

# DOES CORPORATE GOVERNANCE TAKEN SERIOUSLY BY IRAQI LISTED COMPANIES?

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## Abstract

This research investigates how serious Corporate Governance is taken by listed companies in Iraqi Stock Exchange (ISX), as well as determining the reasons of why is not taken seriously by the ISX and listed companies. This study is conducted on Iraqi Stock Exchange with taking samples from each sectors of the Iraqi Stock Exchange. Secondary and primary data have been used in this study in order to collect quality information. The research has used a combination of questionnaire and interview to get an in-depth understanding of the study area.

The theoretical sides of a serious Corporate Governance or its codes have been discussed by providing a frame work of Corporate Governance in Iraq and the authorities that have influence on listed companies by their regulations, laws and standards. Also, practical side of a serious Corporate Governance has been identified by analyzing the data.

The results of this study showed that, Corporate Governance is taken serious in the Bank sector of the Iraqi Stock Exchange and is not taken serious in other sectors such as Insurance, Agricultural and Tourism. However, these results are based on the current available data and investigating, which leads the Iraqi Stock Exchange and companies to be questioned about their authentication.

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**Keywords:** Corporate Governance (CG), Iraqi Listed Companies, Iraqi Stock Exchange (ISX), Iraqi Association of Securities Dealer and General Assembly

## INTRODUCTION

Numerous studies have been conducted about financial crises and states accounting and auditing reasons for these collapses which many authorities and governments are concerned about it. Additionally, the related authorities started to do studies and test the transparency and disclosure of financial and non-financial information that companies disseminate, as well as adopting a set of high level standards and principles which is a mechanism

to determine the relationship between management, board of directors, shareholders and other stakeholders that are now called Corporate Governance or CG.

There is no doubt about existing insider trading in most small and large companies all over the world. However, financial market and companies should provide protection against directors' desire from manipulation and deceit or negligence in performing their duties, especially when the shareholders and investors have limited experience in identifying and exercise their rights and less understanding and ability to absorb disclosed information. Therefore, it is necessary to adopt a framework for good CG which is based on essential components such as disclosure, transparency and appropriate accounting standards.

Likewise, ISX is suffering from not having a framework of CG that based on a set of principles and detailed standards to determine the relationship between the boards of listed companies in the market, shareholders and other stakeholders in a form that improves the performance of listed companies and enhance the efficiency of the ISX and the entire Iraqi economy.

The research revolves around two significant points. First of all, find the seriousness of CG in Iraq. The second part of the question is answering why it is not taken seriously, a comprehensive look at CG in the UK and USA and compare it with Iraq's CG has been done.

## **RESEARCH METHOD**

The qualitative research method was adopted for this study and a combination of questionnaire and interview has been used in order to get an in-depth understanding of the study area.

The sample selection consisted of the listed companies' desire to participate in CG activities. The first step toward choosing sample was an online questionnaire that had closed and multiple choice questions. The questionnaire was sent to all the listed companies' chairman of BOD via email, in order to determine their desire to participate in the research and choose participants companies for a semi-structured interview. The questionnaire consisted of nine questions within two parts (general questions and questions related to the level of knowledge of CG). The online questioner has been sent to 88 companies in the ISX. Table below shows the number of companies and participants in each sector.

Sector	Number of Companies	Number of Participants
Bank	22	4
Insurance	5	3
Investment	9	0
Services	10	3
Manufacture	25	2
Hotel and Tourism	10	2
Agricultural	6	1
Mobile and Broadband	1	0
<b>Total</b>	<b>88</b>	<b>15</b>

Table 1

Likewise, table 2 shows the companies that participated to the questionnaire and have been chosen as sample frame.

Sector	Name of Company	Establishing (year)
Bank	Middle East Investment Bank	1993
	National Bank of Iraq	1995
	United Bank for Investment	1994
	Investment Bank of Iraq	1993
Insurance	Al-Hamraa for Insurance	2001
	Gulf Insurance and Reinsurance	2004
	Dar Al-Salam	2000
Services	Amusement Town	1963
	Al-Mamora for real estate	1993
	Iraqi for General Transportation and oil production	1994
Manufacture	Modern Construction Materials Industry	1976
	Modern Sewing	1988
Hotel and Tourism	Babylon Hotel	1990
	Baghdad Hotel	1989
Agricultural	Iraqi for Seed Production	1989

Table 2

Moreover, semi-structured interview is selected as the most appropriate method in the primary data collection, as it was perceived to be cost effective and time saving than face to face interview. In addition to that, face to face interviewing the listed companies located in the South of Iraq (out of Kurdistan Region) will be problematic; because of lack of security in those parts of the country. Alternatively, a telephone interview can be a good substitution.

The interview carried out by asking questions from chairman of BOD of companies that have been chosen as sample. The interview questions consisted of nine main categories and each of them contained number of different questions that have related to the CG. Interview's categories are as follow:

<b>Number:</b>	<b>Category</b>
1	Ownership structure
2	General Assembly
3	BOD
4	Committees
5	Internal audit
6	Disclosure
7	Stakeholders' rights
8	Dissemination of information
9	Other questions

**Table 3**

Furthermore, the study depended on several ways to gather the required data and information for the study which they were:

- Laws, regulations and instructions that govern the activities of the ISX and listed companies.
- Annual reports and monthly newsletters that have been obtained from the ISX.
- Companies' financial statements and reports of different fiscal years.

## **REVIEW OF LITERATURE**

CG aims are to promote sound corporate management, efficiency of the financial markets and stability of the entire economy, through facilitating the companies' management and board of directors, in completing their tasks related to the implementation of best practices in the area of CG. Moreover, the USA and UK are the leader countries in formulation and development of CG principles. Likewise, some other European and Asian countries and relevant organisations at the international level have significant roles in developing CG principles.

### **Frame work of CG in the USA**

National professional association of CPA's in the United States made a committee (Treadway Committee) during loan and saving crisis in the 1980s to study forged financial reports from USA's companies and to determine the reasons behind these misrepresentations. The mentioned committee reported in 1987 and stated the importance of having sound regulatory environment and independent auditing committees to ensure disclosure of the effectiveness of internal control systems in companies (Al-Arbid, 2003). Moreover, Treadway continued the work and issued numbers of reports such as the report which was issued in 1999 as "Fraudulent Financial Reporting: 1987-1997". This report shows that more than 70% of

the companies committed frauds are those owned by the founders and members of the BOD (Geriesh, 2005).

These reports and issues indicate the significance of reviewing companies' internal control systems and strengthen of auditing, as well as other duties that are in the framework of good CG. The first contribution to framing principles of CG was from calPERS in 1998. The principles focus on independence of board of directors and other committees and duties that should be entrusted to its members, as well as importance of executive rewards and performance principles (calPERS, 2011).

The financial collapse that affected major US companies in late 2001 and the first half of 2002 pushed some relevant parties to issuing CG principles such as; BRT. This organization has a number of issues about CG such as the one that has been published in May 2002, which contains important points related to the responsibility of board of directors (BRT, 2013).

CBC was assembled in June 2002 to address the conditions which directed the corporates' collapse in 2001 – 2002 and the consequent decrease of confidence of investors. The CBC committee issued a report in the beginning of 2003 that includes principles for three different areas which are; executive remunerations, accounting and auditing, as well as corporate governance (CBC, 2003).

Perhaps the issued principles which have had prominent impacts on CG of the US companies among the mentioned above is the law of Sarbanes-Oxley Act (SOX), which is issued in July 2002. This law is the most suitable legislation that affected the CG and financial disclosure in the USA. The SOX law came as a response to the accounting crisis that affected the credibility of accounting information which was published by American companies (Mohammad Mostafa, 2006).

The law has dealt directly and indirectly with some of the weaknesses in the CG in USA. In addition, it suggested some methods in terms of rebuilding confidence in the paradigm of CG.

Furthermore, the SOX Act has requested amendments on accounting standards issued in the USA by the FASB, particularly those related to CG (IFAC 2003). CG legislation in the USA is settled overwhelmingly by enactment in the type of the SOX Act of 2002, and determined regulations in which SOX needed the SEC, NYSE and NASDAQ to draw up principles (Dowdney 213).

### **Framework of CG in the UK**

A committee was formed by the FRC in May 1991. It was known as "Cadbury Committee" which focused their attention on the low level of confidence in financial statements and reports that prepared by the

companies. Likewise, they concentrated on the ability of auditors to provide protection which expected by users of those statements and reports because of the absence of a clear framework to ensure the control of boards of directors over the affairs of companies in the UK. Moreover, The Committee mentioned in its report that, a country's economy depends on the leadership and efficiency of its companies, and the effectiveness of the work of the board of directors of these companies. Furthermore, the awareness of the board of directors of its responsibilities determine the competitive position of this economy, which requires reviewing the responsibilities of directors in the board of directors, senior executives and auditors, as well as the responsibilities of shareholders, which could lead to strengthening confidence in the companies' systems that adopt the principles and high standards of governance (Cadbury 1992).

In addition, summarised recommendations of Cadbury's report in the form of a law or constitution are mainly geared to the BOD of listed companies in LSX. Likewise, in 1995, another report in the area of CG appeared in the UK which focused on remuneration earned by members of BODs and senior executives, recommended to establish a committee for remuneration. The report mentioned that, remuneration committee should consist of at least three members from non-executive directors and one of its responsibilities is to review and assess the rules which use company to identify these rewards (Greenbury 1995).

Another committee was founded in the same year for CG and had some purposes explained below as follows:

- Reviewing the level of implementation of the requirements contained in the reports of Cadbury and Greenbury.
- Clarifying the roles that must be assigned to each of the board of directors, auditors and shareholders, as well as commenting on some of the points in which the committees had different opinions about them.
- Finding some other additional points which were not mentioned in the previous reports (Hampel Committee 1998).

The Committee in its final report (1998) mentioned that, CG is not just a topic to describe the structures of companies and mention some number of strict rules, where there is a need for a set of principles, to apply by the interested parties and stakeholders with a degree of flexibility based on the circumstances of companies.

At the end, Combined Code was made from Cadbury, Greenbury and Hampel committees in an exceptional law which was issued in 1998, and included a set of principles which include four main parts as management, remunerations, accountability and auditing, relations with shareholders (FRC 1998). Figure below shows the UK CG (Fletcher 2012).

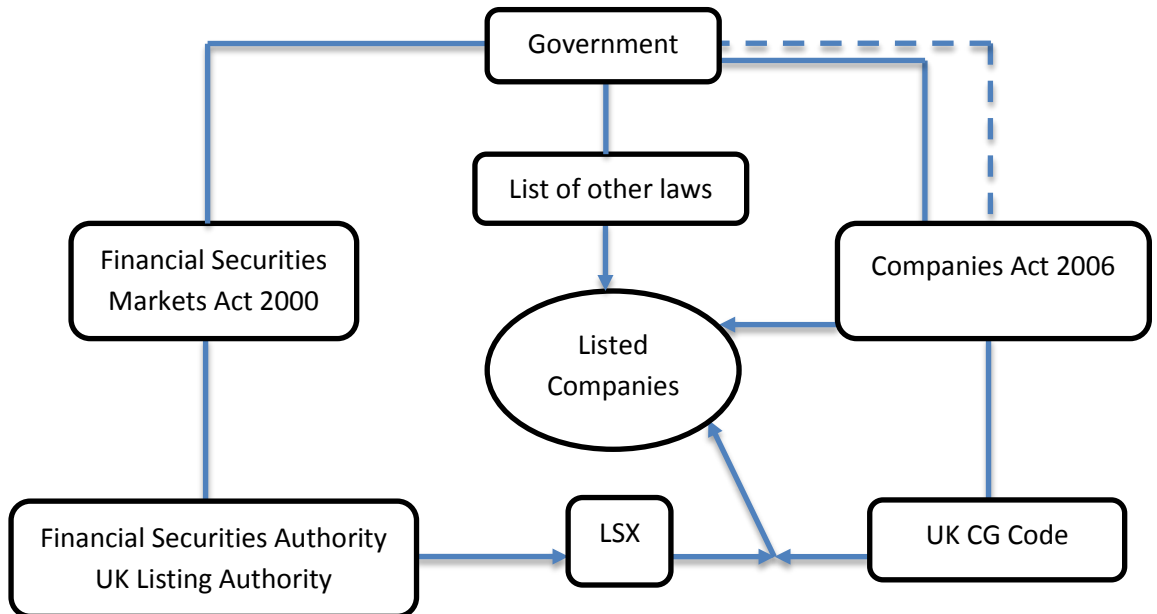


Figure 1 the UK CG

Some UK CG principles approaches have been taken from SOX which have an explaining approach. However, most of the USA’s CG which came from SOX has obligatory approach and thus companies must apply these principles and practice them as there are penalties for the companies violating the requirements. Dowdney (2013) demonstrates a comparison between the UK and USA’s CG and found that most of the principles were equivalent. However, in some cases UK does not have equivalent principles to the USA’s CG. For example, the SOX act states that, “Adoption of codes of ethics for senior financial officers” and there are not any equivalent UK principles of this guide.

## DISCUSSION AND ANALYSIS

Entail adopting the concept of CG between Iraqi listed companies need to make analytical revisions for legal and regulatory frameworks that regulate market activities and listed companies, in order to determine the level of contribution in establishing the general principles of CG. Likewise, it needs to evaluate the CG in listed companies themselves and their level of commitment to these principles.

Establishing the ISX has some goals as mention in section 1, number 6 of temporary law for securities market number 74 of 2004, the ISX aim is to regulate its members and maintain the recognised principles for companies which are suitable with the goals of investors and shareholders, as well as promoting investors’ confidence. Likewise, it aims to enhance investors’

rights in an efficient, trusted, competitive, transparent and sincere market and performing other necessary activities to support and achieve its goals. The questions that can be figured out here are; could the ISX maintain the recognised principles? What is exactly meant by recognised principles in the mentioned law? Could the ISX promote investors' confidence? Could the ISX by some means improve the market to be competitive and transparent after starting and passing more than 6 years? Has ISX done any activities to achieve its goals? Nevertheless, these questions need further studies and separate researches.

General rules and requirements to be listed in the ISX have been written in the third section of the temporary law for securities market No. 74 for the year 2004, and companies must provide published or announced financial reports which are prepared in accordance with accounting standards, attached with required observations and clarifications.

However, the rules of procedure of the ISX or its system (which is expected to be issued by ISX and ISC) remain deficient, unless assign, explain and clarify these rules through issuance of different sets of related instructions. Likewise, it is worth noting that, the instructions that are in ISX until the date of preparation of this study is a set of regulatory instructions for trading securities in the market and prepared in accordance with provisions of section three, article 2 of the temporary law for securities markets number 74 for 2004. Moreover, it is not sufficient for the purpose of continuing market activities and gains the confidence of shareholders and investors, as well as the ability to attract domestic and foreign investors under accelerated environmental developments. Furthermore, it would be more useful for the general commission of ISX and supervisory authority on them to grow more knowledge from rules of procedure of the capital markets and instructions which are issued by global financial markets. Especially those instructions that are related to disclosure and should be provided to shareholders, potential investors and other dealers in the market, that they need to make sound economic decisions, either regarding information which are relevant to the performance of companies or related to trading of their shares in the market.

Although the mentioned law above has implicitly indicated to provide summaries of financial reports, report of management and auditor's reports to shareholders in a suitable period before the date of meeting of general assembly (fifteen days), to enable them to review and ask questions from board of directors as well as auditor on doubtful issues. Likewise, the research finds out that, majority of shareholders do not acquire these summaries and reports and they only deliverer them few days before the meeting or during the time of meeting. In addition, this problem does not allow shareholders the opportunity to effectively participate in meetings



(figure 2). Based on what have been mentioned above, we can summaries the reasons for this issue to:

- Company's unwillingness to send such information.
- Lack of shareholders' awareness of the importance of this information.
- Weaknesses of supervisory authorities.



**Figure 2 Stakeholders right**

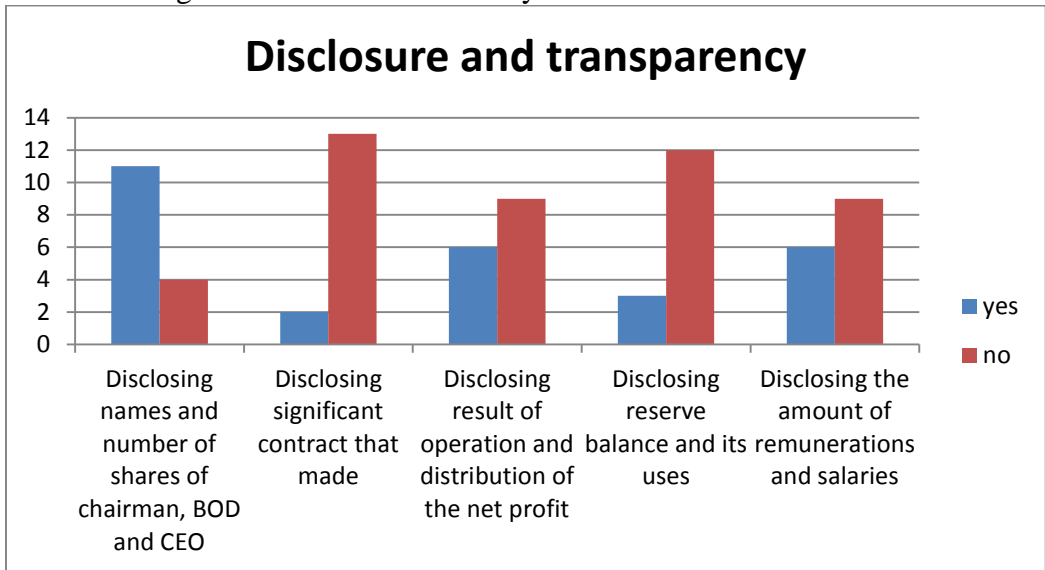
Companies Act number 21 of 1997 as amended in 2004 shows exercising voting rights for all shareholders on the key decisions in general assembly meetings, as article 97 indicates that each shareholder in company has a number of votes equal to the number of shares they own.

However, Iraqi Companies Act did not address specifically the trading of internal information, as well as there is no mechanisms that can be applied by minority of shareholders to compensate for the violation of their rights. Moreover, there are no indicators to ensure fair and equitable treatment for minority shareholders in ISX.

Legal framework deals with the essential requirements for disclosure and transparency which companies should adhere or observe, as Iraq Unified Accounting System instructed disclosure and transparency rules that

companies should obey. Furthermore, Local Accounting Rules number 6 shows, disclosure of information that are related to financial statements and accounting policies. Moreover, it include a general framework of what should be disclosed in financial reports as well as the following of FASB’s complementary disclosure requirements in Iraq. Despite what have been mentioned till now, the research found that the disclosure and transparency requirements are not in the required level (figure 3), as there are a lot of other information that should be disclosed from companies and include:

- Ownership structure of shares and voting rights.
- The policies that are used to determine remunerations of members of board of directors and executive.
- Disclosing transactions and deals with other companies that are related to corporate.
- Company’s risk factors.
- Issues that are related to employees and other stakeholders.
- Disclosing other information to reduce conflict of interest and control trading on internal information by directors.



**Figure 3 Disclosure and transparency**

Laws and regulations initiate number of issues related to BOD, especially those linked to structure and composition of board, selecting members and essential tasks entrusted to board’s members, as well as board’s role in overseeing executive directors. Moreover, board of directors usually consists of odd number of members as required by laws and related regulations.

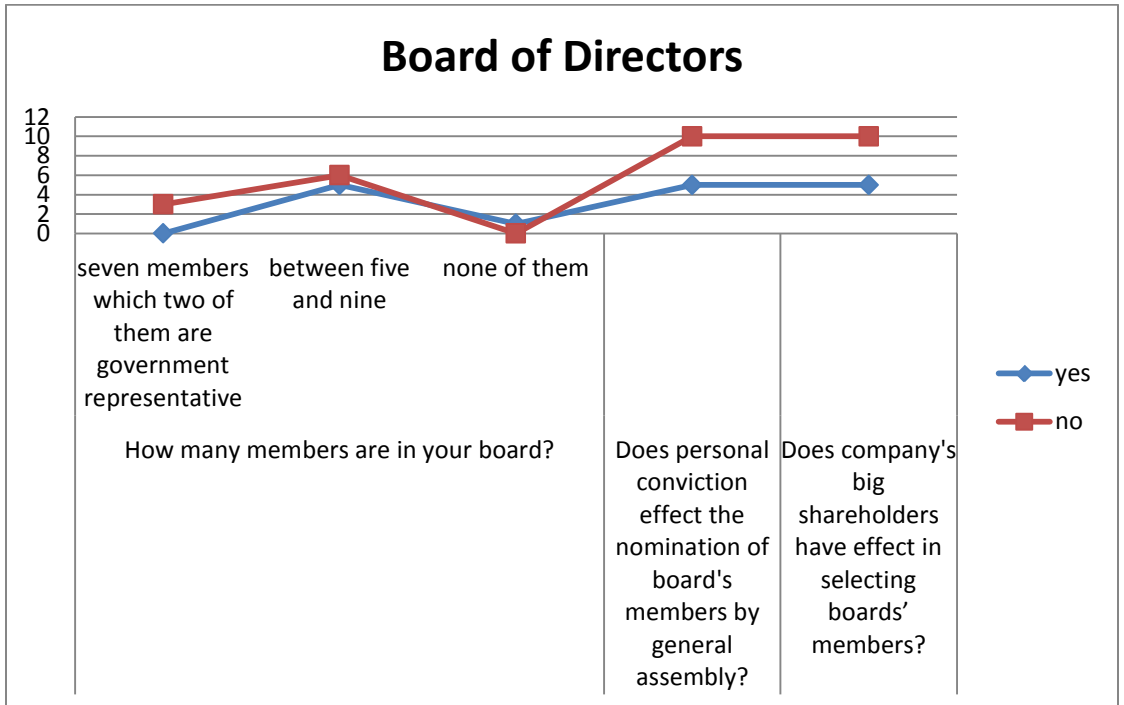
Despite the contents of articles in the Companies Act (2004) on formation of the board of directors and determining the responsibilities and tasks that must be entrusted to its members, the research found that there are many relevant issues that were not addressed in the Companies Law and which are explained as follows:

- A clear definition of the concept, requirements and conditions of independence of the board of directors' members, as well as independence of committees' members.
- Choosing board members from non-executive who are able to exercise activities independently where there is a potential for conflict of interest, as well as determining the number and qualifications of committees' members. Moreover, there is no clear definition of duties of such committees and contents of reports that should be submitted by committee to the board of directors. The mentioned law above did not impose the board of directors to form a committee for appointments and corporate governance.
- This law does not have a comprehensive and specific description to duties of chairman and members of the BOD, as well as solutions for conflict between management, board members and shareholders as the result of misuse of assets and transactions.
- Not having an independent evaluation for performance of members of BOD and its committees and oversee the effectiveness of CG procedures, is another point that have not described in this law.

Apart from what have been mentioned above, the legal and regulatory framework is contributed to establish some areas of CG such as shareholders rights, determine responsibilities of board members, as well as emphasising the importance of powers separation that are given to chairman of board and executive director. However, this contribution does not derived from the concept of CG itself but this contribution from legal and regulatory framework are just some terms, recommendation or commitment for organising the work of Iraqi companies. Moreover, from the researcher's perspective, it requires activating much legislation that is related to the CG and practice by corporates. Likewise, these legislations include:

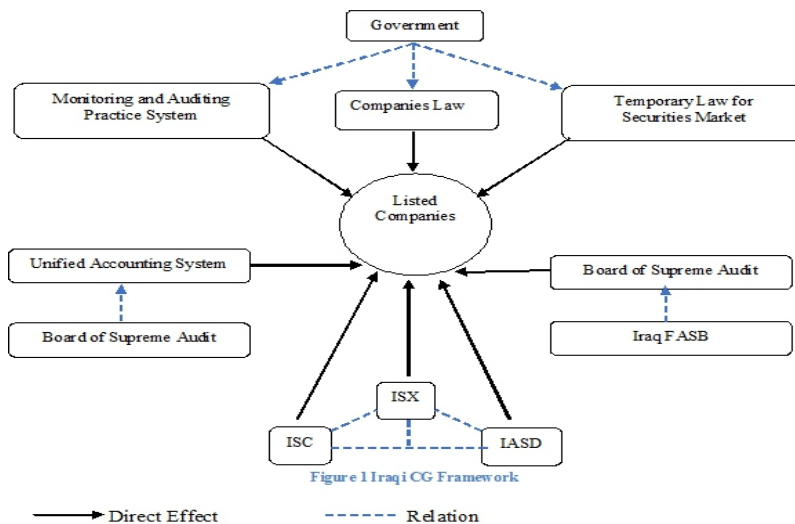
- Protection of minority shareholders.
- Enabling shareholders to obtain compensation for violation of their rights.
- Protection of the stakeholders' rights, particularly employees.
- Providing new requirements for disclosure and transparency.
- Emphasising on independence of members of BOD and its committees, particularly Audit Committee.

- Formation of other committees, including Committee of CG that takes duty of designing and developing corporates' CG standards, and measure the level of commitment of these standards.



**Figure 4 Board of Directors**

From what has been discussed a framework has been designed from the authorities and laws that affect the work of listed companies in Iraq.



The research analysis include, the Board of Directors and procedures related to the nomination of its members and determine their remuneration and the responsibilities entrusted to them, as well as other characteristics related to Corporate Governance as the following:

### Ownership Structure

The ownership structure in the sample companies are concentrated ownership by 37.5% and the rest of sample companies do not have any information about types of ownership structure, which is 62.5%. However, the companies that have concentrated ownership structure are under control of persons who have significant number of shares and they might be board of directors' members, CEO or government representatives in the case of mixed joint stock companies.

The ownership structures in sample companies show that, listed companies have modest protection for shareholders' rights within the legal and regulatory framework that govern the activities of listed companies. The issue here is the high risk of failing in some areas that are related to the governing of the companies. Furthermore, this risk is, when the senior shareholders who own a large number of votes use it, to influence the decisions of the BOD and to achieve personal benefits at the expense of small shareholders.

<b>The ownership structure of company * CG Crosstabulation</b>				
		no	yes	Total
The ownership structure of company	do not have any specific ownership structure	10	0	10
	Dispersed ownership structure	0	5	5
Total		10	5	15

### Board of Directors

Number of board members in the sample companies consistent with the requirements of the Companies Act number 21 of 1997 as amended. The interviews answers shows the weaknesses in separation between executive and non-executive directors and their independents level in the board, which confirm the lack of related laws, regulations and instructions of the independence and composition of board of directors on the one hand, and lack of awareness by the members of the board of directors in the companies to the concept and requirements in the other hand.

Furthermore, it is the responsibility of the listed companies to nominate qualified members who have knowledge and experience, especially in financial and accounting areas. 62.5% of interviewees indicated that the nominations of board members which carried out by the General Assembly based on personal convictions rather than having a nomination committee for

this purpose. Moreover, the selection of board members based on the recommendation from senior shareholders without considering the importance of experience and education.

Crosstab				
		no	yes	Total
How many of board's members are executives and how many are non-executives?	No answer	5	0	5
	5 executives and 2 non-executives	2	3	5
	8 executives and 1 non-executives	0	1	1
	6 executives and 1 nonexecutives	1	0	1
	2 executives and 5 non-executives	1	0	1
	7 executives and 0 non-executives	1	0	1
	3 executives and 4 non-executives	0	1	1
Total		10	5	15

### Remuneration

Lack of having a clear system to determine remunerations and measuring the performance of the board of directors' members, committees' members and executives. These incentives and rewards based on General Assembly decisions rather than having criteria to determine it. These criteria could be the effort of a member to accomplish the tasks that are consistent with the overall objectives of the company or the level of plans implementation.

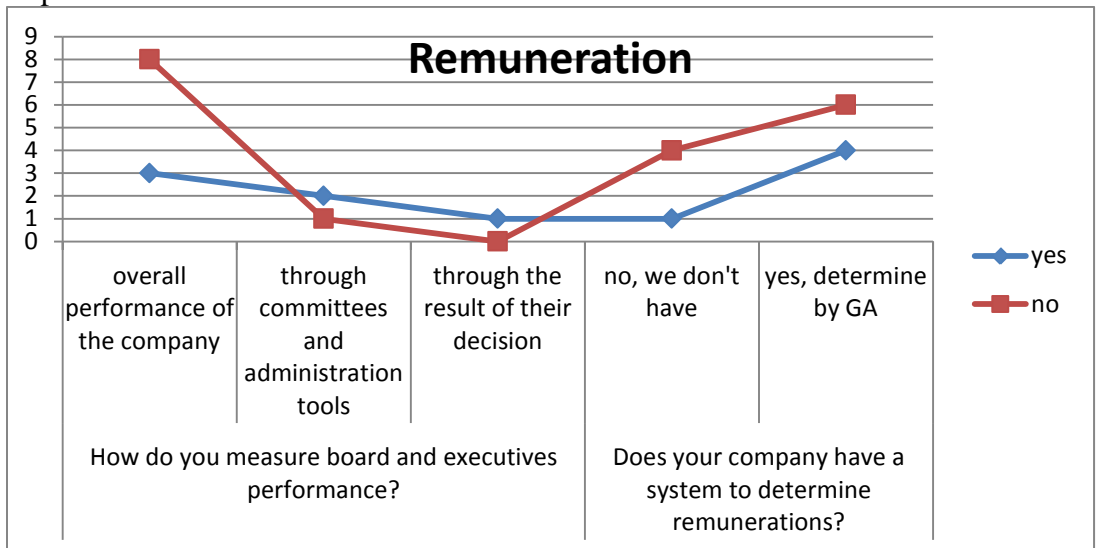


Figure 5 Remuneration

### Stakeholders’ right

Recognising the rights of stakeholders within the issued reports by the listed companies is another point that investigated, which the researcher asked about the importance of maintaining the safety and welfare of employees and the possibility of employees to get the company's shares or any other incentives to create value for them, as well as mentioning explicitly the environmental issues that affecting the business.

The result shows that 75% are the lack of reporting from companies to clearly and explicitly to explain the importance of maintaining the safety and well-being of employees. However, the companies’ employees can get companies’ shares or any other incentives, as the result shows.

Moreover, the data analysis for reporting the environmental issues that affect the companies’ activities shows that, the majority of companies by 57% include these issues in their financial reports. However, the ratio for giving compensation to those affected by companies’ activities shows listed companies do not grant any compensation for the damage that could affect stakeholders as a result of the companies’ activities or effect of decisions that made by BOD.

Likewise, the answers for stakeholders’ rights to get financial and non-financial information and the right of accountability revealed that, the listed companies by 56.25% do not provide relevant information regularly for stakeholders about their activities.

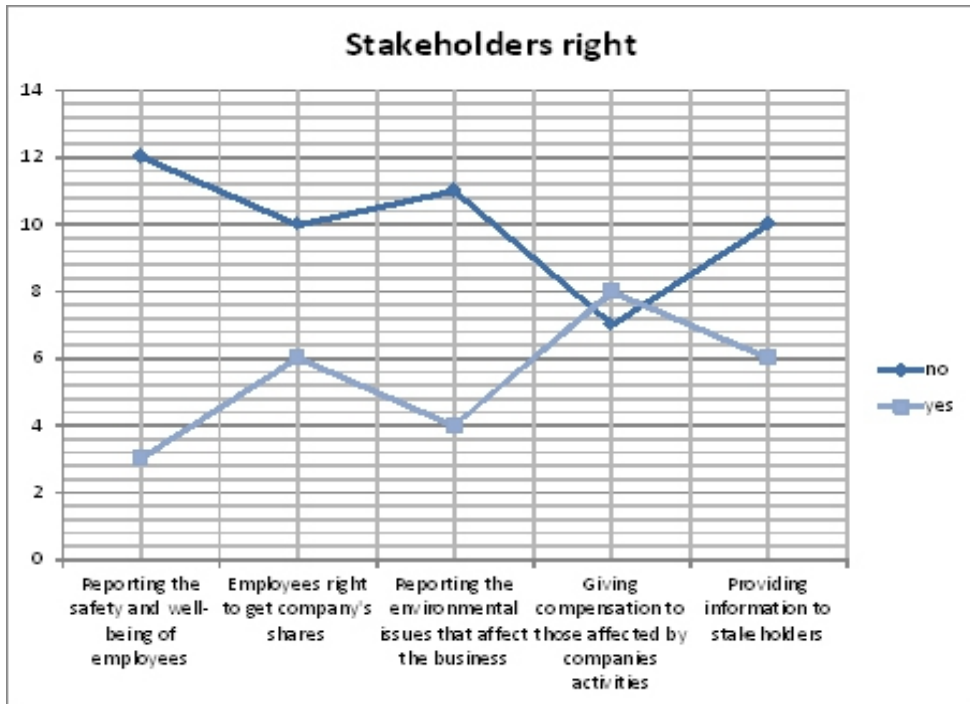


Table 7 Stakeholders right

### Disclosure and transparency

This part of interviews questions were about disclosure of financial and non-financial information, which asked the interviewers about BOD, chairman and CEO shares in the company, disclosing significant contract, result of operation, reserve balance and its uses and amount of remunerations. Furthermore, the majority of companies disclose the financial and operational results of the company as mentioned in the Iraqi companies' law.

### Internal audit

The interviewers are asked relevant questions about having separate department or committee for internal audit, qualifications of the internal auditors and the level of their independence. The majority of companies have separate department for internal audit which covers 81.25%. However, as interviewers explained their internal auditing system, the research find that, internal auditors in most of sectors have responsibility to check account daily and it is not a powerful department to monitor whole company. The internal audit departments in the bank sector are the most powerful one between sectors, as internal auditor of this sector monitor whole company. Furthermore, 67.75% of internal auditor directly connected to the BOD and they should provide report to the BOD. Likewise, 75% of interviewers mentioned that the internal auditors have education, qualification and experience. However, most of interviewers mentioned that, internal auditors have BSc degree in accounting or have colleges' certificate. The question that can figure out here is, does BSc degree is enough to be an auditor in a joint stock company?

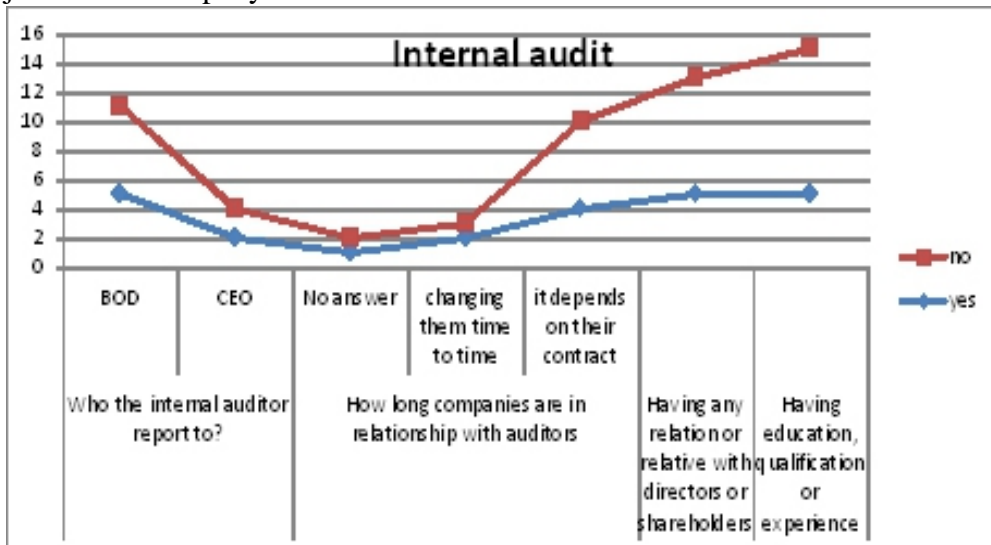


Table 8 Internal audit



Analysis shows there are a lot of shortcomings in the majority of listed companies in areas of CG due to the lack of having a clear and specific framework for CG in establishing the general principles of it, which is the responsibility of government, Iraqi Securities Commission, Iraqi Stock Exchange and all other relevant bodies. Furthermore, the level of awareness and consciousness of companies about CG are low, especially from the members of the BOD and CEOs, which need to build the thought and culture of CG through education to build the awareness among them about the codes of CG and teaching them the best practical guide.

Likewise, as the research find out, the CG is taken seriously in the Bank Sector and the reason returns to the direct dealing of the banks with money and transactions. While in the other sectors is not taken seriously as much as Bank Sector, and the reason is that, the size of companies are medium and small which the number of employees of these companies cannot reach 20 employees. Moreover, the financial reports are not important for relevant bodies as the result of the process of monitoring the companies become a routine work between listed companies, ISX and ISC, as well as, small joint stock companies in ISX are managed by shareholders, therefore, the agency problem is not exist at all or it is less likely to have conflict between management and shareholders.

Therefore, the research suggest that, it is significant to have a framework for corporate governance to govern the activities of listed companies in the ISX to overcome with the shortcomings that have been mentioned above and improve performance and efficiency of the ISX and to ensure the positive impacts of these changes on Iraqi economy as the whole.

## **CONCLUSION**

CG has been defined as it is a framework to govern and control the companies, especially the companies that work in the capital markets. Furthermore, CG has been discussed in more details as a framework to determine the rights and duties and to clarify the roles and responsibilities of all parties that directly related to the listed companies, which they are Board of Directors, company's management and shareholders. Moreover, this framework concerned about other parties as well which are connected to the companies such as stakeholders, customers, suppliers, creditors and lenders.

Likewise, CG has been explained as a framework based on a set of concepts, which are justice and fairness, transparency, responsibility and accountability and independence. Therefore, a combination of all the above points in a set of principles and standards aims to protect the rights of shareholders and maximise their wealth in the long term, as well as protect the rights of stakeholders and maintain their rights.

Emphasising the concepts of CG and adopting a set of principles and relevant standards in the financial markets, and continuation relevant bodies to evaluate the level of implementation of these principles and standards are results to enhance the efficiency of securities markets. Furthermore, poor implementation of these principles and standards will raise the risk of poor liquidity and lack of ability to attract local and foreign investors, as well as uncertainties about the future of investment in the companies.

Moreover, the framework of CG aims to promote efficiency of the financial markets through helping the management of the listed companies and the Board of Directors to accomplish their tasks related to the implementation of the best practices, as well as these principles is a guidance for the future development of standards and principles of corporate governance. As the result of financial crises and collapses that affected the majority of companies, the USA and the UK become the leader countries in the formulation and development of the principles of CG. The law of SOX issued in the USA is the most prominent principles of CG, which had an impact on the CG of America, as well as the governance of companies that operating in other countries, such as Germany and Japan, despite differences in the characteristics of their governance and the nature of the environmental circumstances.

The instruction of the concepts of CG is necessary for Iraqi listed companies and ISX, because it will help them to cope with financial, accounting and reporting corruptions between the listed companies, particularly those related to the transparent financial reports. Furthermore, these concepts will teach the ISX to have a clear definition for shareholders' and stakeholders' rights, a clear separation between responsibilities of the Board of Directors and senior executives, as well as enhancing the level of independence of auditors in the companies. However, to instruct these concepts of CG in Iraq, it is required the adoption of these concepts and applying a set of relevant principles, reconsideration of the laws and instructions that govern the activities of the listed companies, determine the level of contribution to the those principles and detect areas of deficiencies.

This research has revealed the shortcomings in many areas of CG in Iraq which include the shareholders' and stakeholders rights, the level of attendance of shareholders to the annual meeting of the General Assembly and providing them with the necessary information that might have significant effect on their decisions about the future of their investments in the listed companies. Furthermore, this research found inadequate level of contribution of the legal framework for balancing treatment to shareholders, particularly holders of minority shares, as well as other shortcomings associated with the requirements of disclosure and transparency.

Therefore, for the future of CG in Iraq this research suggested some important points. However, it is required to form an independent committee to work on CG in Iraq and this committee should consist of number of members from experts and specialists from academics, professionals and representatives from the public and private sectors in Iraq, in order to increase understanding of issues of corporate governance.

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