services most in demand, and with the highest rate of return. In this regard, effective governance should help protect and grow scarce resources, therefore helping to ensure that societal needs are met. In addition, effective governance should make it more likely that managers who do not put scarce resources to efficient use, or who are incompetent or (at the extreme) corrupt, are replaced;¹²
- v. Assists companies (and economies) in attracting lower-cost investment capital by improving both domestic and international investor confidence that assets will be used as agreed (whether that investment is in the form of debt or equity). Although managers need to have latitude for discretionary action if they are to innovate and drive the corporation to compete successfully, rules and procedures are needed to protect capital providers, including:
 - a. independent monitoring of management;
 - b. transparency as to corporate performance, ownership and control; and
 - c. participation in certain fundamental decisions by shareholders.
- vi. Assists in making sure that the company is in compliance with the laws, regulations and expectations of society. Effective governance involves the board of directors ensuring legal compliance and making judgments about activities that, while technically lawful in the countries in which the company operates, may raise political, social or public relations concerns;
- vii. Provides managers with oversight of their use of corporate assets. Corporate governance may not guarantee improved corporate performance at the individual company level, as there are too many other factors that impact on performance;
- viii. But it should make it more likely for the company to respond rapidly to changes in business environment, crisis and the inevitable periods of decline. It should help guard against managerial

¹² H J Gregory (2000) op. cit at footnote 11

complacency and keep managers focused on improving firm performance, making sure that they are replaced when they fail to do so; and

- ix. Is closely related to efforts to reduce corruption in business dealings. Although it may not prevent corruption, effective governance should make it more difficult for corrupt practices to develop and take root, and more likely that corrupt practices are discovered early ¹³.

3.2 Drivers of Globalisation in Corporate Law¹⁴

Globalisation in corporate law is driven by several interrelated factors. First is technological advancement, which has drastically reduced communication barriers and allowed corporations to operate seamlessly across borders. Second is the liberalisation of financial markets, enabling the free movement of capital and cross-border investments. Third, the rise of multinational corporations has created pressure for legal systems to adopt internationally competitive corporate governance standards.¹⁵ Finally, international institutions such as the World Bank, IMF, IOSCO, and OECD have strengthened harmonisation by promoting global best practices and regulatory reforms aimed at investor protection, transparency, and accountability.¹⁶

4.0 The Effect of Globalization on Corporate Governance

Countries around the world have adapted to the globalization of corporate law, as it is essential for the development and enhancement of commercial transactions and relations between nations. This have included good corporate governance which help to check the minority shareholders are protected in the corporation and also to meet with the required international standards.¹⁷

Specifically, the largest corporations in the United States and England commonly have widely dispersed shareholdings in which no shareholder or cohesive group of shareholders holds enough stock to control the corporation; in contrast, in many other parts of the world, a relatively few shareholders will hold large enough blocks of voting shares to possess effective control over even the largest companies. This, as well as other differences between corporations of different nations, fuels the following normative inquiry: do such differences produce superior performance for corporations from one nation versus another (which presumably translates

¹³ H J Gregory (2000) op. cit at footnote 11

¹⁴ Stiglitz, Joseph E., Globalization and Its Discontents, W.W. Norton (2002).

¹⁵ Obadan, Mike I., Globalisation and Economic Management in Africa, NCEMA Publication (2006).

¹⁶ John C. Coffee Jr., The Future as History: The Prospects for Global Convergence in Corporate Governance, 93 Nw. U. L. Rev. 641 (1999).

¹⁷ Akinlo, A.E., "Globalization and Corporate Governance in Emerging Markets," Journal of Economic Policy, Vol. 5 (2010).

into superior overall economic performance) Bringing the matter back to law, the descriptive and normative questions then become whether various corporate or other legal rules and institutions facilitate dispersed or concentrated shareholdings (or other differences encountered in corporations from different nations), and thereby lead to improved individual corporate and overall economic performance¹⁸.

The answers reached to these inquiries tend to depend on the decade. In the 1980s and the beginning of the 1990s, the Japanese and German economies and companies were outperforming the economy and companies in the United States. Accordingly, scholarship noted the advantage of more concentrated shareholdings in disciplining or otherwise providing better incentives for corporate managers. Scholars also noted the apparent advantage that systems for greater employee involvement in corporate decisions, as were found in Japan and Germany, possessed in producing better, and better implemented, corporate business practices¹⁹.

in actual sense, globalization seeks to remove all national barriers to the free movement of international capital and the process is accelerated and facilitated by the supersonic transformation in information technology. It could therefore be said that globalization is mainly a phenomenon of capital mobility, through its two prongs which are foreign direct investment and international portfolio flow. Direct investment means that the concerns of the investing country exercise de facto or de jure control over the asset created in the capital importing country by means of the investment. Whereas, the indirect investment better known as portfolio or rentier investment consists mainly of the holdings of transferable securities, shares or debentures by the nationals of some other country. Such holding may not amount to a right to control the company.²⁰ Globalization has always had a long history of affecting the development of the corporation. For example, the development of chartered companies in the sixteenth and seventeenth centuries arose out of increased trade and discovery of the New World. While globalization itself is a modern term, the idea has a long history.²¹

The globalization story, and its impact on comparative corporate governance, usually focuses on the economic aspects of globalization such as trade, capital markets and multinational corporations. Part of the story is that trade increases competition, which has the effect of breaking down local barriers resulting in increased competition in the products market. This open competition directly affects the performance of a country's firms, raising the issue of whether a particular corporate governance model is a factor in a firm's performance. Another economic aspect of globalization is the internationalization of the capital markets. With the expanded markets resulting from trade, firms raise capital and investors invest globally. Competition for capital means

¹⁸ F. A. Gevurtz (2011) op. cit at footnote 1

¹⁹ Ibid

²⁰ Z.S. Saheed (2013) op. cit at footnote 2

²¹ Adegbite, Emmanuel, "Corporate Governance in Nigeria: A Review," International Journal of Business Governance and Ethics, Vol. 8(1) (2013).

that corporations seeking capital need to provide good governance practices attracting investment. In addition, investors demand such practices as a condition of investment. If certain corporate governance rules or practices can attract capital more cheaply, then these rules may provide an economic advantage in the firm's performance and a country's overall economic well-being. Thus, studying and comparing different approaches to corporate governance may provide a means of enhancing competitiveness.

Economic globalization not only fostered the study of comparative corporate governance but also raised the issue of whether a particular model (either the stakeholder or ownership model) is better and will predominate. It also locates the study as part of the debate about the benefits and detriments of globalization²².

Globalisation has encouraged capital mobility through foreign direct investment and indirect or portfolio flow. Since in modern business, ownership is divorced from management, hence the need to boost the corporate financiers confidence over the security of their investment. To achieve this calls for a good corporate governance.²³ Additionally, there is the globalization of information. The ability of information to have a global presence has been fostered by new and cheaper forms of communication like the Internet. While faster communication has economic consequences, such as the integration of financial markets, it has also enhanced the exchange of ideas. The ease of finding information about comparative corporate governance has been transformed by the Internet. It facilitates communications among those pursuing research and provides an inexpensive means to provide information.²⁴ The increased number of websites dealing with corporate governance plus the Social Science Research Network's listings of current scholarship and studies have increased the flow of information. Part of this globalization of information is the globalization of ideas. Through globalization, one learns more quickly about problems and solutions. For instance, given the globalization of capital, a financial scandal involving a particular firm can have a broad impact because investors may be global. Even scandals that seem local because the primary investors are local can have worldwide resonance and implications²⁵.

There is also a globalization of culture. Some suggest that there is movement toward a single culture because of the communication of ideas, travel, spread of popular culture and widespread use of English for business and popular culture. The use of a common language also facilitates the globalization of ideas. If part of this spreading of culture means a "shareholder culture" with its shareholder primacy, then it also directly affects issues of corporate governance and the models²⁶.

²² A.R Pinto (2005) *Globalization And The Study Of Comparative Corporate Governance* Wisconsin International Law Journal

²³ Clark, Robert C., *Corporate Law*, Little Brown & Co. (1986).

²⁴ Transparency International, *Corruption and Corporate Governance*, Policy Paper (2001).

²⁵ Ibid

²⁶ Ibid

Globalization helps us understand how the study of comparative corporate governance has evolved. If globalization is about interconnectedness, then comparisons and influences are bound to result. Also if globalization is also about competition, then not only firms and people compete; related systems and ideas do as well. Thus, the study of comparative corporate governance not only explains why models developed but also suggests a more optimal system in a globalized world. Further, it suggests a move towards some kind of convergence, making the studies part of the debate on advantages and disadvantages of globalization. People who criticize globalization in areas such as trade do not view it as a beneficial development. Critics of trade globalization argue, among other things, that it harms labor, undermines national sovereignty, damages the environment and supports a particular cultural hegemony at the expense of the local. To some extent, these criticisms mirror debates within comparative corporate governance studies.²⁷

4.1 Convergence and Divergence Debate

The key debate in corporate governance scholarship is whether globalisation leads to convergence of corporate laws²⁸ toward a single dominant model, or whether systems continue to reflect local economic, political, and cultural realities. While scholars like Hansmann and Kraakman predicted the triumph of the shareholder-primacy model, recent studies indicate persistent divergence, especially in Asia and continental Europe where stakeholder-oriented governance remains entrenched. Thus, globalisation produces a form of functional convergence, where countries adopt similar governance mechanisms, such as independent directors, disclosure obligations, and shareholder remedies, while retaining distinctive structural features.²⁹

4.2 Role of International Financial Institutions³⁰

International financial institutions (IFIs) play a key role in shaping global corporate governance standards. The World Bank and IMF often condition financial assistance on compliance with governance reforms aimed at improving transparency, strengthening investor protection, and reducing corruption. Through instruments such as the ROSC (Reports on Standards and Codes) and the OECD³¹ Principles, IFIs indirectly influence national legislation and corporate practices, especially in developing economies. These institutions have accelerated the

²⁷ Shleifer, Andrei & Vishny, Robert, "A Survey of Corporate Governance," *Journal of Finance*, Vol. 52 (1997).

²⁸ Blair, Margaret M., *Ownership and Control: Rethinking Corporate Governance for the Twenty-First Century*, Brookings Institution Press (1995).

²⁹ Kraakman, Reinier et al., *The Anatomy of Corporate Law: A Comparative and Functional Approach*, Oxford University Press (2004).

³⁰ Hansmann, Henry & Kraakman, Reinier, "The End of History for Corporate Law," 89 *Geo. L.J.* 439 (2001).

³¹ OECD, *Principles of Corporate Governance*, OECD Publishing (1999 & 2004 revisions).

global spread of governance mechanisms such as audit committees, risk-management frameworks, and enhanced disclosure requirements.³²

4.3 Corporate Scandals and Global Reform Trends

Globalisation has made corporate scandals in one jurisdiction capable of triggering worldwide reforms. Major scandals, such as Enron, WorldCom, Parmalat, and more recently Wirecard, exposed weaknesses in corporate reporting, audit quality, and board oversight. These events prompted sweeping legislative responses including the U.S. Sarbanes-Oxley Act (2002) and the UK Corporate Governance Code reforms. Scandals emphasise how interconnected global markets are, and they highlight the need for jurisdictions to adopt strong governance rules that safeguard investors and maintain market confidence.³³

5.0 A Comparative analysis of Globalisation and Corporate Governance

World Bank/OECD recognising that governance reform requires a combination of regulation and private sector initiative for implementation, the World Bank and OECD have joined together to sponsor a Private Sector Advisory Group on Corporate Governance and a Global Corporate Governance Forum, in addition to their separate activities related to governance reform. A Charter and World Programme for the Forum was formally approved by both the World Bank and OECD in June 2000.³⁴

The goal is to:

- i. Create a public-private partnership to raise awareness of the value of corporate governance improvement; and
- ii. Involve the private sector in the implementation of corporate governance reform in emerging market nations.

The Private Sector Advisory Group, comprised of prominent business leaders from around the world, has established an Audit/Accounting Task Force and an Investor Responsibility Task Force, and has been involved in a series of events in Brazil to raise the awareness of the local private sector of the need for reforms.³⁵

³² Jensen, Michael C., "Value Maximization, Stakeholder Theory, and the Corporate Objective Function," *Journal of Applied Corporate Finance*, Vol. 14(3) (2001).

³³ Millstein, Ira M., "Corporate Governance: Improving Competitiveness and Access to Capital in Global Markets," OECD Report (1998).

³⁴ World Bank & OECD, *Global Corporate Governance Forum Charter*, (2000).

³⁵ H J Gregory (2000) *op. cit* at footnote 11

5.1 The OECD Principles:

- i. Reflect the broad consensus reached by the OECD member nations with regard to fundamental issues of corporate governance;
- ii. Represent the first inter-governmental accord on the common elements of effective corporate governance; and
- iii. Provide significant room to take into account national differences, including differing legal and market frameworks, traditions and cultures

5.2 United Kingdom³⁶

The broad view of company law initiated by the Department of Trade and Industry has resulted in a consultative paper (published in March 2000 by the Company Law Review Steering Group) proposing key governance reforms. Although there has been much debate on whether or not a more stakeholder-focused model would be beneficial, the steering group has recommended that a “*shareholder-oriented, but inclusively framed, duty of loyalty*” is most likely to lead to “optimal conditions for companies to contribute to the overall health and competitiveness of the economy.”³⁷

The steering group considered and rejected the adoption of the two-tier board structure common in many EU countries, but recommends:³⁸

- I. Implementing direct legislation or rules to create clear monitoring obligations for non-executive directors;
- II. Requiring an increase in the proportion of non-executive directors on boards;
- III. Changing the non-executive directors’ appointment method to minimise the role which executive directors play in appointing non-executive directors;
- IV. Tightening the definition of director independence; and
- V. Strengthening the independence of the chairman.

In June 2000 the National Association of Pension Funds (NAPF) published an extensive set of corporate governance standards to serve as proxy voting guides for member funds. The NAPF’s standards follow the Combined Code, but push for stronger requirements in some areas, by recommending:

- i. Separation of the positions of chairman of the board and CEO;

³⁶ National Association of Pension Funds (NAPF), Corporate Governance Policy and Voting Guidelines, United Kingdom (2000).

³⁷ Coffee, John C., Gatekeepers: The Professions and Corporate Governance, Oxford University Press (2006).

³⁸ Gilson, Ronald J., “Globalizing Corporate Governance: Convergence of Form or Function,” American Journal of Comparative Law, Vol. 49 (2001).

- ii. A ten-part test to determine board member independence;
- iii. Avoiding re-pricing share options in situations of underperformance; and
- iv. An annual shareholder vote on the report of each company's remuneration committee³⁹.

5.4 United States

In 1998, SEC concerns about corporate financial reporting led the New York Stock Exchange and National Association of Securities Dealers to convene a private sector Blue Ribbon Committee to recommend ways to improve audit committee oversight of financial reporting.⁴⁰

The Committee's Report, issued in February 1999, focused on:

- i. Strengthening the independence and qualifications of audit committee members;
- ii. Improving audit committee effectiveness; and
- iii. Improving the mechanisms for discussion and accountability among the audit committee, the outside directors and management.

After a period of public comment, the SEC approved related amendments to listing rules and SEC disclosure requirements, adopting the key recommendations of the Committee. Both the NASD and the NYSE now require listed companies to have wholly independent audit committees with at least three members, each of whom are financially literate. At least one member must have accounting or related financial sophistication or expertise.

SEC registered companies must include an audit committee report in the annual proxy statement stating whether the committee has:

- i. Reviewed and discussed the audited financial statements with management;
- ii. Recommended to the board that the audited financial statements be included in the company's annual report; Discussed certain matters with the independent auditors, including the auditors' independence and the auditors' views on the quality of the company's financial reporting;
- iii. The audit committee charter must be included as an appendix to the company's proxy statements at least once every three years. Also, the proxy statement must disclose whether the audit committee members meet the independence standards provided in the applicable listing standard.⁴¹

³⁹ H J Gregory (2000) op. cit at footnote 11

⁴⁰ Roe, Mark J., *Strong Managers, Weak Owners: The Political Roots of American Corporate Finance*, Princeton University Press (1994).

⁴¹ Dore, Ronald, "Stock Market Capitalism vs Welfare Capitalism," Oxford University Press (2000).

Nigeria's Position within Global Corporate Governance

Nigeria has gradually aligned with global governance frameworks through reforms such as the Companies and Allied Matters Act 2020, the Nigerian Code of Corporate Governance 2018, and capital-market regulations issued by the SEC.⁴² However, challenges persist in enforcement, board independence, transparency, and insider-trading regulation. For Nigeria to fully integrate into the global corporate ecosystem, greater emphasis must be placed on strengthening regulatory institutions, protecting minority shareholders, and enhancing the accountability of corporate officers.

Conclusion

Corporate globalization or globalization of corporate law, as noted in the paper is inevitable, as the world develops and improves every day and as such countries all over the world adopt the best global practices which propose to promote exemplary and proper corporate governance across all the countries involved in corporate transactions and legal situations. Nigeria as a part of globalization is expected to meet up with the best international standards of corporate governance as we are yet to give more importance to the secretary in the organization as compared to other nations in the world. Globalization has both fostered the scholarship and development of corporate governance and it's a continuous process that whether agreed for or against, is inevitable due to modernization.

Recommendations

Finally, it was recommended that corporate globalization or globalization of corporate law, should be carried out in line with best global practices. Corporations should promote exemplary and proper corporate governance across all the countries involved in corporate transactions and legal situations. Nigeria as an integral part of global world must adhere to the best international standards of corporate governance, and its corporate laws be completely overhauled as obtainable in the developed Nations.

⁴² Muchlinski, Peter, *Multinational Enterprises and the Law*, Oxford University Press (2007).