An evaluation of corporate governance disclosure: Evidence from Malaysia, Singapore and Thailand

Jittima Suphakasem
B.Acc., M.A.

Thesis submitted in fulfillment of the requirement for the degree of Doctor of Philosophy

Department of Accounting and Finance
University of Strathclyde
Glasgow
2008

TABLE OF CONTENTS

TABLES

APPENDICES

ACKNOWLEDGEMENTS

My appreciation goes to a large number of individuals, all of whom have contributed towards the success of my thesis. Firstly, I would like to express my deepest gratitude to my supervisor, Professor Pauline Weetman, for her guidance, insightful comments, and supports throughout the period of my study. Without her this research would not have been finished successfully. Her invaluable comments, suggestions, ideas, prompt feedback, and continuing encouragement contributed to the quality of this thesis. She was willing to help whenever necessary and always patient with me, which I wholeheartedly appreciated.

I would also like to thank some leading academics for their comments and suggestions during my presentation at the British Accounting Association 2007 Annual Conference held at Royal Holloway, University of London and Doctoral Colloquia held at Heriot-Watt University (2005), University of Portsmouth (2006), and Royal Holloway, University of London (2007) and the Scottish Doctoral Colloquia held at University of St Andrews (2005), and Napier University (2006). Eminent among theses were Professor Vivien Beattie, Professor Rob Gray, Professor Jan Bebbington, Professor David Ashton and Professor Clare Roberts. I am also indebted to Professor Christine Cooper, Mr. Ian Thomson and Dr. Andrea Coulson for their comments and suggestions during the PhD presentations at the Department of Accounting and Finance. My appreciation also goes to Professor Andrew Marshall for his guidance and support.

I would like to deeply thank Donna McDougall for providing guidance with the Datastream. I am also indebted to all my interviewees, respondents and to all people who gave me so much of their time to provide me with information for my research, in particular, Calvin Wong and George Dallas of S&P, Suwanna Kluntamas of the SEC, Thailand, Wanwisa Phanda of the Corporate Governance Center, Thailand, John Heng, and Noraishah Ismail of Bursa Malaysia. Without their help, I would not have been able to complete this study.

Friends have also been very helpful and supportive during my study at the University of Strathclyde, especially Thanundorn Pittakkiet, David Harwood, Norashikin Ismail, Zuraeda Ibrahim and Norazita Marina Abdul Aziz. My appreciation also goes to my best friend in Thailand, Unyamanee Danaisawat, who always kept in touch and gave me a lot of emotional support.

Finally, I would like to express my appreciation to my parents for inspiring me to pursue the PhD. They were always supportive and understanding and gave me love and encouragement throughout the period of my study. Special thanks must also go to my uncle for his support and willingness to help throughout the period of my study.

ABSTRACT

This thesis investigates corporate governance disclosure in companies' annual reports in relation to: 1) the robustness of the disclosure scoring methods and the sensitivity of association testing, and 2) the influence of corporate governance disclosure on market perceptions of a company. Companies listed in Malaysia, Singapore and Thailand for the financial year ending 2004 were chosen as samples in this study.

This thesis employs both quantitative and qualitative methods of investigation. For the quantitative approach, theories related to corporate governance disclosure and environmental characteristics of Malaysia, Singapore and Thailand are employed to formulate testable hypotheses. To help validate and complement statistical findings, questionnaires and interviews with listed companies, investment analysts, external auditors and regulators have also been conducted.

The contributions to knowledge are: 1) to contribute to theories on corporate governance disclosure, 2) to contribute a methodological extension to the understanding of factors influencing corporate governance disclosure and the impact of the disclosure on market perceptions of companies, 3) to understand corporate governance disclosure from different environmental perspectives such as culture and levels of economic and capital market developments, and 4) to provide possible suggestions for corporate governance codes or principles in relation to corporate governance disclosure.

Key findings are: The regression results based on different scoring methods may bring out different sets of explanatory variables, suggesting that employing different scoring methods can help provide a clearer explanation/picture of corporate governance disclosure and its impact on market perceptions. Although financial disclosure theories can be applied to the area of corporate governance disclosure, the explanations of the theories should be interpreted with particular relevance to the context of corporate governance disclosure. Environmental determinism theory, which suggests that the environment in which companies operate can have an influence on their disclosure, is the dominant theory in explaining country differences in corporate governance disclosure.

ABBREVIATIONS

ACGA	Asian Corporate Governance Association
AGM	Annual General Meeting
AIA	Association of International Accountants
ANOVA	Analysis of variance
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BOT	Bank of Thailand
CCDG	Council on Corporate Disclosure and Governance
CEO	Chief Executive Officer
CG	Corporate Governance
CGC	Corporate Governance Committee
CGFRC	Corporate Governance and Financial Reporting Centre
CIA	Central Intelligence Agency
CLSA	CLSA Asia-Pacific Markets
FCCG	Finance Committee on Corporate Governance
GAAP	Generally Accepted Accounting Principles
GDP	Gross domestic product
GNI	Gross national income
IAS	International Accounting Standard
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
KLCI	Kuala Lumpur Composite Index
KLSE	Kuala Lumpur Stock Exchange
MAI	Market for Alternative Investment
MAS	Monetary Authority of Singapore
MD&A	Management Discussion and Analysis
MESDAQ	Malaysian Exchange of Securities Dealing and Automated Quotation
NACRA	National Annual Corporate Report Awards
NCGC	National Corporate Governance Committee
NEAC	National Economic Action Council
NUS	National University of Singapore
OECD	Organisation for Economic Co-operation and Development
PwC	PricewaterhouseCoopers
ROA	Return on assets
S&P	Standard and Poor's
SEC	Securities and Exchange Commission
SES	Stock Exchange of Singapore
SESDAQ	Stock Exchange of Singapore Dealing and Automated Quotation System
SET	Stock Exchange of Thailand
SGX	Singapore Exchange
SIMEX	Singapore International Monetary Exchange
STI	Straits Times Index
T&D	Transparency and Disclosure
Thai IOD	Thai Institute of Directors Association
UK	United Kingdom
US	United States
VIF	Variance Inflation Factor

CHAPTER 1: INTRODUCTION

1.1 Introduction

Corporate governance disclosure requirements and guidelines were developed across many Asian countries after the 1997 economic crisis. Robb *et al.* (2001) suggest that institutional investors and financial analysts seek non-financial information about the long-term ability of managers to manage effectively and efficiently, while Bronn (2004) argues that communication of corporate governance practices is the primary interest of many stakeholders. Finally, Independent Audit Limited (2006) suggests that when the business changes, users will also want to know how corporate governance responds.

Despite the significance of corporate governance disclosure indicated in the studies cited, only relatively few studies examine corporate governance disclosure in Asia, i.e. Bushman *et al.* (2004), Standard and Poor's and Corporate Governance and Financial Reporting Center (S&P and CGFRC) (2004a, b, c, d, e), Hossain and Taylor (2006), Qu and Leung (2006), and Mak (2007). This suggests that more research is needed to further understand corporate governance disclosure in Asian countries. Examining different countries, and the different environments which exist across these countries, may help to identify factors which motivate corporate governance disclosure in that particular environment. Such examinations may also help to show the variation in significance placed on corporate governance disclosure by market participants across countries. This, in turn, may contribute to current knowledge of corporate governance disclosure and may provide a basis from which to question whether existing financial and non-financial theories are able to explain corporate governance disclosure in Asia.

1.2 Motivation

The study of corporate governance disclosure in this thesis is motivated by: 1) the relatively small number of studies on corporate governance disclosure in Southeast Asia, and 2) the emphasis placed on improvements in corporate governance and related disclosure in Southeast Asian countries following the 1997 Asian economic crisis (see for example, Ho and Wong, 2004; and Solomon and Solomon, 2004).

The significance of the disclosure argued by prior corporate governance disclosure studies suggests that a rigorous investigation of the questions and issues raised by these studies may be needed in Southeast Asia (where there are only relatively few studies). For example, Bhat *et al.* (2006) suggest that corporate governance information is useful in evaluating the credibility and quality of financial information, which is the information employed by analysts to generate their earnings forecasts. Additionally, they show that corporate governance information is even more significant when financial disclosure is less transparent. Stanwick and Stanwick (2005) suggest that improving corporate governance disclosure is related to enhancing transparency, promoting sound capital markets and regaining the confidence of stakeholders, while Bujaki and McConomy (2002) provide evidence that companies accused of corporate governance failures tend to have poor corporate governance disclosure prior to failure. This suggests that investors should be wary of companies with poor corporate governance disclosure. Additionally, Ramsay and Hoad (1997) suggest that corporate governance disclosure can help shareholders and other stakeholders to monitor directors.

This thesis focuses particularly on examining corporate governance disclosure in Malaysia, Singapore and Thailand. These countries have placed great significance on corporate governance disclosure following the 1997 crisis, as can be seen from the development of the codes or principles of corporate governance (e.g. Finance Committee on Corporate Governance: FCCG, 2001; Corporate Governance Committee: CGC, 2001; and the Stock Exchange of Thailand: SET, 2002, for Malaysia, Singapore and Thailand, respectively), and the requirements for listed companies to disclose in their annual reports how they apply the relevant codes or principles, together with any reasons why they may fail to comply with them. This provides the opportunity to examine whether new regulations have any significant impact on the extent of corporate governance disclosure in annual reports. In addition, it should help evaluate whether theories originating from western countries are able to explain variations in corporate governance disclosure in the context of Southeast Asia. The selection of Malaysia, Singapore and Thailand for this study is motivated by the different environments which exist in these countries, e.g. culture, capital market development, and institutional governance structures[1]. The analyses of corporate governance disclosure in these countries should

[1] Institutional governance structure is corporate governance mechanism at a country level (see section 3.3.5 for detailed discussion).

contribute towards an assessment on the effects of environment on the disclosure of corporate governance information.

For Malaysia, FCCG (2001) suggests that because good corporate governance rests with the boards of directors, the explanation for the way in which a board applies the principles is very significant, while Miles (2005) suggests that greater disclosure of governance practices and transparency in company reporting can improve confidence on the part of investors. Miles (2005) further suggests that this is an important strategy in attracting investment and securing credit. For Singapore, CGC (2001) argues that information about the corporate governance framework and practices has to be disclosed in order to help investors assess the appropriateness of companies' corporate governance practices and allow them to make informed decisions. For Thailand, SET (2001) suggests that corporate governance disclosure allows stakeholders to examine a company more cautiously, specifically with regard to monitoring the ethical and moral conduct of a company's operations and whether or not this conduct is maintained. Cheung *et al.* (2007) suggest that disclosing corporate governance information should help reassure investors that companies are being managed with the interests of shareholders in mind.

Prior corporate governance disclosure studies focus mainly on employing a dichotomous method in measuring corporate governance disclosure, so this provides a motivation for extending the scoring methods in order to test the robustness of the association testing. Furthermore, it is because of the possible influence of corporate governance disclosure on the attitudes of market participants towards companies (for example, Bebczuk, 2005, Klein *et al.*, 2005, Miles, 2005; and Cheung *et al.*, 2007), and the lack of prior studies in this area, which motivate the researcher to examine market perceptions of corporate governance disclosure.

1.3 Objectives

The overall aim of the thesis is to evaluate the extent of corporate governance disclosure in corporate annual reports, after the development of codes or principles of corporate governance following the 1997 Asian economic crisis. Corporate governance disclosure can be regarded as, to external stakeholders, the initial evidence of corporate governance quality. The main objectives of this thesis are as follows:

Objective 1a: To investigate the robustness of corporate governance disclosure scoring methods and the sensitivity of association testing of factors influencing corporate governance disclosure in annual reports

Objective 1b: To assess the applicability of disclosure theories[2], derived from both financial and non-financial disclosure, to corporate governance disclosure

The first objective is to examine whether different methods of corporate governance disclosure scoring will provide similar results in the association testing. The findings will contribute towards an assessment of the impact of different scoring methods on factors influencing corporate governance disclosure. It will also help explain corporate governance disclosure levels in annual reports using theories developed for financial and non-financial (other than corporate governance) disclosure.

Objective 2a: To assess the impact of corporate governance disclosure in corporate annual reports on market perceptions of company performance, when compared with corporate governance practices

Objective 2b: To assess the applicability of theories explaining the impact of corporate governance disclosure on market perceptions of company performance

The findings will contribute towards an assessment of the importance of corporate governance disclosure with regard to its effect on market perceptions of company performance.

Objective 3: To employ a qualitative approach in validating and complementing the interpretation of statistical findings, and to identify additional factors not included in the statistical models

The qualitative approach will help strengthen the statistical findings and extend current thinking on: 1) factors influencing corporate governance disclosure, and 2) the influence of corporate governance disclosure on market perceptions of company performance.

---

[2] Throughout this thesis, the researcher clearly states when the disclosure of corporate governance information is the focus of the discussion. For all other cases, it should be taken to mean general disclosure (financial or other non-financial).

Objective 4: To explore the similarities and differences in the findings across Malaysia, Singapore and Thailand for both quantitative and qualitative approaches

This will contribute towards an understanding of corporate governance disclosure from different environmental perspectives, as well as helping to assess the applicability of environmental determinism theory.

Objective 5: To make observation on policy implications of implementing codes or principles in relation to corporate governance disclosure

This will contribute towards the development of codes or principles and regulatory enforcements in relation to corporate governance disclosure.

1.4 Research questions

The general research questions (GRQs) shown below are for Objectives 1-3:

GRQ 1: To what extent do the results of association testing depend on the choice of scoring methods for corporate governance disclosure in the annual reports of major listed companies in Malaysia, Singapore and Thailand?

GRQ 2: To what extent, compared to corporate governance practices, is corporate governance disclosure statistically significant in explaining market perceptions of company performance?

GRQ 3: What insights are offered by preparers and users of corporate governance information to validate and complement the statistical findings regarding factors which influence corporate governance disclosure?

GRQ 4: What insights are offered by preparers and users of corporate governance information to validate and complement statistical findings on whether corporate governance disclosure can have an impact on market perceptions of company performance?

Objectives 4 and 5 will be dealt with through analyses of the answers given to the GRQs.

The GRQs are further divided into ten specific research questions (SRQs) as shown in Table 1-1.

Table 1-1: Specific research questions

Specific research questions (SRQs)		Linking to GRQ	Chapter
SRQ 1:	What is the extent of corporate governance disclosure in the annual reports of major companies included in the Kuala Lumpur Composite Index (KLCI), Straits Times Index (STI), and Stock Exchange of Thailand (SET) 50 Index, and do different scoring methods distinguish different aspects of corporate governance disclosure?	GRQ 1	5
	a) What is the extent of corporate governance disclosure, both mandatory and voluntary, in the annual reports?	GRQ 1	5
	b) Do different corporate governance disclosure scoring methods distinguish different aspects of corporate governance disclosure?	GRQ 1	5
SRQ 2:	To what extent do the results of association testing depend on the choice of scoring methods for corporate governance disclosure in the annual reports of major listed companies in Malaysia, Singapore and Thailand?	GRQ 1	6
	a) Which factors are statistically significant in explaining variations in corporate governance disclosure in annual reports?	GRQ 1	6
	b) To what extent is the robustness of association testing sensitive to the corporate governance disclosure scoring methods used?	GRQ 1	6
SRQ 3:	How can variations in corporate governance disclosure in annual reports be explained by theories relevant to corporate governance and market-related theories, as well as by each country's own environment?	GRQ 1	6
SRQ 4:	What is the effect of corporate governance disclosure on market perceptions of company performance, when compared with corporate governance practices?	GRQ 2	7
SRQ 5:	How can variations in market perceptions of company performance be explained by theories relevant to corporate governance disclosure and practices?	GRQ 2	7
SRQ 6:	What are the perceptions of preparers and users of corporate governance information as disclosed in the annual reports?	GRQ 3	8
SRQ 7:	How do the opinions of preparers and users of corporate governance information help validate and complement the statistical findings of factors influencing corporate governance disclosure?	GRQ 3	8
SRQ 8:	How do the opinions of preparers and users of corporate governance information help with an understanding of the theories relating to the factors influencing corporate governance disclosure?	GRQ 3	8
SRQ 9:	How do the opinions of preparers and users of corporate governance information help validate and complement the statistical findings in relation to the effect of corporate governance disclosure on market perceptions of company performance, when compared with corporate governance practices?	GRQ 4	9

Specific research questions (SRQs)		Linking to GRQ	Chapter
SRQ10:	How do the opinions of preparers and users of corporate governance information help with an understanding of the theories relating to how corporate governance disclosure affects the market perceptions of companies?	GRQ 4	9

1.5 Summary of research methodology and methods

This thesis employs both a quantitative approach (statistical analyses) and a qualitative approach (questionnaires and interviews). The quantitative approach is based on the positive paradigm. Hypotheses are developed from relevant theories and these are then tested using regression analysis in order to examine: 1) factors influencing corporate governance disclosure, and the sensitivity of association testing to corporate governance disclosure scoring methods, and 2) the influence of corporate governance disclosure on market perceptions of company performance. The qualitative approach is based on the interpretivist paradigm. This approach aims to understand the perceptions of the people who are the research objects and helps validate and complement the statistical findings. The research methods are summarised as follows:

1.5.1 Data collection

The sample for the quantitative approach comprises ninety companies, taking the top thirty, based on market capitalisation, from companies listed on the Kuala Lumpur Composite Index (KLCI), Straits Times Index (STI) and Stock Exchange of Thailand (SET) 50 Index. The sample size is a compromise between the constraints of manual collection of data and the desire to have sufficient data for parametric testing.

A survey is conducted by means of questionnaire and interview with preparers and users of corporate governance information across Malaysia, Singapore and Thailand. The number of respondents comprises: 25 listed companies, 17 investment analysts (both sell-side and buy-side analysts), 13 external auditors, and 3 regulators.

1.5.2 Quantitative approach: statistical analyses

For the sample, corporate annual reports of the year 2004 are used for the analysis of corporate governance disclosure. This is the year where a comparison of disclosure across Malaysia, Singapore and Thailand became possible due to the difference in the effective dates of corporate governance disclosure requirements. It is also the most recent annual reports available at the time of data collection (see section 4.3.1). To examine the sensitivity of association testing to corporate governance disclosure scoring methods, four scoring methods are employed based on a checklist developed specifically for this thesis. The checklist was prepared with regard to: 1) the OECD principles of corporate governance, 2) codes or principles, regulations, and guidance on corporate governance developed particularly for Malaysia, Singapore and Thailand, and 3) the checklist items employed in prior corporate governance disclosure studies relevant to the context of Malaysia, Singapore and Thailand.

The scoring methods are: 1) a dichotomous method, 2) a relative number of text units method, 3) a method adapted from Beattie *et al.* (2004), and 4) a method adapted from Beretta and Bozzolan (2004). Beattie *et al.* (2004) and Beretta and Bozzolan (2004) develop measurement methods from contexts of general corporate reporting and risk communication, respectively. Their methods are adapted to the specific objectives of corporate governance disclosure.

To examine the influence of corporate governance disclosure, compared to corporate governance practices, on market perceptions of company performance, Tobin's *Q* is selected as a proxy for the market perceptions. Tobin's *Q* is a commonly used performance measurement in terms of company valuation in corporate governance research (for example, Weir *et al*, 2002; Abdul Rahman and Haniffa, 2005; Bebczuk, 2005; Klein *et al.*, 2005; and Haniffa and Hudaib, 2006). Tobin's *Q* is approximated in this thesis as follows: the market value of common shares plus total debt, in proportion to the book value of total assets.

1.5.3 Qualitative approach: Questionnaires and interviews

The two qualitative approaches employed are questionnaires and interviews. The questions, shown in Appendix 4-G, comprise both open-ended questions, i.e. those which allow respondents to reply freely, and closed questions, i.e. those which offer a choice of replies (Oppenheim, 1992). The analyses are based on the written responses to questionnaires received via e-mail, and on the transcripts prepared after each interview.

1.6 Contribution to knowledge

There are four main contributions of the thesis. Firstly, this thesis contributes to theories relevant to corporate governance disclosure. It discusses the extent to which prior financial disclosure theories are relevant in the context of corporate governance disclosure, including the applicability of theories originating from western countries in explaining corporate governance disclosure in Southeast Asia. The analyses of statistical results and survey responses also lead to the development of the theoretical interpretation with particular relevance to corporate governance disclosure in the area of: 1) factors influencing corporate governance disclosure, and 2) the influence of corporate governance disclosure, compared to corporate governance practices, on market perceptions of company performance.

Secondly, the thesis provides a methodological extension to prior corporate governance disclosure studies because it incorporates not only the widely-followed dichotomous method, but also other scoring methods. These other scoring methods include those employed in the contexts of general corporate reporting and risk communication which are adapted to the specific objectives of corporate governance disclosure. This extension of scoring methods helps examine the sensitivity of association testing according to the scoring methods used. The qualitative approach validates and complements interpretation of the statistical findings. In addition, it can help further identify factors influencing corporate governance disclosure, especially the qualitative factors which are difficult to measure accurately and are not captured in the statistical models.

Thirdly, it provides a comparative analysis of corporate governance disclosure across three countries, which helps develop an understanding of corporate governance disclosure from different environmental perspectives. Comparing the findings across different countries should help determine the different factors influencing corporate governance disclosure, as well as the importance placed upon corporate governance disclosure by the market participants in each country.

Finally, the thesis is concerned with policy implications. The analyses of corporate governance disclosure in annual reports and the responses from the preparers and users of corporate governance information help provide suggestions in relation to possible improvements for corporate governance codes or principles, and enforcement related to corporate governance disclosure.

1.7 Limitations

The main limitation in this thesis is the generalisability of the findings (see section 10.5 for detailed discussion on limitations). In total, only ninety companies were examined. The sample size is a compromise between the constraints of manual collection of data and the desire to have sufficient data for parametric testing. In addition, there are fewer respondents from Malaysia and Singapore when compared to Thailand, hence the qualitative findings should be regarded as only the initial evidence for corporate governance disclosure.

1.8 Structure of the thesis

This thesis is organised as follows:

Chapter 1 sets out the motivation and objectives. Research questions are presented. Research methodology and methods employed to answer the research questions are summarised. The contributions to knowledge and limitations are discussed. The chapter ends by outlining the structure of the thesis.

Chapter 2 reports and discusses the meanings and systems of corporate governance. It reviews general disclosure theories (for both financial and non-financial disclosure), as well as prior corporate governance disclosure studies. The theories employed to explain results from prior studies are summarised. An opportunity to expand the research on corporate governance disclosure employed in this thesis is identified.

Chapter 3 highlights differences in the environments across Malaysia, Singapore and Thailand in order to: 1) justify the investigation of Malaysia, Singapore and Thailand in this thesis, and 2) identify those aspects of environment which are expected to have an influence on corporate governance disclosure. The chapter describes the development of corporate governance disclosure and practices in each country.

Chapter 4 describes the research methodology and methods adopted to answer the research questions. The criteria employed in the selection of companies for statistical analyses and composition of respondents are discussed. The development of the corporate governance disclosure checklist and the reasons for using corporate annual reports for examining corporate governance disclosure are explained and discussed. The chapter describes the scoring methods, the measure of market perceptions of company performance, and the qualitative approach employed. Finally, a discussion of the statistical techniques employed to test the research hypotheses is provided.

Chapter 5 evaluates the extent of corporate governance disclosure in corporate annual reports, both mandatory and voluntary, across Malaysia, Singapore and Thailand. The differences in the scoring methods are also discussed to justify the inclusion of these scores in the separate multivariate analyses. The chapter also evaluates the level of corporate governance disclosure according to category of information, i.e. codes or principles of corporate governance, board, audit and internal control, nomination, remuneration and stakeholders.

Chapter 6 discusses the development of hypotheses in relation to factors influencing corporate governance disclosure. The hypotheses are developed mainly from financial and non-financial disclosure theories to test how well these theories are applicable to the area of corporate governance disclosure. The statistical findings based on both univariate and multivariate findings using different corporate governance disclosure scoring methods are discussed and compared to test the robustness of the association testing to the scoring methods employed. The findings are interpreted in the context of Malaysia, Singapore and Thailand separately and then they are analysed based on applicable theories.

Chapter 7 discusses the development of hypotheses with respect to factors influencing market perceptions of company performance. Particular emphasis is given to the influence of corporate governance disclosure, compared to corporate governance practices. The results of univariate and multivariate analyses are reported and are interpreted in the context of Malaysia, Singapore and Thailand separately. These are also analysed based on applicable theories.

Chapter 8 analyses responses to survey questions which sought the opinions of respondents on: 1) the general issues of corporate governance disclosure, e.g. the importance of corporate governance disclosure and the perceived reliability of the information disclosed in corporate annual reports, and 2) factors influencing corporate governance disclosure. The responses are used to validate and complement the statistical findings discussed in Chapter 6. Other factors influencing corporate governance disclosure which were not included in the statistical models but were suggested by the respondents are also analysed. These are separated into: 1) qualitative factors, and 2) quantifiable factors. The applicability of theories relevant to corporate governance disclosure is discussed along with the findings.

Chapter 9 analyses responses to survey questions which sought the opinions of respondents on the influence of corporate governance disclosure on market value. The responses are used to validate and complement the statistical findings in Chapter 7. The applicability of theories is discussed along with the findings.

Chapter 10 presents the conclusions of this thesis. The chapter highlights the interpretation of the main statistical results and survey findings, as well as the contribution of this study. The limitations of the study and where possible how to overcome these limitations are addressed. Suggestions are provided for further research.

CHAPTER 2: GENERAL CONCEPT OF CORPORATE GOVERNANCE, DISCLOSURE THEORIES AND PRIOR STUDIES ON CORPORATE GOVERNANCE DISCLOSURE

2.1 Introduction

This chapter first defines corporate governance. It then provides a review and an evaluation of general disclosure theories, and discusses prior evidence in relation to corporate governance disclosure. The discussion of general disclosure theories mainly helps develop hypotheses with particular relevance to corporate governance disclosure in Chapter 6 (variables influencing corporate governance disclosure) and Chapter 7 (the effect of corporate governance disclosure on market perceptions of company performance). In addition, it assists in the interpretation of both the statistical findings and survey responses presented in Chapters 6 to 9. The review of prior evidence helps with an understanding of corporate governance disclosure studies undertaken in both developing and developed countries. It thus assists in the formation of the research questions outlined in section 1.4, the research methods in Chapter 4, and the hypotheses developed in Chapters 6 and 7. Furthermore, the review assists in the interpretation of the statistical findings in Chapters 6 and 7.

Section 2.2 defines corporate governance. Section 2.3 reviews disclosure theories, followed by an evaluation of these theories in section 2.4. Sections 2.5 and 2.6 summarise and discuss prior studies on corporate governance disclosure. A summary and conclusions are presented in section 2.7.

2.2 Discussion of corporate governance

The main purpose of this section is to provide a general concept of corporate governance, i.e. its definitions and systems, which is used as a basis for discussing corporate governance in Malaysia, Singapore and Thailand (Chapter 3).

Corporate governance has been defined in many ways. The traditional school of corporate governance concentrates on wealth maximisation for shareholders (Bhasa, 2004). Solomon and Solomon (2004) indicate that this is a narrow view of corporate governance because it is restricted to the relationship between shareholders and the company, which is the traditional finance paradigm indicated in agency theory. Bhasa

(2004) argues that the idea of shareholders being the exclusive providers of resources is incomplete. This is because the decisions which companies make are related to the consequences for all stakeholders. Therefore, the parties directly or indirectly impacted by the operations of the companies have to be compensated either in pecuniary or non-pecuniary terms.

Because of the importance of all stakeholders, stakeholder theory emerges as a response to the problem related to the shareholder concept mentioned (see section 2.3.3). Solomon and Solomon (2004) argue that, based on this theory, corporate governance can be regarded as a relationship between a company and its stakeholders, to whom the company is accountable. This development turns the focus on to the broader remit of corporate governance, including corporate social responsibility (Solomon and Solomon, 2004). In particular, it does not only concentrate on shareholders' need, but also the requirements and needs of the other stakeholders, for example, it is focused on how companies can provide accountability to a broader range of stakeholders through the social, ethical, environment (SEE) and ultimately sustainability reporting and the involvement of stakeholders. These areas are important because it is shown that companies can suffer substantial financial loss if there are SEE problems and incidents (Solomon and Solomon, 2004). These arguments indicate that not only are the shareholders important to the survival of the company, but that other stakeholders are also significant if the company wants to achieve sustainable growth and survive in the long run.

Below are various examples of corporate governance definitions offered by academics. Corporate governance is:

> '*... the processes of supervision and control (of 'governing') intended to ensure that the company's management acts in accordance with the interests of the shareholders.*' (Parkinson, 1993, p.159)

> '*... the system and processes by which companies are supervised, directed and controlled as well as the way directors account to shareholders.*' (Choe, 1998, p.1)

> '*... the governance role is not concerned with running the business of the company, per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations for accountability and regulation by interests beyond the corporate boundaries.*' (Tricker, 1984, pp.6-7)

'... 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.' (Solomon and Solomon, 2004, p.14)

The above definitions suggest two different concepts of corporate governance adopted by researchers as discussed earlier. In particular, the first and second definitions encompass only the company's shareholders and management. This is the narrow view of corporate governance. This can be related to agency theory, when there is a divergence of interest between principals (shareholders) and agents (management) (see section 2.3.1). The last two definitions focus on a broader group of people than just shareholders. These involve a wider range of stakeholders and potentially the community at large. Hence, this definition can be regarded as showing the broadest view of corporate governance. Possible differences, regarding the focus of management and to whom they should be accountable for, might have an impact on the types of corporate governance information which companies disclose.

Prior studies, such as Maher and Anderson (1999), Khatri (2001), and Solomon and Solomon (2004), suggest that there are two main corporate governance systems: 1) an insider system, and 2) an outsider system (or Anglo-Saxon or Anglo-American system).

Solomon and Solomon (2004) provide characteristics for the traditional insider and outsider systems, and these are shown in Table 2-1:

Table 2-1: Characteristics of insider and outsider systems

Insider system	Outsider system
Companies owned predominantly by insider shareholders who also wield control over management	Large companies controlled by managers but owned predominantly by outsider shareholders
System characterised by little separation of ownership and control such that agency problems are rare	System characterised by separation of ownership and control, which engenders significant agency problems
Hostile takeover activity is rare	Frequent hostile takeovers acting as a disciplining mechanism on company management
Concentration of ownership in a small group of shareholders (founding family members, other companies through pyramidal structures, state ownership)	Dispersed ownership
Excessive control by a small group of	Moderate control by a large range of

Insider system	Outsider system
'insider' shareholders	shareholders
Wealth transfer from minority shareholders to majority shareholders	No transfer of wealth from minority shareholders to majority shareholders
Weak investor protection in company law	Strong investor protection in company law
Potential for abuse of power by majority shareholders	Potential for shareholder democracy

Source: Adapted from Solomon and Solomon (2004). Table [7.1] Characteristics of insider and outsider systems, p.151.

Based on the above characteristics, it may be argued that these are based on the capital market perspective. Since this study's main focus is on the importance of corporate governance disclosure through the eyes of capital market participants, these systems of corporate governance need to be discussed. The main difference between the two systems is the ownership structure. With an insider system, ownership is concentrated. This concentration can be in terms of control, rather than ownership. This happens when there is 'pyramiding[3]' or 'cross-holding[4]' of shares which can magnify the actual control of a few owners to beyond their ownership level (Khatri, 2001). Solomon and Solomon (2004) indicate that in such cases, ownership could be from members of founding families or a small group of shareholders, such as lending banks, and the government. Although a close relationship between managers and majority shareholders could result in a decrease in agency problem, there could still be an abuse of power which could lead to an expropriation of minority shareholders' interests by majority shareholders (see section 2.3.1). In addition, it might lead to a failure in timely exiting from unviable investments.

2.3 Disclosure theories

The purpose of this section is to discuss theoretical frameworks which can provide a basis for developing corporate governance disclosure hypotheses in Chapters 6 and 7. In addition, it assists in the interpretation of both the statistical findings and survey

---

[3] The pyramid structure occurs when an individual/family hold a majority of shares in a holding (parent) company that, in turn, hold majority shares in an operating (subsidiary) company (Dhnadirek and Tang, 2003).

[4] Cross-holding occurs when a company further down the chain of control has some shares in another company in the same business group (Claessens *et al.*, 2000).

responses presented in Chapters 6 to 9. Table 2-2 shows all the disclosure theories discussed in this section.

Table 2-2: Disclosure theories

Theory	Section
1. Agency theory	2.3.1
2. Stewardship theory	2.3.2
3. Stakeholder theory	2.3.3
4. Legitimacy theory	2.3.4
5. Signalling theory	2.3.5
6. Capital need theory	2.3.6
7. Environmental determinism theory	2.3.7
8. Cost-benefit theory	2.3.8
9. Political cost theory	2.3.9

2.3.1 Agency theory

Jensen and Meckling (1976) define agency relationship as a contract under which one or more principal(s) engage an agent to act on their behalf. It involves delegating to this agent some decision making authority whereby the agent has by virtue of economic contract certain obligations to be fulfilled for the principal (Culpan and Trussel, 2005). The assumption is that there is a divergence of interest between principals and agents (Hill and Jones, 1992) and that people are individualistic and utility maximisers (Davis *et al.*, 1997).

Based on the agency theory, when the management has superior access to the information than the principals, information asymmetry occurs (Arnold and de Lange, 2004). This situation can lead to the inability of the principals to control the agent's actions, due to separation of ownership and control, thereby resulting in agency problems (Morris, 1987). Arnold and de Lange (2004) suggest that when there is incomplete information and uncertainty, two agency problems can incur. The first is the adverse selection problem, whereby the principal cannot determine whether the agents are able to perform the work for which they have been paid for. Eisenhardt (1989) argues that, although the agent may indicate that they have certain abilities and skills when they are hired, the principal cannot completely verify whether they really have these abilities or skills. The second problem is the moral hazard problem in which the principals are not sure whether the agents actually perform to their abilities, for example, whether there is shirking, or consumptions of perks.

Turnbull (1997) argues that the agency problem is very acute in countries with dispersed ownerships. This is because it is not rational for these investors to allocate time, and incur costs, in order to supervise management, as this would provide a 'free ride' for other investors. Hope (2003) suggests that agency costs would increase in proportion to the amount of outside capital, which has a tendency to be higher for larger companies. On the other hand, with regard to East Asian companies, as suggested in Ishak (2004), there is unlikely to be separation of management and ownership, hence there is less likely to be a conflict of interest between management and shareholders. However, Choe (1998) argues that in East Asia, with its concentrated ownership, there is a problem with conflict of interest between major shareholders and other stakeholders in the company. Specifically, minority shareholders' interests may be ignored or suppressed. Jensen and Meckling (1976) also suggest that prospective minority shareholders will realise that the owner-manager's interests will diverge somewhat from theirs, hence the price which they will pay for shares will reflect the monitoring costs and the effect of the divergence between the manager's interest and theirs. This is supported by Khatri (2001) who suggests that, for the insider system where the ownership is concentrated, the conflicts are between controlling blockholders and small (minority) shareholders.

Jensen and Meckling (1976) suggest that there are ways in which the principal can limit or minimise the divergence of interests, or avoid the opportunistic behaviour of management. Firstly, the agent can be monitored to ensure that they pursue the interests of the principal (*monitoring costs*). Examples of monitoring mechanisms which Asian companies may use in order to mitigate their agency problems are employing high quality external auditors and having foreign listings (Claessens and Fan, 2002). Claessens and Fan (2002) argue that having foreign listings allows companies to enter a better governance regime which in turn should increase shareholder value. Secondly, the principal can pay the agents to ensure that they will not perform any actions harmful to them, or to ensure that there will be compensations should any harmful actions have taken place (*bonding costs*). However, even with these monitoring and bonding activities, there can still be a reduction in principals' welfare which is referred to as the '*residual loss*'. The agency cost is the sum of the *monitoring costs, bonding costs and residual loss.*

Prior studies suggest that disclosure in annual reports can help lower the monitoring costs (for example, Cooke, 1993; and Raffournier, 1995), as well as provide a bonding functions, whereby the agent can signal that they are complying with the principal's objectives (Hossain *et al.*, 1994). According to the stock compensation hypothesis indicated in Healy and Palepu (2001), managers who get stock compensation would be motivated to voluntarily disclose more information, mainly to correct the perceived undervaluation of the company. This could be applied to the area of corporate governance disclosure because by disclosing corporate governance information, managers could demonstrate to the market the efficiency and effectiveness of its management, thereby improving confidence on the part of investors (Miles, 2005).

2.3.2 Stewardship theory

According to the view of stewardship theory taken by Davis *et al.* (1997), the model of man is based on a steward whose behavior is ordered such that pro-organisational, collectivist behaviors have higher utility than individualistic, self-serving behaviors. The assumption here is that the steward's behaviour aligns with the principal's interests and that the motivation for the steward will be the intrinsic rewards which cannot be measured easily, for example, need for achievement, recognition, and respect for authority (Donaldson and Davis, 1991). This conflicts with agency theory where the focus is on extrinsic rewards to the managers, i.e. tangible, exchangeable commodities that have a measurable market value.

Nam and Nam (2004) suggest that, under the stewardship theory, the managers are assumed to be trustworthy. Any opportunistic behaviour is constrained because of the perception that the benefits gained from pro-organisational behaviour will be higher than those obtained from individualistic, self-serving behaviour (Davis *et al.*, 1997). Hence, under these circumstances, an executive dominated board might be preferred to an independent director dominated board. It is assumed that, when there is conflict of interest between principal and steward, the steward gives higher value to the company and works hard to attain high profit levels for the company and higher returns for the shareholders (Donaldson and Davis, 1994). This conflicts with the agency theory assumption which indicates that people are individualistic and utility maximiser (Davis *et al.*, 1997).

2.3.3 Stakeholder theory

Calpan and Trussel (2005) argue that the stakeholder theory is based on the premise that companies have responsibilities to all stakeholders for moral reasons. van der Laan Smith *et al.* (2005) suggest that under a stakeholder approach, companies would need the support from all their stakeholders in order to be successful and survive in the long run. Furthermore, Sternberg (1997) argues that the essential element of this theory is accountability by the company to all its stakeholders, and that the management objective should be to balance the competing interests of stakeholders, and to achieve the company's objectives, while ensuring that the company's conduct is ethical.

Sternberg (1997) suggests that the term 'stakeholder' is intended to generalise the shareholder as the only group which managers need to respond to. Sternberg (1997) argues that the concept of stakeholder was originally defined as those groups without whose support the organisation would cease to exist. Since then, a wider concept of stakeholder has been developed. In particular, stakeholders can be referred to as anyone who could affect or be affected by an organisation (Freeman, 1984). Main groups of stakeholders include customers, the management and employees, suppliers, shareholders or investors, external auditors, the state, and communities (the Stock Exchange of Thailand: SET, 2001).

Gray *et al.* (1996) suggest that disclosure can be used to manage or manipulate the perceptions of stakeholders in order to obtain their support and approval, or to try to deflect their opposition and disapproval. Hence, managers may have an incentive to disclose information to particular powerful stakeholders to show that they are conforming to their expectations (Deegan, 2002).

2.3.4 Legitimacy theory

Guthrie and Parker (1989) suggest that the legitimacy theory is based on the premise that businesses operate in a society by means of a social contract, whereby the companies agree to conduct socially desirable actions in order to obtain approval by the society. Legitimacy is defined as a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part (Lindblom, 1994). The survival of companies depends on the extent to which they operate according to the bounds and norms of the society (Brown and Deegan, 1998).

Corporate governance can be related to the legitimacy concept because management has to legitimise its actions in order to be accepted in the society. According to Donaldson and Preston (1995), managers should acknowledge the interests of the various stakeholder groups and attempt to respond based on a mutually supportive framework. This is based on a moral requirement for legitimising the function of the company's management.

Sethi (1979) argues that if there is a divergence between the values of the company and society, then the legitimacy will be questioned, creating a so called 'legitimacy gap'. However, by disclosing information, the company could reduce this legitimacy gap. This analysis is based on the basis that companies signal their legitimacy through disclosure (Watson *et al.*, 2002). By voluntarily revealing information, including corporate governance information, directors can communicate to stakeholders who as a result will feel more assured about the performance of the company, in both financial and non-financial terms (Watson *et al.*, 2002). For example, managers may voluntarily disclose corporate governance information to counteract the assumption that the poor performance is due to bad governance.

2.3.5 Signalling theory

Morris (1987) argues that, although signalling theory was originally developed to examine the information asymmetry in the labour markets, it can also be applied in any markets with information asymmetry problems. With regard to the capital market, signalling is a reaction to informational asymmetry in the market when companies have information that investors do not. Asymmetries can be reduced if the party with more information signals this to others. Watson *et al.* (2002) suggest that, in this case, managers of high quality companies may wish to distinguish themselves from lower quality companies by voluntarily disclosing information. Inchausti (1997) also suggests that principals may be interested in providing 'good news' to avoid undervaluation of share price. Morris (1987) argues that only good companies will use the signalling method, because, after all, the quality of companies could be observed later by the public without difficulty. Thus, if companies send out the wrong signal, they may then be punished by the market.

There are two hypotheses suggested by Healy and Palepu (2001) which could potentially be related to the signalling theory, i.e. corporate control contest hypothesis and management talent signalling hypothesis. In particular, with regard to corporate control contest hypothesis, to avoid the risk of losing their jobs following poor stock and earnings performance, managers may voluntarily disclose information to reduce the possibility of undervaluation, as well as to help explain away any poor performance. Managers may want to disclose their corporate governance practices in order to justify that poor performance is not due to the bad governance. In other words, managers may be motivated to manage the impressions they are portraying, in order to repair any damage to their images by, for example, emphasising the positive attributes. With regard to the management talent signalling hypothesis, the market value of the company is based on the perception of investors in relation to the ability of management anticipating and responding to changes in future economic environment. Talented managers may be motivated to disclose their corporate governance practices in order to increase the company's market value.

2.3.6 Capital need theory

Companies with growth opportunities may look for external finance, equity or debt, as a means of supporting their operations. Suwaidan (1997) suggests that under information asymmetry and market uncertainty, it becomes rather costly to obtain funds. This is because investors may demand premiums to compensate the risk in investment. Healy and Palepu (2001) suggest that if companies are willing to provide more information to the market, it could help lower the expected rate of return. In particular, they suggest that for companies going to make capital market transactions, the managers may have incentives to reduce the information asymmetry by voluntarily disclosing information. This argument is consistent with Choi (1973) who suggests that companies are motivated to disclose information in order to raise funds at a lower cost.

With particular relevance to corporate governance disclosure, the researcher argues that companies may voluntarily disclose more corporate governance information when they plan to make capital market transactions in order to assure investors that their corporate governance systems are appropriate, hence enhancing investor confidence on the managerial conduct.

2.3.7 Environmental determinism theory

Environmental determinism theory is proposed by Cooke and Wallace (1990), who are particularly concerned with an environmental explanation in relation to the level of accounting regulation. Haniffa (1999) suggests that the interaction of different factors in the environment within which companies operate affects their disclosure practices. This argument is consistent with Qu and Leung (2006) who argue that disclosure is influenced by environmental factors.

There are four environmental factors which can potentially influence corporate governance disclosure across Malaysia, Singapore and Thailand and these are discussed as follows (see Chapter 3 for the values and characteristics for each environmental factor across Malaysia, Singapore and Thailand). The differences in the environmental factors across the three countries help justify the selection of listed companies in these countries.

2.3.7.1 Culture

Wallace and Naser (1995) argue that culture is one of the significant factors which makes corporate reporting different across countries. Hofstede (1980) defines culture as a collective programming of the mind which distinguishes the members of one human group from another. Gray (1988) argues that culture is significant for understanding the change in social systems. This is because it affects the norms and values, as well as the groups' behaviour. Furthermore, Haniffa and Cooke (2002) suggest that the traditions of a country are instilled in its people.

Hofstede (1980) conducts an attitude survey of employees in IBM subsidiaries. Four cultural dimensions: power distance, individualism versus collectivism, uncertainty avoidance, and masculinity versus femininity are developed. The new dimension is long-term versus short-term orientation which the analysis is based on student samples from 23 countries around 1985 in relation to the Chinese Value Survey (Hofstede, 2001). It distinguishes societal values between those that are more dynamic and more towards the future (i.e. long-term orientation) and those which are more static and more towards the past and present (i.e. short-term orientation) (Chow *et al.*, 1995). The main study which links Hofstede's cultural dimensions to the disclosure area, in particular secrecy versus transparency, is Gray (1988). Following Gray (1998), other studies also attempt to suggest the links between the two areas. Table 2-3 summarises the possible direction of relationship between Hofstede's cultural dimensions and disclosure of information based on Gray (1988) and other prior studies.

Table 2-3: Relationship between Hofstede's cultural dimensions and information disclosure

Dimension	Direction of disclosure	Source
1. Power distance	Negative	Gray (1988)
2. Individualism	Positive	Gray (1988), Salter and Niswander (1995), Zarzeski (1996), Jaggi and Low (2000)
	Negative	Chow *et al.* (1995)
3. Uncertainty avoidance	Negative	Gray (1988), Salter and Niswander (1995), Zarzeski (1996), Salter (1998)
4. Masculinity	Positive	Gray (1988), Zarzeski (1996), Jaggi and Low (2000)
	Negative	Williams (1999)
5. Long-term orientation	Negative	Chow *et al.* (1995), Hofstede (2001)

Power distance

In relation to power distance, Zarzeski (1996) suggests that a high power distance society has less dispersion and less questioning with regard to the authority figures. Gray (1988) suggests that in this environment where there is a desire to preserve power inequalities, lower levels of disclosure may be expected.

Individualism versus collectivism

With regard to individualism, the possible direction of its relationship with disclosure is mixed. Jaggi and Low (2000) argue that in an individualistic society, it is more competitive and people care for themselves, hence this could lead to a less secretive environment. In addition, Gray (1988) argues that a collectivist society tends to have lower disclosure because of families and in-groups. However, contrary to this, Chow *et al.* (1995) suggest that collectivist culture may require a company to be accountable to the society by disclosing information.

Uncertainty avoidance

As for uncertainty avoidance, prior studies argue that there should be a negative association with disclosure. In particular, Gray (1988) argues that a society with high uncertainty avoidance levels regards the need for restricting information because of the possible conflicts which can occur, as well as the uncertainty of the competition. However, the researcher argues that it is also possible that such societies may disclose more information because they may wish to avoid possible conflicts with the market, and the disclosure of information which markets require for making informed decisions is one way to alleviate this problem. The disclosure could also help to avoid conflicts with stakeholders, which can occur if they do not have necessary information to examine and monitor management.

Masculinity versus femininity

Williams (1999) argues that society with a lower level of masculinity could be regarded as more caring and conscious of the impact of the company's activities on the society, hence may provide more information to the public. However, Jaggi and Low (2000) argue that a highly masculine society is more business oriented and the achievement in goals is regarded as important, which could lead to an increase in disclosure. This is because disclosure could help companies compete cost-effectively in the market (Zarzeski, 1996). However, Gray (1988) suggests that the relationship between masculinity and disclosure is regarded as more questionable, or less important, when compared with other cultural dimensions.

Long-term versus short-term orientation

Less discussion is provided in prior studies with regard to the relationship between this cultural dimension and information disclosure. However, Hofstede (2001) suggests that families with high long-term orientation indices tend to keep to themselves. Additionally, Chow *et al.* (1995) argue that where there is a strong long-term orientation, society tends to be more secretive towards disclosure.

Despite the possible relationship between Hofstede's cultural dimensions and disclosure, the potential limitations of Hofstede's study in certain areas should be noted. In particular, relying on respondents from the same organisation could affect the generalisability of the result (McSweeney, 2002; Baskerville, 2003). In other words, the generalisations about national level culture from an analysis of sub-national populations could be questioned. Additionally, the cultural dimensions could be influenced by the questions employed which, as suggested by McSweeney (2002), are not comprehensive. Furthermore, it is argued by Harrison and McKinnon (1999) and Baskerville (2003) that cultures may not equate with nations. In other words, the cultural dimensions suggested by Hofstede may not be a proper representation of the countries under examination because nations can have mixed cultures.

The more updated study on cultural dimensions is Schwartz (1994) who employs the data collected from 1988 to 1992. The author presents new cultural dimensions based on the data from 41 cultural groups in 38 nations. Seven value dimensions are identified: 1) conservatism, 2) intellectual autonomy, 3) affective autonomy, 4) hierarchy, 5) mastery, 6) egalitarian commitment, and 7) harmony. Appendix 2-A provides explanation for each of the Schwartz's cultural dimensions. Table 2-4 shows the significant relationship between Hofstede's and Schwartz's cultural dimensions based on the correlations between the ratings which are computed by Schwartz (1994).

Table 2-4: Correlations between Hofstede's and Schwartz's cultural dimensions

Hofstede's cultural dimensions	Correlations between Hofstede's and Schwartz's cultural dimensions	
	Positive	Negative
Power distance	Conservatism	Intellectual autonomy[1] Affective autonomy Egalitarian commitment[1]
Individualism	Intellectual autonomy Affective autonomy Egalitarian commitment	Conservatism Hierarchy
Uncertainty avoidance	Harmony[2]	-
Masculinity	Mastery[2]	-

Source: Adapted from Schwartz (1994). Table 7.2 Correlations Between Hofstede Value Dimensions and Schwartz Culture-Level Value Types, p.109.
[1] Correlation is significant at the 5% level (one-tailed) when only student samples are employed.
[2] Correlation is significant at the 5% level (one-tailed) when only teacher samples are employed.

The relationships show that all of Schwartz's cultural dimensions can be related to Hofstede's cultural dimensions, either positively or negatively. Hence, Schwartz's study may partly help justify the findings of Hofstede. Therefore, Schwartz's cultural demensions may also have an influence on disclosure. The researcher argues that the possible direction of the relationship with disclosure will be consistent with that of Hofstede's (see Table 2-3) where the Schwartz's and Hofstede's cultural dimension is positively related. If the Schwartz's and Hofstede's cultural dimension is negatively related, the direction will be opposite to that of Hofstede's (see Table 2-3). It is, nonetheless, surprising to find that there is a positive relationship between individualism and egalitarian commitment. In particular, while individualism is related to a society in which people care for themselves and is more competitive (Jaggi and Low, 2000), egalitarian commitment constitutes its voluntary commitment to promote the welfare of other people (see Appendix 2-A). If companies care for other people, it is likely that they will disclose more information so that people can have adequate information to assess the companies before making any decisions.

2.3.7.2 Level of country development

As suggested in Doupnik and Salter (1995), there should be a positive relationship between disclosure level and the level of economic development. So for countries with similar economies, disclosure practices should be similar (Khanna *et al.*, 2004). Moaddel (1994) suggests that greater economic development should result in an increase in the number and strength of monitoring groups. These groups may want to be assured that the companies are managed with the stakeholders' interests in mind.

In addition, prior studies also argue that the efficiency of the equity market can have a positive impact on disclosure. Haniffa (1999) suggests that the pressure for disclosure is higher when the capital market is more developed and active. Doupnik and Salter (1995) argue that when there is an increase in the activity in the capital market, more information may be required by stakeholders in order to help them when making an investment decision.

All in all, prior studies suggest that both economic and capital market developments can have a positive impact on disclosure. However, with particular relevance to corporate governance disclosure, the researcher argues that there is also a possibility that management of listed companies in the country with more advanced development may have less desire to disclose corporate governance information. The successful economics and capital market in the country may reduce the need for companies to enhance investors' confidence with regard to their management. Furthermore, there could be less demand by investors in this country for corporate governance information with which to assess the appropriateness of corporate governance practices, when compared with less successful countries.

2.3.7.3 Legal system

There are two broad legal traditions: 1) common law, and 2) civil (or code) law (La Porta *et al.*, 1998). Common law is comprised of the 'law of England' and those laws modelled on English law, while civil law can be commonly separated into French, German and Scandinavian. Common law is based on the specific case, rather than setting a general rule for the future (Williams, 1999). As for civil law, rules are normally set by national legislators (Mueller *et al.*, 1994). Williams (1999) argues that companies may disclose more information under an environment which emphasises regulatory development in the legal legislation. In addition, companies operating under a legal system which does not set rules under legislative acts may have lower expectations by the public with regard to disclosure, leading to the decrease in management motivation to disclose information.

2.3.7.4 Institutional governance structure

Cheung *et al.* (2007) suggest that a country with a weaker institutional governance structure will have a higher disclosure, suggesting a negative association between institutional governance structure and disclosure. The researcher argues that this negative relationship could occur because stakeholders in such a country may regard management as potentially less accountable to stakeholders because of, for example, weaker rules and regulations, regulatory enforcement, and corporate governance culture. Hence, to improve its impression and improve stakeholders' confidence, managers may need to explain how companies are being managed so that stakeholders can evaluate the ethical and moral conduct of management.

2.3.8 Cost-benefit theory

The researcher argues that whenever any decision making is made, there is a need to consider cost and benefit involved. With particular relevance to disclosure, Bhushan and Lessard (1992) argue that it is now generally recognised that a cost-benefit analysis is required, a weighing up of the benefits of additional disclosure to investors against the costs to issuers. Companies may disclose information only when the benefit that might arise outweighs the cost of providing the information (Cooke, 1992).

In relation to the costs of disclosure, these can be categorised into direct and indirect costs (Bhushan and Lessard, 1992). Lang and Lundholm (1992) suggest that the direct cost of disclosure incorporates the costs of preparing and presenting the disclosure. Indirect costs include litigation costs arising from allegations of inadequate informative (or misleading) disclosure and competitive disadvantage costs (Elliott and Jacobson, 1994). However, the researcher argues that the competitive disadvantage costs are less likely to incur when corporate governance information is considered. This is because corporate governance information does not generally involve commercially sensitive information (Standard & Poor's and Corporate Governance and Financial Reporting Centre: S&P and CGFRC, 2004a, b, c, d, e). This is supported by Labelle (2002) which indicates that corporate governance information is less likely to be useful to the competitors.

With regard to the benefits of disclosure, Haniffa (1999) suggests that the benefits include an increase in participant belief/recognition of mutual interest with the company. She further suggests that people can make optimal decisions in relation to the resource allocation in the economy, which could in turn maximise economic welfare. Other benefits include public relations benefits, i.e. disclosure is related to the accountability, openness and forthrightness (Elliott and Jacobson, 1994). However, it should be noted that these benefits are hard to quantify.

2.3.9 Political cost theory

Ab. Rashid (1996) argues that a highly regulated industry, with a high level of government and interest group intervention, is regarded as a politically sensitive industry. Watts and Zimmerman (1986) suggest that disclosure could help lower government intervention or public criticism. Arcay and Vázquez (2005) argue that disclosing information seems to be more favourable for larger companies. This is because it is widely accepted that these companies could be more sensitive to public scrutiny and intervention by the government (Raffournier, 1997).

2.4 Evaluation of theories

Based on the theories discussed in section 2.3, agency theory may be regarded as too narrow a concept. This is mainly because only shareholders are regarded as principal in agency theory. Stakeholder theory, however, is a broader concept with the manager regarded as an agent by all stakeholders. In particular, agency theory focuses on the fiduciary responsibilities of the agents to the shareholder, while stakeholder theory concentrates on balancing the interests of diverse constituents (Culpan and Trussel, 2005).

With regard to agency theory, its applicability to the environments in Malaysia, Singapore and Thailand may be different from that of the significantly developed countries such as the US and the UK. This is because there are differences in environmental characteristics such as culture, economic and capital market developments. In particular, monitoring costs for agency problems between management and shareholders may be less in Malaysia, Singapore and Thailand because companies in these countries normally have concentrated shareholdings by, for example, families and state. This could lead to a lesser problem in relation to the separation of ownership and control. However, there could then exist the problem of expropriation of minority shareholders' interests by the majority shareholders (Jensen and Meckling, 1976).

Davis *et al.* (1997) argue that it cannot be determined whether agency theory or stewardship theory is the best way to corporate governance. Therefore, the researcher argues that both theories are needed in order to explain management behaviour. At the same time, any one principal could have both agency and stewardship relationships with multiple managers, while managers could also have those relationships with different principals. The main difference between the two theories is the assumption about human nature (Davis *et al.*, 1997). Stewardship theory assumes that people will achieve utility through company's achievement, while in the case of agency theory, people are regarded as individualistic and utility maximisers. Furthermore, the motivations underlying these two theories are different. In particular, agency theory is focused on extrinsic motivation, i.e. the rewards which have a measurable market value, whereas stewardship theory concentrates on intrinsic motivation which cannot be easily quantified (see section 2.3.2).

The analysis suggests that agency, signalling and capital need theories are all dealing with the problems of information asymmetry. Morris (1987) suggests that agency and signalling theories are consistent because they are both based on the problem of information asymmetry between the investors and management of the company. As for signalling and capital need theories, they can be regarded as complementing each other because they suggest that companies should disclose information in order to enhance investors' confidence, thereby attracting investors to provide funds to the company.

Legitimacy and political cost theories can also be deemed as complementing one another. In particular, legitimacy theory is related to the justification of companies to the public through information disclosure, in order to counteract potential threats to the company's legitimacy (Gray *et al.*, 1995). As for political cost theory, politically sensitive companies may attempt to avoid intervention by government and interest groups by disclosing more information (Watts and Zimmerman, 1986).

Both the political cost and cost-benefit theories can be regarded as related to the cost and benefit argument. When making disclosure, managers would have to compare the costs and benefits in disclosing the information. Political cost could be regarded as the subset of the general information costs. Furthermore, legitimacy and stakeholder theories can also be regarded as complementing each other. Stakeholder theories provide the basis for legitimacy theory. Companies have to legitimise their actions to the society at large, and signalling can be regarded as a way in which management can achieve this. Hence, signalling theory and legitimacy theory can also be regarded as complementing each other.

Since all disclosure theories are widely acceptable, they are employed in developing the hypotheses in Chapters 6 and 7 to investigate which of them are applicable in the area of corporate governance disclosure. The differences in the desire for information from market participants could lead to different disclosure theories being applied to corporate governance disclosure.

2.5 Prior studies on corporate governance disclosure

Corporate governance disclosure studies are relatively few in comparison to studies of financial disclosure. This section discusses these corporate governance disclosure studies separated into two parts: 1) studies on developing countries, and 2) studies on developed countries[5]. The gaps in prior studies, the recommendations for future study, and limitations of prior studies are discussed to help in the development of research questions and methods used in this thesis. Factors influencing corporate governance disclosure are also discussed, along with disclosure theories employed to explain the significance of these factors, in order to help develop the hypotheses in Chapter 6.

2.5.1 Developing countries

To date, relatively few studies have examined corporate governance disclosure for companies in developing countries. Three studies are conducted by S&P and CGFRC[6] and the summaries are shown in Table 2-5. They examine corporate governance disclosure in the annual reports for listed companies in Indonesia, Malaysia, and Thailand (S&P and CGFRC, 2004b, c, e, respectively).

The checklists employed in those studies are developed by S&P. However, they are not used in this thesis for two reasons. Firstly, the checklists address corporate governance disclosure, as well as some of the actual corporate governance practices, such as the attendance rate of the directors and the number of independent directors. Since this thesis intends to examine the significance of the disclosure above that of the actual practices, employing the S&P checklists, which also incorporate corporate governance practices items, will not achieve this aim. Secondly, in the study of Malaysia and Thailand, there are four items for which it is possible to obtain a score of 2 points. This is rather subjective and not consistent with other items which, if disclosed, will only receive a score of 1.

[5] Only studies relevant to developing research questions, methods, and hypotheses are provided in this section. Unless stated otherwise, these prior studies do not state whether they examine mandatory or voluntary corporate governance disclosure.

[6] CGFRC is part of the National University of Singapore (NUS) Business School focusing on researching, disseminating and promoting best practices both in corporate governance and financial reporting.

Table 2-5: Empirical studies on corporate governance disclosure by S&P and CGFRC: Asian developing countries

Author (Year)	Country	Reporting Year	Sample	Methodology	Findings			
					Min	Max	Mean	Median
S&P and CGFRC (2004b)	Indonesia	The latest annual reports as at 31 December 2002	42 out of the 45 companies on the LQ45 index of the Jakarta Stock Exchange which have annual reports available	• Dichotomous • Based on 160 items	3/160	55/160	23.79	21.00
S&P and CGFRC (2004c)	Malaysia	The latest annual reports as at 5 February 2004	Top 50 companies based on market capitalisation as at 30 September 2003 from all 100 companies on the Kuala Lumpur Composite Index (KLCI)	• Dichotomous (except four items which can each have a maximum score of 2) • Based on 136 items	44/140	94/140	64.92	64.00
S&P and CGFRC (2004e)	Thailand	The latest annual reports as at 10 January 2004	50 companies on the SET50 index	• Dichotomous (except four items which can each have a maximum score of 2) • Based on 136 items	4/140	75/140	37.56	35.00

SET stands for the Stock Exchange of Thailand.
In these studies, for the dichotomous method, if each item is disclosed, the company would get a score of 1, and 0 otherwise.

Table 2-5 shows that there is a wide variation in corporate governance disclosure scores among the companies within and across each country examined[7]. Although it is pointed out that inadequate corporate governance is one of the significant contributing factors for the 1997 Asian economic crisis (for example, Khatri, 2001; and Chang Aik Leng and Abu Mansor, 2005), companies in the three countries examined, which had been seriously affected by the crisis, seem to provide low information about their corporate governance practices. This can be seen from the mean and median scores which are less than half the total scores companies could obtain, indicating that these developing countries still have a long way to go in order to achieve a high standard of corporate governance disclosure. The relatively low levels of disclosure could signify the need for regulation and enforcement in relation to corporate governance disclosure.

Besides S&P and CGFRC (2004b, c, e), Qu and Leung (2006) also examine corporate governance disclosure in company annual reports for China (see summary in Table 2-6). However, only three of the prior studies, i.e. Hossain and Taylor (2006), Berglöf and Pajuste (2005), and Bushman *et al.* (2004) examine factors influencing corporate governance disclosure (see summaries in Tables 2-7 and 2-8)[8]. While Hossain and Taylor (2006) examine a developing country, i.e. 38 banks in India, Berglöf and Pajuste (2005) and Bushman *et al.* (2004) examine both developing and developed countries combined. It can be seen from the Tables that only Berglöf and Pajuste (2005) attempt to relate the significance of the factors to theories of disclosure. The others only provide descriptive explanation and discussion on the outcome.

[7] It should be noted that the study on Indonesia is based on the latest annual reports as at 31 December 2002. This differs from the studies on Malaysia and Thailand, which employ the latest annual reports as at 5 February 2004 and 10 January 2004, respectively.

[8] For detailed summary and discussion about prior general disclosure studies with regard to factors influencing disclosure, refer to Chapters 2 and 4 of Mohd Ghazali (2004).

Table 2-6: Empirical study on corporate governance disclosure: China (Developing country)

Author (Year)	Country	Reporting year	Sample	Methodology	Summary of findings
Qu and Leung (2006)	China	2003 annual reports	120 Chinese listed companies	• Dichotomous • Based on 61 voluntary items	The analyses, based on the legitimacy and stakeholder theories, indicate that when there is a change in cultural and social norms, companies are willing to provide voluntary corporate governance information. The finding shows that stakeholder interest is the most disclosed area.

In this study, for the dichotomous method, if each item is disclosed, the company would get a score of 1, and 0 otherwise.

Table 2-7: Empirical study on factors influencing corporate governance disclosure: India (Developing country)

Author (Year)	Country	Reporting year	Sample	Dependent variable	Statistically significant variables (sign)*	Theoretical framework or Explanation
Hossain and Taylor (2006)	India	2002-2003 annual reports	38 banks	• Dichotomous index (level of compliance with mandatory corporate governance disclosure) • Based on 41 items	• Size (+) • Ownership: public sector bank (-) • Board composition: proportion of non-executive directors on the board (-) • Profitability (-)	• Only discuss the outcome (descriptive) • Only discuss the outcome (descriptive) • The agreement on course of action • Only discuss the outcome (descriptive)

* All results are based on regressions.
In this study, for the dichotomous method, if each item is disclosed, the company would get a score of 1, and 0 otherwise. The dichotomous index is computed by dividing the total score obtained through the dichotomous method by the number of items in the checklist.

Table 2-8: Empirical studies on factors influencing corporate governance disclosure: Developing and developed countries

Author (Year)	Country	Reporting year	Sample	Dependent variable	Statistically significant variables (sign)[1]	Theoretical framework or Explanation
Berglöf and Pajuste (2005)	Central and Eastern Europe	2003	370 companies listed on stock exchanges in Central and Eastern Europe	• ARDisclosure_dif (measure the difference between the actual and required disclosure in the annual report)[2]	• Size (+) • Market-to-book ratios (+) • Concentrated ownership (-) • Rule of law (+)	• Resource availability • Capital need theory • Agency theory • Environment
Bushman *et al.* (2004)	41 to 46 developing and developed countries	Depending on variables[3]	41 to 46 countries	• Governance transparency	• Country's legal/judicial regime: common law and high judicial efficiency (+)	• Demand for information to increase the legal protection • Enforceability of contracts • Mandate and enforce disclosure

[1] All results are based on regressions.
[2] See details of the measurement in Berglöf and Pajuste (2005), pp.186-188.
[3] See descriptions and sources of variables in Bushman *et al.* (2004), pp.245-247.

2.5.2 Developed countries

Prior corporate governance disclosure studies are largely undertaken for developed countries as follows.

Asian studies

S&P and CGFRC also examine corporate governance disclosure in annual report for listed companies in Asian developed countries. The studies are conducted for Hong Kong and Singapore (S&P and CGFRC, 2004a, d, respectively) and are summarised in Table 2-9. As in the S&P and CGFRC studies on Malaysia and Thailand, the dichotomous method (1/0) is also employed to score corporate governance disclosure (see section 2.5.1). The results for both Hong Kong and Singapore indicate a great variation in scores among those companies examined. When compared with the results for Malaysia, and Thailand, which the same checklist was employed, the means and medians indicate that the Singaporean scores are the highest, indicating better corporate governance disclosure and practices in Singapore. This might not be surprising as the checklist used relies heavily on the Singapore code of corporate governance. Mak (2007) extends the analysis of S&P and CGFRC in Singapore by not only providing a review of corporate governance disclosure (on the 2005/6 annual reports) of companies listed on the Singapore Exchange (SGX), but by conducting interviews with independent directors and other market participants. This is the only detailed study which employs a qualitative approach when studying corporate governance disclosure, providing an opportunity for further research.

Non-Asian studies

Table 2-10 summarises studies on the factors influencing corporate governance disclosure, separated into the areas of North America, Australia and Europe. They are employed in developing research questions and research methods, and in forming the hypotheses in Chapter 6 of this thesis.

Table 2-9: Empirical studies on corporate governance disclosure by S&P and CGFRC: Asian developed countries

Author (Year)	Country	Reporting Year	Sample	Methodology	Findings			
					Min	Max	Mean	Median
S&P and CGFRC (2004a)	Hong Kong	The latest annual reports as at 30 June 2004	33 companies on the Hang Seng Index (HSI)	• Dichotomous (except four items which can each have a maximum score of 2) • Based on 136 items	19/140	99/140	42.57	38.00
S&P and CGFRC (2004d)	Singapore	The latest annual reports as at 30 April 2004	45 companies on the Straits Times Index (STI)	• Dichotomous (except four items which can each have a maximum score of 2) • Based on 136 items	16/140	119/140	80.58	92.00

In these studies, for the dichotomous method, if each item is disclosed, the company would get a score of 1, and 0 otherwise.

Table 2-10: Empirical studies on factors influencing corporate governance disclosure: Developed countries

Author (Year)	Country	Reporting year	Sample	Dependent variable	Statistically significant variables (sign)*	Theoretical framework or Explanation
Panel A: North America						
1. Bujaki and McConomy (2002)	Canada	1997	272 companies	• Confirmatory and disconfirmatory voluntary corporate governance disclosure based on annual reports and management information circulars • Dichotomous • Based on 25 dimensions of Toronto Stock Exchange corporate governance guidelines	• Size (+) • Leverage (+) • Majority of unrelated directors or Separation of CEO and chairman (+) • Growth (-) • Annual report as a disclosure medium (-)	• Only discuss the outcome (descriptive) • Agency theory • Cost-benefit theory • More independent and effective • Reassuring investors about the existence of good corporate governance • Only indicate that it is a control variable
2. Labelle (2002)	Canada	The published ratings for 1996 and 1997 from Canadian Institute of Chartered Accountants (CICA)	• Ratings for 1996: 162 companies • Ratings for 1997: 132 companies	• The published ratings for 1996 and 1997 from CICA are used to represent corporate governance disclosure quality • Coded 1 if companies have good or very good disclosure, and 0 otherwise	• Size (+) • Widely-held ownership (+): marginally significant • ROE (-): marginally significant • Issuing shares (-): marginally significant	• Cost-benefit theory • Agency theory • Impression management (i.e. signalling theory) • Legitimacy theory • Only discuss the outcome (descriptive)
Panel B: Australia						
3. Carson (1996)	Australia	1995	447 companies	• Extent of voluntary corporate governance disclosure in annual reports • Companies receive 0 for non-compliance, 0.5 for partial compliance, and 1 for full compliance • Based on 8 items	• Size (+) • Overseas listing (+)	• Only discuss the outcome (descriptive)

Author (Year)	Country	Reporting year	Sample	Dependent variable	Statistically significant variables (sign)*	Theoretical framework or Explanation
4. Evans and Christopher (1999)	Australia	1995	72 listed mining companies from the top 500 companies listed on the Australian Stock Exchange in 1995	• Voluntary corporate governance disclosure in annual reports (prior to the introduction of listing rule 4.10.3) • Dichotomous • Based on 9 items from the indicative list of corporate governance matters as part of the listing rule 4.10.3	• Size (+) • Return on assets (+) • CEO duality (+)	• Companies voluntarily report governance information to maximise company's value through mitigating agency cost (agency theory) and/or political costs (political cost theory)
5. Cullen and Christopher (2002)	Australia	1997	100 listed mining companies on the Australian Stock Exchange	• Governance related disclosure in annual reports • Dichotomous • Based on 30 items, developed from the 8 categories suggested by listed rule 4.10.3	• Size (+) • Ownership diffusion (+) • Gearing (+) • Big 6 external auditor (+)	• Political cost theory • Improving image (i.e. signalling theory) • Political cost theory • Political cost theory: Reduce possible wealth transfer due to non-disclosure such as increase in interest rate • Enhance financial report quality, hence lowering litigation risk
6. Collett and Hrasky (2005)	Australia	1994	299 companies	• Voluntary corporate governance disclosure in annual reports • Dichotomous • Based on 7 types of corporate governance disclosure	• Intention to raise capital by issuing shares (+) • Stock listing status (+) • Industry sector: politically sensitive industry (+) • Profitability (+)	• Capital markets transactions hypothesis • Only discuss the outcome (descriptive) • Political cost theory • Resource availability

Author (Year)	Country	Reporting year	Sample	Dependent variable	Statistically significant variables (sign)*	Theoretical framework or Explanation
Panel C: Europe						
7. Belcher (1996)	UK	• Period before the publication of the Cadbury Report (before 31 December 1992) • Period following the publication but before the implementation of the listing obligation (31 December 1992 to 30 June 1993) • First year following the implementation of the listing obligation (after 30 June 1993)	• 106 companies	• Compliance or non-compliance with Cadbury Code based on the annual report disclosure	• Size (+) • Type of companies, i.e. 1 for companies making a corporate governance statement in the previous set of accounts, and 0 otherwise (+)	• Smaller companies are less likely to report compliance • Companies which give importance to corporate governance issues are more likely to report compliance
8. Parsa *et al.* (2007)	UK	• 2002-2004	89 small and medium-sized companies (SMEs) listed on the alternative investment market (AIM) on or before 30 June 2001	• Extent of compliance with the corporate governance disclosure guidelines set out by the regulatory bodies, based on disclosure in annual reports • Dichotomous • Based on 36 disclosure items	• Number of non-executive directors on the audit committee (+)	• Mechanisms for reducing information asymmetry between management and non-management board members • Bring out efficiency in monitoring and disclosing information • Showing their openness
9. Gandía and Andrés (2004)	Spain	2001	92 companies	• Three disclosure index based on: 1) annual report, 2) National Securities Market Commission (CNMV: the	• Size (+) • Degree of companies	• Agency theory • Cost-benefit theory • Political cost theory • Proprietary cost theory • Reputation

Author (Year)	Country	Reporting year	Sample	Dependent variable	Statistically significant variables (sign)*	Theoretical framework or Explanation
				capital markets regulator in Spain) website, and 3) company's website • Dichotomous: with the exception of directors' emoluments which the score can be ranged from 0 to 5. • 23 items for annual report and CNMV website, and 32 items for company's website. Another 8 items related to the usability of websites	followed by analyst (+) • Duration of listing (-) • Visibility: number of news items (+) • Industry sector: communications and information services sector (+)	• Combat scepticism and raise investor confidence • Reputation • Political cost theory

* All results are based on regressions.
In these studies, for the dichotomous method, if each item is disclosed, the company would get a score of 1, and 0 otherwise.

The review shows that there are three main aspects of corporate governance disclosure which are measured and used as dependent variables in the model examining factors influencing corporate governance disclosure. Firstly, most of the studies examine the extent of corporate governance disclosure (for example, Carson, 1996; Evans and Christopher, 1999; and Gandía and Andrés, 2004). In this thesis, the factors influencing the extent of corporate governance disclosure are examined in the context of Malaysia, Singapore and Thailand where there is a lack of prior studies. Secondly, the focus is on the quality of corporate governance disclosure as investigated in Labelle (2002) based on the published ratings for 1996 and 1997 from Canadian Institute of Chartered Accountants with regard to Statement of Corporate Governance Practices. Ratings are not available for Malaysia, Singapore and Thailand, hence this aspect of disclosure cannot be examined in this thesis. Finally, it is related to compliance and non-compliance with the code of corporate governance based on the disclosure in Belcher (1996) and Bujaki and McConomy (2002). Although these studies examine information disclosure, the focus is more towards assessing the actual corporate governance practices of a company. Hence, the factors influencing the compliance and non-compliance with the code are not examined in this study. The checklist in this thesis, however, does incorporate the item relating to disclosure of compliance and non-compliance with the code (see a discussion about the finding of this item in section 5.2.1.2).

The review of prior corporate governance disclosure studies for developed countries provides some theoretical explanations about factors influencing corporate governance disclosure. Table 2-10 shows that the main theories discussed in prior corporate governance disclosure studies include agency theory, legitimacy theory, signalling theory, capital need theory, cost-benefit theory, and political cost theory (for a discussion of each theory see section 2.3). The relevant discussion is used to form the hypotheses in Chapter 6. Besides the significance of company size, the findings also indicate the tendency of corporate governance practices (such as independent directors, the separation of the roles of CEO and chairman, and ownership concentration), and market-related factors (such as capital need) to affect corporate governance disclosure. This suggests an opportunity to further examine corporate governance practices and market-related factors in the context of Malaysia, Singapore and Thailand, where there has been a lack of prior studies. It should be interesting to examine whether the need for capital would consistently influence corporate governance disclosure in countries with varying levels of capital market development.

Appendix 2-B summarises other studies on corporate governance disclosure. These studies only focus on describing corporate governance disclosure based on various channels of communication such as annual reports, websites, or proxy statements. One of the studies which should be discussed is Stanwick and Stanwick (2005), who based their analysis on the guidelines promulgated by the Toronto Stock Exchange. They categorise the disclosure into required disclosure and enhanced disclosure. Enhanced disclosure indicates the disclosure of information beyond that which is required. This thesis applies this concept by separating the checklist items into: 1) general items, and 2) enhanced items. However, since only relatively small number of corporate governance information is required to be disclosed by the regulatory bodies, defining enhanced items as information disclosed beyond that which is required might not be useful. This is because most of the items will be categorised into enhanced items. Hence, this thesis defines enhanced items based on the analogy given in environmental disclosure research, for example, Hasseldine *et al.* (2005), which regards quantitative data or qualitative detailed information as providing more useful information to the users than brief qualitative data alone (see section 4.4.1).

Besides the examination of corporate governance disclosure based on prior studies discussed, only a few studies attempt to investigate the influence of corporate governance disclosure on market-related factors, hence this provides an opportunity for future research in this area. Prior studies which examine this area include Bhat *et al.* (2006) who examine non-US companies cross-listed in the US as American Depositary Receipts, Bebczuk (2005) for Argentina, and Klein *et al.* (2005) for Canada. Bhat *et al.* (2006) show that corporate governance transparency is positively related to analysts' earnings forecast accuracy and that corporate governance information is even more important when financial disclosure is less transparent. Both Bebczuk (2005) and Klein *et al.* (2005) find a positive relationship between corporate governance disclosure and market perceptions of company performance, measured by Tobin's *Q*. However, Bebczuk (2005) only examines the disclosure of board structure and procedures, while Klein *et al.* (2005) examine the disclosure on corporate governance policies. These findings suggest that corporate governance disclosure is useful for the analysts forecast, as well as for improving market perceptions of company.

2.5.3 Comments

Gaps and recommendations

Gaps in prior studies can be identified in four areas. Firstly, corporate governance disclosure studies based on Asian countries, which are likely to have an insider system of corporate governance, are relatively few in number and rather descriptive in nature. Most of them focus on describing the extent of corporate governance disclosure, rather than attempting to establish any link with the disclosure theories. This leaves room for future studies to evaluate the applicability of disclosure theories to the area of corporate governance disclosure with regard to factors influencing corporate governance disclosure in Asian countries (general research question 1, section 1.4).

Secondly, the dichotomous method is the main scoring method employed in prior corporate governance disclosure studies. This provides an opportunity to investigate the robustness/sensitivity of the findings based on different scoring methods (general research question 1, section 1.4). Employing various scoring methods may help provide a more detailed analysis/fuller picture of corporate governance disclosure.

Thirdly, the literature review suggests that there is a lack of detailed research regarding the perceptions of preparers and users of annual reports with respect to corporate governance disclosure. This provides opportunities for employing a qualitative technique such as questionnaire and interview to obtain opinions from market participants in relation to factors influencing corporate governance disclosure (general research question 3, section 1.4). Using a qualitative approach should help validate and complement the statistical findings, as well as indicate other factors which could have an influence on corporate governance disclosure but which are not captured in the statistical models. Furthermore, the findings could also help explain the applicability of disclosure theories in the context of Asian countries.

Finally, the small number of studies with regard to the impact of corporate governance disclosure on market-related factors provides an opportunity for examining this area, as well as for developing the theoretical framework based on both the quantitative and qualitative approaches (general research questions 2 and 4 as shown in section 1.4, respectively). This thesis extends prior studies by covering six main areas of corporate governance: 1) codes or principles of corporate governance, 2) board matters, 3) audit and internal control matters, 4) nomination matters, 5) remuneration matters, and 6) stakeholders (see section 4.4.1).

Limitations of prior studies

Prior studies of corporate governance disclosure have three main limitations. Firstly, the findings can be affected by the items chosen for inclusion in the checklist. The construction of the checklist involves judgment and the checklist may not capture all the information that companies disclose about their corporate governance practices. Some studies have very few items in their checklists, for example, only 8 items in Carson (1996), which could have a serious impact on the inference of the results. In addition, some studies only focus on country-specific recommendations, such as Bujaki and McConomy (2002) and the Australian Stock Exchange (2005). The researcher argues that if companies want to gain access to foreign capital, they might also have to consider the international principles. The checklist in this thesis attempts to incorporate all the corporate governance items recommended by codes or principles of corporate governance for each country, as well as the OECD principles of corporate governance which can be regarded as an international benchmark (see section 3.4.4).

Secondly, the findings can also be affected by whether the researcher gives equal weight to each item in the checklist (referred to as the unweighted approach in this thesis). Using the dichotomous method to measure the disclosure level assumes equal weighting for each item, hence assuming that each item is equally important. However, in reality, some items may be more important for certain types of users. Despite the limitation, using weightings, in which some prior studies rely on the survey of a particular user's group, is very subjective and could arguably capture only the degree of importance as perceived by the particular group being surveyed. Hence, the researcher argues that the unweighted approach may be more appropriate for disclosure studies which attempt to examine the overall level of disclosure as perceived by all market participants, such as in this thesis (see section 4.4.3.1 for discussion of the dichotomous method).

Finally, the combination of different checklists and different scoring systems limits the scope for comparison of results across studies. This thesis, therefore, uses the same checklist and scoring system for all three countries examined (see Appendix 4-C for the checklist developed and section 4.4.3 for the scoring methods). Furthermore, the differences in: 1) factors potentially influencing corporate governance disclosure, as well as definitions of the factors, employed in previous studies, and 2) sample size and selection criteria, make comparisons of the findings across studies difficult (if at all possible).

2.6 Transparency and disclosure studies

S&P also develops an indicator for Transparency and Disclosure (T&D) based on 98 items which can be separated into three categories: 1) ownership structure and investor relations (28 items), 2) financial transparency and information disclosure (35 items) and 3) board and management structure and process (35 items). The scoring system is based on a dichotomous approach with respect to information disclosed in the annual reports. T&D scores are developed in order to measure overall transparency and disclosure, however, a large number of items are related to corporate governance information. Examples of studies employing T&D scores include Patel and Dallas (2002) who examine T&D for US companies, Patel *et al.* (2002) who examine companies in 19 emerging markets (including Malaysia and Thailand), Durnev and Kim (2005) who examine 27 developed and developing countries, and Aksu and Kosedag (2006) who examine T&D of 52 companies listed on the Istanbul Stock Exchange, the Turkey exchange[9]. Unfortunately, the scores for corporate governance items for the year ending 2004 for listed companies in Malaysia, Singapore and Thailand are not available. Hence, comparison cannot be made with the findings in this thesis.

2.7 Summary and conclusions

This chapter provides a general concept of corporate governance, i.e. its definitions and systems, which is used as a basis for discussing corporate governance in Malaysia,

[9] Durnev and Kim (2005) use S&P data which comprises the disclosure of 91 items: 22 items on ownership structure and investor relations, 34 items on accounting and financial policies, and 35 items on board and management structure and process. Aksu and Kosedag (2006) customise S&P items to incorporate market, culture and regulation in the country, resulting in a total of 106 items.

Singapore and Thailand in Chapter 3. It also reviews and evaluates theories of disclosure and discusses empirical evidence in relation to corporate governance disclosure. These are discussed in order to establish a basis for developing the research questions, the research methods and the hypotheses in subsequent chapters. The main conclusions are as follows.

The review of disclosure theories indicates that they mainly complement each other (see section 2.3 for the full evaluation of disclosure theories). For example, agency, signalling and capital need theories can be regarded as complementing each other because they are all dealing with the problems of information asymmetry. In particular, companies may disclose more information to help reduce agency cost or to signal that they have higher quality management. Furthermore, companies may increase disclosure in an attempt to attract funds at the lowest cost possible. In addition, legitimacy and stakeholder theories can also be regarded as complementing each other. Stakeholder theory provides the basis for legitimacy theory as companies have to legitimise their actions to the society at large. The wide range of disclosure theories discussed provides a broad basis from which to identify those theories particularly relevant to corporate governance disclosure in the context of Malaysia, Singapore and Thailand in Chapters 6 and 7. The applicability of disclosure theories to the environments of Malaysia, Singapore and Thailand may be different from that of the developed countries such as the US and the UK. This is because there are differences in environmental characteristics such as ownership concentration, culture, level of economic and capital market developments.

Recommendations derived from the review of prior corporate governance disclosure studies and which are adopted in this thesis can be identified in four main areas. Firstly, corporate governance disclosure studies based on Asian countries, which are likely to have an insider system of corporate governance, are relatively few in number and rather descriptive in nature. This justifies examining corporate governance disclosure with regard to factors influencing corporate governance disclosure in Asian countries in order to assess the applicability of disclosure theories (general research question 1, section 1.4).

Secondly, prior corporate governance disclosure studies focus mainly on the dichotomous method when measuring corporate governance disclosure. Thus, this thesis provides a methodological contribution by incorporating a variety of methods when measuring corporate governance disclosure in order to investigate the robustness/sensitivity of the findings based on these different scoring methods (general research question 1, section 1.4).

Thirdly, the review shows that prior corporate governance disclosure studies normally employ a quantitative approach (statistical analyses) when studying corporate governance disclosure. This provides an opportunity to extend prior studies by incorporating a qualitative approach such as questionnaires and interviews (general research questions 3 and 4, section 1.4). Using this approach should help validate and complement findings from the quantitative approach, as well as shedding further light on factors influencing corporate governance disclosure, i.e. those which are not captured in the statistical models.

Finally, only few studies directly examine the effect of corporate governance disclosure on market-related factors, such as market perceptions of company performance. This leaves room for further investigation in this area, as well as for development of the theoretical framework (general research question 2, section 1.4).

This chapter also discusses the limitations of prior corporate governance disclosure studies. Examples include the comparison of results across studies due to, for example, the differences in checklists and scoring systems, and the generalisability of the findings in prior studies due to the relatively small number of items incorporated in the checklist. In this thesis, wherever possible, the limitations are dealt with (as discussed in detail in section 2.5.3).

The next chapter discusses the environment and corporate governance in Malaysia, Singapore and Thailand in order to justify the use of these three countries as sources for samples in this thesis.

APPENDICES

Appendix 2-A: Cultural dimensions: Schwartz (1994)

Cultural dimensions	Explanation
Conservatism	• Constituted precisely for those values likely to be important in societies based on closed-knit harmonious relations, in which the interests of the person are not viewed as distinct from those of the group
Intellectual and affective autonomy	• Opposite of Conservatism. These values are likely to be important in societies that view that person as an autonomous entity entitled to pursue his or her individual interests and desires. • Two related aspects of autonomy values appear to be distinguishable: a more intellectual emphasis on self-direction and a more affective emphasis on stimulation and hedonism
Hierarchy	• Emphasising the legitimacy of hierarchical role and resource allocation
Mastery	• The value in this region emphasises active mastery of the social environment through self-assertion. • Mastery values promote active efforts to modify one's surroundings and get ahead of other people.
Egalitarian commitment	• A region of values that expresses transcendence of selfish interests emerges opposite to the Hierarchy and Mastery types
Harmony	• This culture-level value type, emphasising harmony with nature, is the opposite of Mastery. • It relates most closely to Egalitarian commitment.

Source: Adapted from Schwartz (1994), pp.101-106.

Appendix 2-B: Other studies on corporate governance disclosure: Developed countries

Author (Year)	Country	Reporting year	Sample	Methodology	Summary of findings
Panel A: North America					
1. Sibson Consulting and Spencer Stuart (2003)	US	• 2001 annual reports and proxy statements • 2002 website	• 385 companies for annual reports and proxy statements analysis • 76 companies for website analysis	• Two approaches are used to score the disclosure: 1) Simple disclosure (whether or not companies disclose the items in the checklist): Unweighted 2) Governance transparency metric (measure the disclosure degree: acknowledgement, description, or in details): Weighting • Based on 52 governance items	• The examination of voluntary non-financial corporate governance disclosure in the annual reports and proxy statements shows that of the 52 items, companies, on average, disclose only 4.7%. • Large companies scores are over 2 times those of the mid-sized companies, regardless of the approaches adopted. These larger companies also have a moderately higher median performance measured by return on equity and 5-year shareholder return. • Website analysis shows that there is large increase in the website disclosure post-Enron.
2. Green and Graham (2005)	Canada	2000 and 2002	35 listed companies on the Toronto Stock Exchange 35 index	• Analysis of corporate governance disclosure statement in annual reports and management proxy circulars • Based on a list of basic board practices	• Many of the companies are not only in compliance with the non-compulsory Canadian guidelines, but they also achieve and exceed the US requirements. • Nonetheless, the disclosure of actual board behaviour still needs to be improved.
3. Stanwick and Stanwick (2005)	Canada	Website at the time of study	32 companies from the top 50 largest companies by assets in 2004	• Review company's website • Based on the 14 guidelines promulgated by the Toronto Stock Exchange in which the guidelines are categorised into required disclosure and enhanced disclosure	• The findings indicate compliance to the 14 guidelines by the majority of companies. However, a number of companies do go beyond the minimal required disclosure by providing the enhanced disclosure. • Certain industry sectors have higher rate of compliance with the required

Author (Year)	Country	Reporting year	Sample	Methodology	Summary of findings
					disclosure than other sectors such as service sector (include banks, investment companies, insurance companies, and property development companies).
Panel B: Australia					
4. Ramsay and Hoad (1997)	Australia	Annual report for the year ending on or after 30 June 1996	268 listed companies	• Analysis of the annual reports • Based on listing rule 4.10.3	• Larger companies disclose more corporate governance disclosure. • Substantial scope for corporate governance disclosure improvement is evident. • Bank and finance companies tend to disclose more information.
5. Cullen and Christopher (2003)	Australia	1997 and 2002	100 Australian companies listed on the top 500 of the Australian Stock Exchange by market capitalisation (mining and industrial companies)	• Analysis of the annual reports • Dichotomous method, comprising 30 items related to board membership, remuneration and ethics. Items are based on listing rule 4.10.3*	• The majority of board membership, remuneration and ethics disclosure increase. • Despite the increase in disclosure, overall disclosure for the three areas examined is considered low, suggesting more stringent regulation to increase disclosure.
6. Australian Stock Exchange (2005)	Australia	2004	1,222 annual reports released between 1 August and 31 December 2004 of listed companies on the Australian Stock Exchange	• Analysis of the annual reports • Based on Australian Stock Exchange Corporate Governance Council's 28 Recommendations	• The results suggest that a large amount of companies have complied with the requirements. Specifically, companies provide the confirmation of the compliance or the reasons for the deviation. • The average compliance rate is 68% for the whole market, and almost 85% for the top 500 companies. • Industry sector seems to have limited impact on the findings except for the healthcare companies which are most likely to apply the recommendations.

Author (Year)	Country	Reporting year	Sample	Methodology	Summary of findings
Panel C: Europe					
7. Brennan and McDermott (2004)	Ireland	2000-2002	80 listed companies on the Irish Stock Exchange	• Analysis of the annual reports	• Most companies are in compliance with the Combined Code's recommendations for a balanced board structure. However, the interpretation of the definition of independence is found to be inconsistent and there is also a lack of information disclosed which can be used to determine the independence.

* In this study, for the dichotomous method, if each item is disclosed, the company would get a score of 1, and 0 otherwise.

CHAPTER 3: THE ENVIRONMENTS AND CORPORATE GOVERNANCE IN MALAYSIA, SINGAPORE AND THAILAND

3.1 Introduction

This chapter focuses on explaining environments in Malaysia, Singapore and Thailand and their differences in order to justify choosing listed companies in these countries as samples in this study. It helps in understanding the features of the countries examined and provides insight into the applicability of environmental determinism theory (see section 2.3.7) in explaining corporate governance disclosure in the annual reports. The development of the organisations involved in promoting corporate governance disclosure and practices is also reported and discussed. Details of the codes or principles, regulations and guidelines regarding corporate governance disclosure and practices, at both national and international levels, are discussed to pave the way for development of a corporate governance disclosure checklist in Chapter 4, and to provide grounds for discussion in the analyses chapters.

Section 3.2 reviews each country's environment, comprising an overview, country developments, and capital markets. Section 3.3 contains a discussion of the specific environment of corporate governance, while section 3.4 discusses the roles and efforts of national and international organisations in shaping corporate governance disclosure and practices. Section 3.5 summarises and concludes the chapter.

3.2 The environments in Malaysia, Singapore and Thailand

Malaysia, Singapore and Thailand are members of two significant economic communities: the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC). They have been selected for this study due to the researcher's interest in examining environmental determinism theory (see section 2.3.7) in relation to corporate governance disclosure.

3.2.1 Overall environments

Table 3-1 summarises the general characteristics of Malaysia, Singapore and Thailand. People in both Malaysia and Singapore use English language as part of their business communication. In Thailand, however, although English is a compulsory part of the education system (The Stock Exchange of Thailand: SET, 2004), it is not widely used. English is only used among the elites, and business transactions take place in Thai. This is the reason for using annual reports written in English in examining corporate governance disclosure in Malaysia and Singapore, and using annual reports written in Thai for Thailand in this thesis (see section 4.3.1).

Both Malaysia and Singapore have common law as the basis for their legal system (for example, Walker and Fox, 2002; and Miles, 2005), while Thailand is influenced by both civil law and common law systems (CIA, 2006c). Since under civil law, rules are normally set by national legislators, public expectations about disclosure of companies in Thailand may be higher than in Malaysia and Singapore, leading to increased motivation among management to disclose information (see detailed discussion in section 2.3.7.3). However, in relation to the business environment, all three countries rely on a relationship-based system (Nam *et al.*, 2001; Tam and Tan, 2007). Business transactions are conducted based on informal long-term relationships, for example, trust, tolerance, no overt opposition, and a mutual understanding of each other's needs (Khoo, 2003; Miles, 2005).

Culture is another environmental factor which could potentially have an influence on a company's disclosure (see section 2.3.7.1). Malaysia and Singapore can be regarded as a plural/multicultural society as can be seen from the differences in languages, races and religions. However, Thailand is quite a homogenous society. Unlike the Chinese in many Southeast Asian countries, the Chinese in Thailand do not practise traditional Chinese concepts, rather, they practice Thai values and regard themselves as Thai (Kosonboon, 2004).

Table 3-1: General characteristics of Malaysia, Singapore and Thailand

Characteristics	Malaysia		Singapore		Thailand	
	Fact	**Sources**	**Fact**	**Sources**	**Fact**	**Sources**
Date of independence	Independence from UK on 31 August 1957	Low (2004)	Independence from Malaysian Federation on 9 August 1965	Low (2004)	The only country in Southeast Asia which has never been colonised	SET (2004)
Population	26.1 million	ASEAN (2007a)	4.2 million	ASEAN (2007b)	65.6 million	BOT (2007)
Language						
National language	Bahasa Malaysia	Hooker (2003)	Malay	US-ASEAN Business Council (2005b), and Singapore Infomap (2006)	Thai	BOT (2007)
Business language	English	US-ASEAN Business Council (2005a)	English	US-ASEAN Business Council (2005b)	Thai (English is the secondary language of elite)	CIA (2006c)
Other languages	Chinese, Tamil (for Indians), and various dialects for locals	Hooker (2003)	Mandarin and Tamil	Singapore Infomap (2007b)	Ethnic and regional dialects	CIA (2006c)
Races	• Malay (50.4%) • Chinese (23.7%) • Indigenous (11%) • Indian (7.1%) • Others (7.8%)	CIA (2006a)	• Chinese (77%) • Malays (14%) • Indians (8%) • Others (1%)	Singapore Infomap (2007a)	• Thai (75%) • Chinese (14%) • Others (11%)	CIA (2006c)

Characteristics	Malaysia		Singapore		Thailand	
	Fact	Sources	Fact	Sources	Fact	Sources
Religions	• Islam • Confucianism • Taoism • Buddhism • Hinduism • Sikh • Christianity • Others	Hooker (2003)	• Buddhism • Islam • Christianity • Taoism • Hinduism • Others	Singapore Infomap (2006)	• Buddhism • Islam • Christianity • Others	BOT (2007)
Currency	Malaysian ringgit	Hooker (2003)	Singapore Dollar	ASEAN (2006a)	Baht	ASEAN (2006b)
Legal system	Common law	Miles (2005)	Common law	Walker and Fox (2002), and CIA (2006b)	Civil law system but also influenced by common law	CIA (2006c)
Business environment	Relationship-based system	Nam *et al.* (2001), and Tam and Tan (2007)	Relationship-based system	Nam *et al.* (2001)	Relationship-based system	Nam *et al.* (2001)

BOT stands for the Bank of Thailand, and CIA stands for the Central Intelligence Agency.

Thai people are non-confrontational, group-oriented, and personal relationships are especially significant in order to get things done (Boyle, 1998; Kosonboon, 2004). They normally try to avoid overt criticism, conflict, embarrassment and controversy which may lead to problems being ignored and silenced in the hope that they will go away. However, now, Thai society is in a transition stage. In particular, Thai people are becoming more confrontational, argumentative and aggressive and practise less of the traditional Thai values, such as reverence for elders, respect for authority, tolerance and gentility (Klausner, 2002).

As discussed in section 2.3.7.1, cultural dimensions based on Hofstede (1980; 2001) and Schwartz (1994)[10] could be used to explain disclosure. The differences in the values for each dimension across Malaysia, Singapore and Thailand are shown in Tables 3-2 and 3-3, respectively.

Table 3-2: Mean scores for cultural dimensions from Hofstede (1980; 2001)

Dimension	Malaysia	Singapore	Thailand
Power distance	104	74	64
Individualism	26	20	20
Uncertainty avoidance	36	8	64
Masculinity	50	48	34
Long-term orientation	-	48	56

Note:
1. A low (high) score indicates less (more) of that cultural trait.
2. Power distance, individualism, uncertain avoidance, and masculinity scores for Singapore and Thailand are from Hofstede (1980), figure 3.1, p.104, figure 5.1, p.222, figure 4.1, p.165, and figure 6.3, p.279, respectively. For Malaysia, the scores are from Hofstede (2001), Exhibit 3.1, p.87, Exhibit 5.1, p.215, Exhibit 4.1, p.151, and Exhibit 6.3, p.286, respectively. All long-term orientation scores are from Hofstede (2001), Exhibit 7.1, p.356.

Table 3-3: Mean scores for cultural dimensions from Schwartz (1994)

Dimension	Malaysia	Singapore	Thailand
Conservatism	4.46	4.38	4.22
Intellectual autonomy	4.07	3.68	4.08
Affective autonomy	3.16	3.04	3.62
Hierarchy	2.43	2.75	3.32
Mastery	4.34	3.93	3.99
Egalitarian commitment	4.66	4.79	4.34
Harmony	3.50	3.72	3.93

Note: The scores are based on 38 teacher responses and there is scale from 7 (of supreme importance) to 0 (not important) and -1 (opposed to the respondent's value).

[10] Schwartz (1994) presents new cultural dimensions based on the data from 41 cultural groups in 38 nations (see section 2.3.7.1).

The possible direction of the relationship between these cultural dimensions and disclosure of information is discussed in section 2.3.7.1. Where possible, these cultural dimensions are used to explain the difference in corporate governance disclosure across Malaysia, Singapore and Thailand in Chapter 6, specifically section 6.4.3.3.

3.2.2 Country developments

Table 3-4 shows each country's position in relation to its economic, capital market, and overall development.

Table 3-4: Economic, capital market, and overall country indicators

Indicators	Malaysia	Singapore	Thailand
Economic indicator: 2004[1]			
Gross national income (GNI) per capita (current US$)	4,520.0	24,760.0	2,490.0
Gross domestic product (GDP) growth (annual %)	7.1	8.4	6.2
Foreign direct investment, net inflows (current billion US$)*	4.6	16.0	1.4
Capital market indicator: 2004[2]			
Market capitalisation (million US$)	180,832.0	214,058.9	111,934.6
Overall country development: 2004[3]			
According to the International Monetary Fund (IMF) World Economic Outlook	Developing country	Advanced economy#	Developing country

Sources:

[1] World Bank (2006a, b, c). Malaysia, Singapore and Thailand Data Profiles.

[2] World Federation of Exchanges (2004). Table 1.1: Domestic Market Capitalization (in millions of US Dollars), p.39.

[3] IMF (2004). World Economic and Financial Surveys: World Economic Outlook: The Global Demographic Transition: Statistical Appendix, pp.192, 194.

* Foreign direct investment is the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor.

\# Throughout the rest of this study, the word 'advanced economy' is replaced by 'developed country' in order to reflect the development status of the country.

From the table, it can be seen that Singapore is the most advanced country. In particular, it has the highest GNI per capita, GDP growth, net inflows from foreign direct investment and market capitalisation[11]. Thailand is the least developed and Malaysia is

[11] The statistics for the year 2004 show that the degree of development in Singapore is reflected in its macro-social variables, such as the highest life expectancy, i.e. 79.3 years (World Bank, 2006b), as well as the highest total number of population aged 65 and above, i.e. 8% of total population (World Bank, 2008).

in the middle[12]. These developments suggest that management of listed companies in Thailand may have a greater desire to disclose corporate governance information. Miles (2005) argue that in a country with a relatively lower level of development, management may want to disclose more corporate governance information in order to attract investment and secure credit, and to assure analysts about the credibility and quality of a company's financial information (Bhat *et al.*, 2006), especially following the 1997 Asian economic crisis. Furthermore, management may also want to distinguish themselves from companies with lower quality management, consistent with signalling theory (see section 2.3.5).

3.2.3 Capital markets

As discussed in section 3.2.2, there are differences in the size of the capital markets across Malaysia, Singapore and Thailand, justifying the selection of listed companies from these countries in my samples. The rest of this section provides a brief explanation about the stock exchanges and regulatory regimes in Malaysia, Singapore and Thailand.

3.2.3.1 Stock exchanges

Malaysia

Bursa Malaysia[13], the Malaysian stock exchange, was incorporated on 14 December 1976 (Bursa Malaysia, 2008a). Public listed companies can be listed either on the Main Board, Second Board, or the Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ) Market (Bursa Malaysia, 2007a, b and c). Whether a company is listed on the Main Board or Second Board is mainly dependent on the minimum issued and paid-up capital (Bursa Malaysia, 2005). MESDAQ Market was created to give the opportunity for potential high-growth and technology-based companies to enter the capital market (Bursa Malaysia, 2008b). This thesis selects sample companies from the most widely followed index, Kuala Lumpur Composite Index (KLCI), based on companies listed on the Main Board (see section 4.3.1 for detailed selection criteria).

---

[12] The evidence from World Bank (2006a, b) suggests that Singapore has a lower rate of adult illiteracy (7.5%), when compared with Malaysia (11.3%). Surprisingly, however, even though Thailand is less advanced, its rate of adult illiteracy is similar to that of Singapore's (i.e. 7.4%).

[13] On 20 April 2004, Kuala Lumpur Stock Exchange (KLSE) changes its name to Bursa Malaysia (Standard and Poor's and Corporate Governance and Financial Reporting Center: S&P and CGFRC, 2004c).

Singapore

Singapore Exchange (SGX) was inaugurated on 1 December 1999, following the merger of two financial institutions - the Stock Exchange of Singapore (SES) and the Singapore International Monetary Exchange (SIMEX) (SGX, 2006). SGX divides the listings into the SGX Main Board and for newer companies, the SGX Stock Exchange of Singapore Dealing and Automated Quotation System (SESDAQ) (SGX, 2004). This thesis selects the Singapore sample from the Main Board Straits Times Index (STI), the main Singapore index (see section 4.3.1 for detailed selection criteria).

Thailand

The Stock Exchange of Thailand (SET) was established in 1975 and officially began trading on 30 April 1975 (Srisuchart, 2004). Companies can be listed on either the SET Main Board or the Market for Alternative Investment (MAI) (SET, 2007). MAI is for small and medium-sized enterprises (SMEs) which do not meet the criteria necessary for listing on the Main Board (Srisuchart, 2004). This thesis selects sample companies from the SET50 index, computed based on the share prices of the top fifty companies listed on the Main Board (see section 4.3.1 for detailed selection criteria).

3.2.3.2 Regulatory regimes

Capital markets in all three countries have moved from a merit-based regulation regime to a more market-driven, disclosure-based, regime. In particular, from 1995, a merit-based regulation regime has been gradually replaced by a disclosure-based regulation regime in Malaysia (World Bank, 1999), while Singapore decided to shift to this new regime in 1998 (Cheng and Courtenay, 2006). As for Thailand, the Securities and Exchange Commission (SEC)[14] and SET decided to move to the new regime in 1999 (Fagan, 2003). This change to a disclosure-based regime was carried out in order to improve the efficiency of the capital market (Securities Commission, 1999), as well as to promote a more vibrant market where market participants would have more choice and freedom to take calculated risks based on the additional information provided (Monetary Authority of Singapore: MAS, 2002; Shanmugaratnam, 2002).

[14] SEC serves as the regulatory body for the Thai capital market (SET, 2004).

Securities Commission (1999) in Malaysia suggests that according to the merit-based regime, the Securities Commission regulates the offering of securities by assessing the investment merits and pricing of the offering, while in a disclosure-based regime, evaluation of the securities' merit rests with investors. Particularly, a disclosure-based regime is defined as one in which access to the public securities market for issuers is conditional upon providing full and accurate disclosure of relevant information in accordance with parameters established by the securities laws and regulations (Securities Commission, 1998)[15]. Because the issuer of a security, its directors and principal officers would be completely liable for the information disclosed, it is expected that they will then be responsible for the adequacy and accuracy of the information provided in all the documents, including those of subsequent announcements (Securities Commission, 1998). Hence, it is expected that there will be higher disclosure standards, due diligence[16] and corporate governance (Securities Commission, 1999). The disclosure-based regime can be regarded as a common environmental factor shared by Malaysia, Singapore and Thailand, hence if the findings in this study show that there are differences in the level of corporate governance disclosure across the three countries, the regulatory regime is unlikely to be a factor influencing the disclosure. Rather, it may be the actual rules and regulations on corporate governance disclosure which can affect the disclosure.

3.3 Corporate governance in Malaysia, Singapore and Thailand

There are two main purposes for this section. Firstly, it provides a discussion of corporate governance in Malaysia, Singapore and Thailand to be a background for the hypothesis developments and discussion of the findings. The second aim of this section is to justify the selection of Malaysia, Singapore and Thailand as samples in this study based on the particular environment of corporate governance which exists in these countries. In particular, the analysis is conducted through an examination of ownership concentration (see section 3.3.2), the importance of corporate governance (see section

[15] Although full and fair disclosure is also a requirement under the merit-based regime, its nature and content seem to be more historic, when compared with a disclosure-based regime (Securities Commission, 1998).

[16] Due diligence is a process by which enquiries are conducted to ensure that information to be disclosed is true, sufficient and timely (Securities Commission, 1999).

3.3.4) and differences in institutional governance structure (see section 3.3.5) across the three countries.

3.3.1 Definitions of corporate governance

Since this thesis focuses only on Malaysia, Singapore and Thailand, the definitions of corporate governance offered by the organisations involved in its development in these countries are provided and discussed.

Firstly, Malaysian Finance Committee on Corporate Governance (FCCG) (1999) defines corporate governance as:

> *'... a process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interests of other stakeholders.'* (p.10)

Singapore Corporate Governance Committee (CGC) (2001) defines corporate governance as:

> *'... the processes and structure by which the business and affairs of the company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders.'* (p.1)

Finally, Thailand National Corporate Governance Committee (NCGC) (2007b) suggests three various perspectives of corporate governance. Firstly, it is a *'Relationship between the board of directors of a company, its management team, its shareholders and other stakeholders in leading the company's direction and monitoring its operations.'*. Secondly, it is a *'Structure and internal process ensuring that the board of directors evaluates the performance of management team transparently and effectively.'*. Finally, corporate governance is:

> *'A system having structure and process of leadership and corporate control to establish the transparent working environment and to enhance the company's competitiveness to preserve capital and to increase shareholders' long-term value by taking into consideration; business ethics, the interests of other stakeholders and society.'*

Based on the discussion of corporate governance definitions in section 2.2.1, it can be concluded from the definitions suggested in Malaysia, Singapore and Thailand that corporate governance in these countries focuses on the relationship with not only its shareholders, but also other stakeholders of the company. This reflects the significance of other stakeholders, besides investors, hence justifying including corporate governance items relating to stakeholders in corporate governance disclosure checklist of this thesis (see Appendix 4-C for the checklist).

3.3.2 Systems of corporate governance

With specific reference to ownership structure, the main characteristic for separating insider and outsider system of corporate governance, ownership concentration is regarded as being the main characteristic in Malaysia, Singapore and Thailand (Tam and Tan, 2007 for Malaysia; Mak and Phan, 1999, 2001 for Singapore; and Nikomborirak and Tangkitvanich, 1999, and Dhnadirek and Tang, 2003 for Thailand). Hence, these countries could be regarded as having an insider system of corporate governance (see section 2.2). This is consistent with Ishak (2004) who suggests that, generally, companies in Asia, Continental Europe and Japan can be categorised as having the insider system of corporate governance, while the US and UK are regarded as having an outsider system. However, although companies in Malaysia, Singapore and Thailand seem to have a high concentration of ownership, there is evidence from prior studies of variation in the concentration (for example, Claessens *et al.*, 2000; Nam *et al.*, 2001; and Suehiro and Wailerdsak, 2004). This justifies the selection of these three countries in this thesis. Analysis of the listed companies in Malaysia, Singapore and Thailand may help determine whether disclosure theories originating from countries with widely-held companies are applicable in the context of highly concentrated ownership companies.

Overall, when there is evidence of concentration of ownership, there is a high possibility that conflicts of interest between majority and minority shareholders will occur, hence the expropriation from minority shareholders by the controlling ones (see section 2.3.1). This situation can occur especially when there is less protection for minority shareholders. Majority shareholders can take advantage of minority shareholders who are normally passive investors (SEC, 2004). Concentration of ownership can have either a positive or a negative impact on corporate governance disclosure (see detailed discussion in section 6.2.1.4). In relation to signalling theory (see section 2.3.5), managers in such companies may wish to disclose more corporate governance information in order to avoid the risk of creating an unfavourable impression of inadequate governance quality through close ownership. On the other hand, according to agency theory (see section

2.3.1), these companies could provide lesser corporate governance information because there is likely to be no or little separation between the principals and agents (Owusu-Ansah, 1998). Furthermore, shareholders can have greater access to company information, and hence do not have to rely so much on public disclosure to monitor their investments (Miles, 2005). Because the concentration of ownership can vary across Malaysia, Singapore and Thailand, the researcher argues that the significance of its impact on corporate governance disclosure may be different.

3.3.3 Approaches to the issue of corporate governance

FCCG (2001) for Malaysia, CGC (2001) for Singapore and SET (2001) for Thailand suggest that there are three broad approaches to the issue of corporate governance employed in countries around the world, i.e. 1) a prescriptive approach, 2) a non-prescriptive approach, and 3) a hybrid approach. This thesis uses the terms employed in FCCG (2001). In certain cases, the terms used for each approach vary across the three countries. CGC (2001) uses the term 'a balanced approach', instead of 'a hybrid approach', while SET (2001) employs the term 'compulsory compliance', instead of 'a prescriptive approach', and 'voluntary compliance', instead of 'a non-prescriptive approach'. Nonetheless, the underlying meanings remain the same.

1) A prescriptive approach

FCCG (2001) suggests that, under this approach, a corporate governance standard is set, together with a requirement to disclose the compliance with the standard. The researcher argues that the main disadvantage of this approach is that it will make companies focus more on form, instead of applying the standard according to their circumstances.

2) A non-prescriptive approach

CGC (2001) indicates that this approach allows companies to determine their own corporate governance practices because different companies may need different corporate governance systems. With this approach, the emphasis is on the requirement for companies to disclose their corporate governance practices (FCCG, 2001). The researcher argues that the concept of this approach is against the notion that one size fits all. As suggested in Khoo (2003), the company should be allowed to determine their own needs and objectives.

3) A hybrid approach

FCCG (2001) suggests that, under this approach, there are broad principles which companies can apply flexibly, depending on their circumstances. The focus is on obtaining sufficient disclosure for investors and others to assess the performance and corporate governance practices of the company so that they can make an informed decision.

Malaysia, Singapore and Thailand all employ the hybrid approach. The use of this approach in each country is discussed in detail in sections 3.4.1 – 3.4.3 of this thesis, where the codes or principles, regulations and guidelines pertaining to corporate governance disclosure and practices are discussed.

3.3.4 Importance of corporate governance in Malaysia, Singapore and Thailand

One significant event which emphasises the importance of corporate governance in Asia is the 1997 Asian economic crisis[17]. Although Malaysia, Singapore and Thailand were all affected by the crisis, the severity of its impact varied from country to country. Daquila (2005) suggests that Thailand was one of the countries most severely affected by the crisis, while Singapore was the least affected. When considering real GDP growth rate, the effect of the crisis on Malaysia was somewhere in the middle, when compared with that of Thailand and Singapore (Thailand Development Research Institute, 2000; Daquila, 2005). Depending on the countries, the effect of the 1997 crisis has an influence on corporate governance disclosure in different ways, e.g. the varying degrees of importance which a company's management places on corporate governance practices could affect its attitude towards corporate governance disclosure. Companies in a country severely affected by the crisis are likely to disclose more corporate governance information, in an attempt to regain stakeholders' confidence and promote sound capital markets (Stanwick and Stanwick, 2005).

[17] The crisis started in Thailand with an announcement by the Bank of Thailand of the floating of Thai Baht on 2 July 1997 (International Organization of Securities Commissions: IOSCO, 1999; Daquila, 2005).

Although poor corporate governance may not have caused the crisis[18], many studies point out that inadequate corporate governance was a factor contributing to the severity of the crisis (International Organization of Securities Commissions: IOSCO, 1999; Khatri, 2001; Nam *et al.*, 2001; Mitton, 2002; Chang Aik Leng and Abu Mansor, 2005). To recover from the crisis, good corporate governance would be an essential part of the reform in order to help regain investor confidence and move towards sustained and robust growth (IOSCO, 1999). Following the 1997 crisis, Malaysia, Singapore and Thailand established many new organisations in order to help with the development of corporate governance; for example, by setting up new codes or principles and guidelines of corporate governance (see section 3.4). Many international organisations, such as the Organisation for Economic Co-Operation and Development (OECD), the World Bank, and the International Monetary Fund (IMF) have also focused on the reform of corporate governance in Asian countries (Phan and Yoshikawa, 2007). Such development not only focuses on the improvement of corporate governance practices, but also that of disclosure. In particular, the importance which the IMF places on corporate governance in Asia is particularly relevant to Thailand. This is because the country relies on international financial assistance from the IMF, necessitating immediate reforms in the country (Daquila, 2005). Although Malaysia was affected by the crisis, Athukorala (1998) argues that, since there was only a little foreign debt exposure, Malaysia was able to muddle through without a rescue package from the IMF. As for Singapore, it did not need to resort to IMF funding due to its healthy financial position (Daquila, 2005).

Solomon and Solomon (2004) suggest that transparency is a significant element of corporate governance and important for an efficient capital market. For Malaysia, FCCG (2001) suggests that since good corporate governance rests with the boards of directors, an explanation of the way in which the board applies the codes is very significant. Miles (2005) suggests that greater disclosure of governance practices is an important strategy in attracting investment and securing credit. For Singapore, CGC (2001) suggests that to help investors assess the appropriateness of companies' corporate governance practices and to assist them to make an informed decision, information about the corporate governance framework and practices has to be disclosed. In addition, for Thailand, not

---

[18] According to Arsalidou and Wang (2005), many previous studies identify the following problems as specific causes of the crisis: monopolistic market structures, over exposure to foreign exchange risks and over-leveraged domestic financial markets.

only is corporate governance disclosure important for investors, as it is in Malaysia and Singapore, but SET (2001) also suggests that it allows investors and other stakeholders to examine the company more cautiously, specifically with regard to the monitoring process in order to ensure the company is operating both ethically and morally. This discussion of the importance of corporate governance disclosure helps justify the research in this area, especially for Malaysia, Singapore and Thailand.

3.3.5 Institutional governance structure in Malaysia, Singapore and Thailand

Gill and Allen (2004) evaluate institutional governance structures, i.e. whether each country has an environment considered good for corporate governance, in East Asia based on five main macro-determinants: 1) rules and regulations, 2) their enforcement, 3) the political and regulatory environment, 4) adoption of international accounting and auditing standards, and 5) institutional support and corporate governance culture. The parameters used as a basis for scoring the five macro-determinants are shown in Appendix 3-A, and the actual scores for Malaysia, Singapore and Thailand are shown in Table 3-5.

Table 3-5: Country's corporate governance scores: Gill and Allen (2004)

Corporate governance (weighting given)	Malaysia	Singapore	Thailand
1. Rules and regulations (15%)	7.1	7.9	6.1
2. Enforcement (25%)	5.0	6.5	3.8
3. Political and regulatory environment (20%)	5.0	8.1	5.0
4. Adoption of international accounting and auditing standards (20%)	9.0	9.5	8.5
5. Institutional support and corporate governance culture (20%)	4.6	5.8	3.5
Country score	**6.0**	**7.5**	**5.3**

The low (high) score shows the low (high) practice of corporate governance.
Source: Gill and Allen (2004). Figure 1: Markets ranked by corporate governance, p.8.

Variations in the institutional governance structure across the three countries justify selecting them as samples in this study. In particular, Singapore has the highest scores in relation to all the institutional governance structures measured, while Thailand provides the lowest scores (with the exception of political and regulatory environment where it has the same score as Malaysia). Consistent with Gill and Allen (2004), La Porta *et al.*

(1998) show that Singapore has the highest shareholder rights, while Thailand has the lowest and Malaysia is in the middle[19].

Kaufmann *et al.* (2006) also attempt to provide corporate governance indicators for Malaysia, Singapore and Thailand. Their indicators include voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. Appendix 3-B provides detailed meanings for each indicator. With specific reference to corruption, Khatri *et al.* (2006) argue that cronyism can be regarded as its subset. In other words, while corruption includes both negotiated and reciprocal exchanges, cronyism can be perceived exclusively as a reciprocal exchange[20]. In particular, Khatri *et al.* (2006) define cronyism as a reciprocal exchange transaction, where party A shows favour to party B based on shared membership in a social network at the expense of party C's equal or superior claim to the valued resource[21]. Cronyism raises society costs by creating inefficiency from unfair competition, and reduces trust in societal institutions (Khatri *et al.*, 2006). Booth (1999) indicates that government intervention in Malaysia, Singapore and Thailand has been pervasive. However, subsidy allocation has seldom been linked to any credible performance criteria, but is usually made either on the basis of political cronyism or to achieve non-economic goals such as the promotion of indigenous businesses. In particular, it is suggested that as the Malaysian government has more actively handed out favours to companies, businessmen have increasingly used personal connections to influence the allocation of these favours (Gomez and Jomo, 1997; Gul, 2006).

The 2004 estimated corporate governance scores for all indicators for Malaysia, Singapore and Thailand, as suggested in Kaufmann *et al.* (2006), are provided in Table 3-6.

---

[19] The measures for shareholder rights in La Porta *et al.* (1998) considered include antidirector rights and enforcement measures (efficiency of judicial system, rule of law, corruption, risk of expropriation, and risk of contract repudiation).

[20] Khatri *et al.* (2006) suggest that corruption has been used as an all-encompassing classification for abuses of power that range from complex, indirect, and subtle transactions based on mutually reinforcing ties to isolated, simple, and unilateral transactions by individuals.

[21] Nepotism can be regarded as cronyism specific to family members (Khatri *et al.*, 2006). Kuznar and Frederick (2007) suggest that family ties are essential for gaining access to power, state resources, and privileges.

Table 3-6: Country's corporate governance scores: Kaufmann *et al.* (2006)

Indicators	Malaysia	Singapore	Thailand
1. Voice and accountability	-0.35	-0.10	0.25
2. Political stability and absence of violence	0.24	1.15	-0.38
3. Government effectiveness	0.95	2.19	0.37
4. Regulatory quality	0.57	1.89	0.12
5. Rule of law	0.55	1.83	0.00
6. Control of corruption	0.29	2.42	-0.30

Scores are between -2.5 and 2.5. The low (high) score shows the low (high) practice of corporate governance.
Source: Kaufmann *et al.* (2006). Appendix C: Governance Indicators over Time, pp.90-107.

Table 3-6 shows that, except voice and accountability, the score for each indicator is highest in Singapore and lowest in Thailand, with Malaysia in the middle. These findings can be regarded as supporting the results of Gill and Allen (2004) and La Porta *et al.* (1998). All in all, the Singapore results are supported by Eng and Mak (2003) who argue that although Singapore corporate governance and disclosure standards seem to lag behind those of developed countries, such as the US and the UK, they are regarded as amongst the best in Asia. Keat (2005) suggests that high corporate governance in Singapore is due to three mutually components: 1) legal, supervisory and enforcement regime, 2) disclosure standards and market discipline, and 3) commitment to maintain integrity by corporate leaders.

Based on the institutional governance structure in Singapore discussed, there is a possibility that market participants may perceive listed companies in Singapore to have better corporate governance practices, when compared with those of Malaysia and Thailand. This may, therefore, decrease the managerial desire/motivation to disclose corporate governance information in the annual reports and/or at the same time decrease the demand for this information by investors and other stakeholders. On the other hand, managers in a country with weaker institutional governance structure may want to improve its impression and enhance stakeholders' confidence in companies through corporate governance disclosure.

3.4 Organisations involved in promoting corporate governance disclosure and practices

This section discusses about both national and international organisations dealing with the issue of corporate governance, as well as the development of the codes or principles, regulations and guidelines pertaining to corporate governance disclosure and practices. The codes or principles, regulations and guidelines discussed are used to form a corporate governance disclosure checklist in this study (see section 4.4.1).

3.4.1 Malaysia

Following the 1997 crisis, the Malaysian government established the National Economic Action Council (NEAC) on 7 January 1998 in order to deal with the economic problems and restore the economy (NEAC, 1998). NEAC (1998) indicates that it prepared the National Economic Recovery Plan, a framework for economic recovery. Among the many actions proposed, there was a recommendation to prepare a new framework for corporate governance to improve the capital market. The FCCG was established in March 1998 to enhance standards of corporate governance, specifically, to establish a corporate governance framework, as well as setting industry best practices (FCCG, 1999).

In 2000, the Malaysian code on corporate governance was issued by the FCCG (Khoo, 2003). This code is used as a source in the development of a corporate governance disclosure checklist in this study. As discussed in section 3.3.3., the hybrid approach is adopted in Malaysia, hence the code is not mandatory.

The code is based on the UK code (Mak and Kusnadi, 2005) and can be separated into four parts:

Part 1: Principles of corporate governance

This part sets out broad principles of good corporate governance and is separated into four sections: 1) Directors, 2) Directors' remuneration, 3) Shareholders, and 4) Accountability and audit. Companies can apply the principles flexibly based on their circumstances but they are required to disclose '*... a narrative statement of how they apply the relevant principles to their particular circumstances.*' in their annual reports as indicated in paragraph 15.26(a) of the listing requirement.

Part 2: Best practices in corporate governance

This part sets out best practices, incorporating guidelines or practices, to help companies establish their own corporate governance. It is separated into three sections: 1) Board of directors, 2) Accountability and audit, and 3) Shareholders. It is voluntary for companies to follow. However, paragraph 15.26(b) of the listing requirement requires companies to state in their annual reports '... *a statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance which statement shall specifically identify and give reasons for any areas of non-compliance with Part 2 and the alternatives to the Best Practices adopted by the listed issuer, if any.'*.

Part 3: Principles and best practices for corporate participants

This part is voluntary and is designed for investors and auditors. It is separated into four sections: 1) Shareholder voting, 2) Dialogue between companies and investors, 3) Evaluation of governance disclosures, and 4) External auditors.

Part 4: Explanatory notes

This part comprises explanatory notes to the principles and best practices set out in Parts 1 to 3 discussed above. Explanation of any deviation from best practice in this part is not required.

Listed companies with financial year ending 30 June 2001 onwards have to comply with above corporate governance disclosure requirements (Ishak, 2004). It should, however, be noted that corporate governance items recommended in the Malaysian code are not regarded as mandatory disclosure in this thesis because companies do not have to comment on a separate item in the code if they comply (this also applies to Singapore and Thailand). Nonetheless, since companies are expected to explain how they apply the principles to their particular circumstances, this can encourage them to disclose more than just a compliant statement.

The code was revised in 2007 (Securities Commission, 2007). The aim is to further strengthen the Malaysian corporate governance framework, aligning it with current globally accepted best practices (AIA, 2007). AIA (2007) indicates that the revised code is comprised of key amendments in relation to the roles and responsibilities of boards of directors and audit committees, and the discharge of their duties. It also spells out the eligibility criteria for the appointment of directors, the composition of the board of directors and the role of the nominating committee. In addition, it requires all listed companies to carry out their own internal audit functions, and suggests that the board of directors should be held accountable for ensuring adherence to the scope of internal audit functions. However, since this thesis examines corporate governance disclosure in 2004 annual reports, the revised code is not used as a basis for determining items in the checklist.

Besides the Malaysian code on corporate governance, the Statement on Internal Control: Guidance For Directors of Public Listed Companies was issued in 2000. The Statement aims to provide guidance for directors of listed companies when disclosing the internal control information in the company annual report in order to comply with the listing requirements, paragraph 15.27(b) (Task Force on Internal Control, 2000). Development of the corporate governance disclosure checklist in this study also takes into consideration the items recommended in this Statement. Additionally, following the FCCG recommendations, the listing requirements were revised and released on 22 January 2001, giving priority to enhancing corporate governance standards and investor protection (Miles, 2005).

3.4.2 Singapore

The Singapore code of corporate governance was issued in March 2001 by the Corporate Governance Committee (CGC). It is also based on the UK code (Mak and Kusnadi, 2005). As discussed in section 3.3.3, Singapore adopts the hybrid approach (CGC, 2001). The code is separated into four sections: 1) Board matters, 2) Remuneration matters, 3) Accountability and audit, and 4) Communication with shareholders. The code contains fifteen principles and fifty five guidelines. The guidelines serve to illustrate and elaborate on the principles. Although these guidelines are not requirements, listed companies are encouraged to comply with them as they represent good corporate governance practices.

In this thesis, the 2001 code is used as a source to develop a corporate governance disclosure checklist. The listing manual, paragraph 710(1), indicates that listed companies must '... *describe its corporate governance practices with specific reference to the principles of the Code in its annual report. It must disclose any deviation from any guideline of the Code together with an appropriate explanation for such deviation in the annual report* ...'. The disclosure applies to those for annual general meetings (AGMs) held from 1 January 2003 onwards. As in Malaysia, companies are required to disclose more than just deviations from the guideline and reasons for non-compliance. This could reflect the significance which the regulatory body places on corporate governance disclosure, and hence justify research in this area.

The Council on Corporate Disclosure and Governance (CCDG) also plays a major part in corporate governance development in Singapore. It was launched on 16 August 2002, following the issue of the Singapore code. Its terms of reference include a requirement to review and enhance the existing framework on corporate governance and promote good corporate governance in Singapore, taking into account international best practices (CCDG, 2007). CCDG initiated a review of the Singapore code in May 2004, and a revised code was issued on 14 July 2005 by the Ministry of Finance (CCDG, 2006). The revised code is still separated into the four main sections discussed. However, a Commentary section has been introduced in order to provide more comprehensive guidance to listed companies on how to implement best practices and make the code more user-friendly (CCDG, 2004). In addition, for ease of reference, specific principles and guidelines for disclosure are also set out in the revised code. The code also includes the suggestion that positive confirmation should be incorporated at the start of the corporate governance section of the annual report, i.e. whether the company has complied with the principles and guidelines of the code and, if not, to specify the areas of non-compliance (Ministry of Finance, 2005). However, the revised code is not used as a source when developing the corporate governance disclosure checklist in this study because the code only applies to AGMs held on or after 1 January 2007 (CCDG, 2006), while this study examines corporate governance disclosure in 2004 annual reports.

In Singapore, there is an award given to the company which best complies with the letter and spirit of the Singapore code from the point of view of the investor, called 'Singapore Corporate Governance Awards'. Business Times Singapore (2006) indicates that a two-stage process is employed in selecting the winners, in which the first stage involves the assessment of corporate governance practices based on information disclosed in the annual report against a scorecard developed by S&P. The use of corporate governance disclosure suggests its importance in helping market participants assess company's management.

3.4.3 Thailand

In Thailand, the main supporting agencies helping governments with the implementation of policies to promote corporate governance are the SEC and SET. While the SEC is responsible for the regulatory and legal aspects of corporate governance, the SET emphasises the voluntary approach. The voluntary approach provides freedom to the companies in relation to the implementation of the authorities' recommendations, and without mandatory enforcement (Montreevat, 2006). Corporate Governance Center was established in July 2002 by the SET, mainly to help listed companies with the development of their corporate governance system.

According to the SEC requirements, listed companies have to disclose information, including corporate governance information, in accordance with Form 56-1 (for Annual Registration Statement) and Form 56-2 (for annual report). Furthermore, following the crisis, the Committee on Corporate Governance Development, appointed by the Board of Governors of the SET, prepared the Report on corporate governance (SET, 2001), one of the main developments of corporate governance in Thailand. It takes into account business environment, culture, shareholding structures, and management structure in the country, while also considering internationally accepted governance practices (SET, 2001). The Report was issued in August 2001, comprising forty good corporate governance principles which companies should comply with. These recommendations are not legally binding. The Committee considers regulating corporate governance of the company to be needlessly excessive and it foresees that a company's corporate governance can be different from that which has been proposed (SET, 2001). There are two main levels of proposals in the Report: 1) Principles, and 2) Best practices. The section on best practices provides options which companies can apply according to their circumstances and abilities (SET, 2001).

However, since corporate governance is considered to be a rather new area for listed companies in Thailand, the SET also issued fifteen principles of good corporate governance in March 2002 as a guideline for companies in which they must begin implementing (SET, 2002). The fifteen principles are based on the OECD guidelines, adapted to suit the Thailand's situation (Limpaphayom and Connelly, 2004a), as well as good governance standards from other countries, such as the UK (Kouwenberg, 2006).

They are used as a source to develop a corporate governance disclosure checklist in this study.

As discussed in section 3.3.3, the hybrid approach is adopted in Thailand. It is a listing requirement that companies have to demonstrate in their Annual Registration Statements and annual reports how they have applied these fifteen principles, along with any reasons why they may have failed to comply with them (Kouwenberg, 2006). This requirement is effective from the accounting period ended 31 December 2002.

Revised principles of good corporate governance were issued in 2006. In order to improve the comprehensiveness of the principles and to make it more comparable to the OECD principles of corporate governance, more principles have been added (SET, 2006), including the recommendations made by the World Bank in its Report on the Observance of Standards and Codes related to Thai corporate governance. The revised principles are presented in five categories: 1) Rights of shareholders, 2) Equitable treatment of shareholders, 3) Role of stakeholders, 4) Disclosure and transparency, and 5) Responsibilities of the Board. Each category is divided into two parts: 1) Principles, and 2) Recommended best practices. However, since this thesis examines corporate governance disclosure in 2004 annual reports, this revised code is not used as a basis for determining items in the checklist.

Other main organisations established to deal with corporate governance issue in the country include the National Corporate Governance Committee (NCGC) and the Thai Institute of Directors Association (Thai IOD). The NCGC was established by the cabinet in order to set policies and a scheme to improve the level of corporate governance in Thailand (NCGC, 2007a). The Thai IOD was established in December 1999, with a mission to develop and support company directors in order to implement good corporate governance (Thai IOD, 2007). Since 2001, the Thai IOD has conducted a corporate governance practices survey of Thai listed companies ('Baselining Corporate Governance Practices of Thai Listed Companies'). Its purpose is to assess the state of corporate governance practices (Limpaphayom and Connelly, 2004b) and the results are made available in the report 'Strengthening Corporate Governance Practices of Thai Listed Companies' (Thai IOD, 2004). The assessment looks at disclosure in the Annual Registration Statement, annual report, notice of AGM, minutes of the AGM, information released via SEC and SET, and other information disclosed to the public (for example, via the company's website) (Thai IOD, 2004). With respect to awards given to companies with good corporate governance practices, SET has implemented the 'Best Corporate Governance Report Awards' (SET, 2005). The intention of the awards is to evaluate actual corporate governance practices based on the disclosure of the companies in the Annual Registration Statement, annual report, notice of AGM, and minutes of the AGM, to see whether and how they comply with the fifteen principles of corporate governance. The scores obtained in 2005 (based on 2004 disclosure) were determined by employing the Baselining results of the Thai IOD with additional criteria set by the SET (SET, 2005). The assessment of corporate governance practices based on information disclosed suggests the importance of corporate governance disclosure, i.e. to help market participants assess the appropriateness of companies' corporate governance practices.

3.4.4 International organisation

Although there are many international organisations dealing with the issue of corporate governance, for example, the Global Corporate Governance Forum, the International Corporate Governance Network, and the European Corporate Governance Institute, this study focuses only on the OECD. This is because its principles have become an international benchmark for market participants worldwide (OECD, 2004). Companies listed on Bursa Malaysia, SGX, and SET which aim to compete for resources in foreign capital markets need to be aware of these principles.

The 2004 OECD principles of corporate governance are used in developing a corporate governance disclosure checklist in this study. They are not binding but are intended to be used as a reference point (Arsalidou and Wang, 2005). The main objectives of the OECD principles are:

> '*... to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance.*' (OECD, 2004, p. 11)

The OECD principles comprise two parts: 1) The OECD principles of corporate governance, and 2) Annotations to the OECD principles of corporate governance. Each part has six sections: 1) Ensuring the basis for an effective corporate governance framework, 2) The rights of shareholders and key ownership functions, 3) The equitable treatment of shareholders, 4) The role of stakeholders in corporate governance, 5) Disclosure and transparency, and 6) The responsibilities of the board.

The researcher argues that the OECD principles can be used as the general framework in both OECD and non-OECD countries, including Malaysia, Singapore and Thailand. Although the principles are based mainly on Western legal and ethical concepts (Arsalidou and Wang, 2005), they also reflect the experience of emerging and developing economies (Jesover and Kirkpatrick, 2005). There were also discussions with key international institutions and also extensive consultations with the private sector, labour, civil society and representatives from non-OECD countries (OECD, 2004).

3.5 Summary and conclusions

This chapter focuses on explaining environments in Malaysia, Singapore and Thailand, and their differences, in order to justify choosing listed companies from these countries as samples in this thesis. It helps with an understanding of the features of the countries examined and provides insight into the potential applicability of environmental determinism theory (see section 2.3.7) in explaining corporate governance disclosure in the annual reports. This chapter also discusses the roles and efforts of national and international organisations in shaping corporate governance disclosure and practices following the 1997 Asian economic crisis. The codes or principles, regulations and guidelines pertaining to corporate governance disclosure and practices are also discussed. These form the basis for developing a corporate governance disclosure checklist in Chapter 4. The main conclusions of this chapter relate to the differences in environments across Malaysia, Singapore and Thailand.

The analyses suggest that the environmental factors across Malaysia, Singapore and Thailand are sufficiently different to justify selecting listed companies in these countries as samples. This is because the researcher's aim is to examine environmental determinism theory, which suggests that the environment in which companies operate can have an influence on their disclosure (see section 2.3.7). Taking country development, the severity of the impact of the crisis, and institutional governance structure into consideration, all leads to the expectation that listed companies in Thailand will disclose the highest level of corporate governance information and listed companies in Singapore will have the lowest extent of corporate governance disclosure. Corporate governance disclosure of listed companies in Malaysia will lie between that of the other two countries.

Firstly, with regard to country development (as discussed in section 3.2.2), prior studies show that Singapore is the most advanced country, while Thailand is the least developed and Malaysia is in the middle. Management of companies in the country with lower development may have the highest desire to disclose corporate governance information, in order to attract investment and secure credit (Miles, 2005), as well as to assure analysts about the credibility and quality of financial information (Bhat *et al.*, 2006). Furthermore, management may also want to distinguish themselves from companies with lower quality management, consistent with signalling theory.

Secondly, section 3.3.4 shows that although Malaysia, Singapore and Thailand were all affected by the crisis, the severity of the impact varied from country to country. The different degrees of importance that a company's management places on corporate governance could affect its attitude towards corporate governance disclosure. Listed companies in a country severely affected by the crisis, such as Thailand, are likely to disclose more corporate governance information in an attempt to regain stakeholders' confidence and promote sound capital markets (Stanwick and Stanwick, 2005).

Finally, in relation to the institutional governance structure discussed in section 3.3.5, prior studies show that, overall, Singapore has the highest scores in relation to institutional governance structure, while Thailand provides the lowest scores and Malaysia is in the middle. There is a possibility that market participants may perceive listed companies in Singapore to have better corporate governance practices, when compared with those of Malaysia and Thailand. This may, therefore, decrease the managerial desire to disclose corporate governance information in the annual reports and/or at the same time decrease the demand for this information by investors and other stakeholders.

When the legal system is considered, the variation in corporate governance disclosure across Malaysia, Singapore and Thailand may be less expected. This is because both Malaysia and Singapore have common law as a basis for their legal system, while Thailand is influenced by both civil law and common law systems (see section 3.2.1). However, since rules are normally set by national legislators under the civil law, public expectations about disclosure of companies in Thailand may be higher than in Malaysia and Singapore, leading to an increase in management motivation to disclose information.

In relation to cultural factors based on Hofstede (1980; 2001) and Schwartz (1994), it is difficult to form a strong conclusion on which country is likely to provide the highest or the lowest corporate governance disclosure (the possible direction of any relationship between the cultural dimensions and disclosure of information is discussed in detail in section 2.3.7.1). Further discussion about this issue is shown in section 6.4.3.3, findings about country variables.

In relation to the concentration of ownership, although prior studies suggest that companies in Malaysia, Singapore and Thailand have high concentration of ownership, there is also evidence of a variation in concentration across these countries (see section 3.3.2). Concentration of ownership can either have a positive or a negative impact on corporate governance disclosure. In relation to signalling theory (see section 2.3.5), managers in companies with a high concentration of ownership may wish to disclose more corporate governance information in order to avoid the risk of creating an unfavourable impression of inadequate governance quality through close ownership. On the other hand, according to agency theory (see section 2.3.1), these companies could provide less corporate governance information. This is because there is likely to be no or little separation between the principals and agents (Owusu-Ansah, 1998), and because shareholders can have greater access to company information, and hence do not have to rely so much on public disclosure to monitor their investments (Miles, 2005). The analysis of the listed companies in Malaysia, Singapore and Thailand may help determine whether disclosure theories originating from countries which have widely-held companies are applicable in the context of highly concentrated ownership companies.

Based on the possible relationship between environmental factors and corporate governance disclosure discussed, country variables are included in the statistical analyses to test the impact of national differences on corporate governance disclosure more rigorously (see section 6.2.3).

The next chapter explains the research methodology and methods employed in this thesis.

APPENDICES

Appendix 3-A: Parameters used as a basis for scoring each of the five macro-determinant categories

Rules and regulations	
1.	Do financial reporting standards for listed companies follow international best practices?
2.	Must companies report their annual results within two months?
3.	Have reporting deadlines been shortened in the past three years?
4.	Is quarterly reporting mandatory?
5.	Has the government undertaken a review of company and securities laws in recent years to improve standards of corporate governance?
6.	Do securities laws require disclosure of ownership stakes above 5%?
7.	Do securities laws require prompt disclosure of share transactions by directors and controlling shareholders?
8.	Do securities laws require continuous disclosure of material transactions?
9.	Do securities laws require prompt disclosure of major connected transactions?
10.	Are class-action lawsuits permitted?
11.	Is voting by poll mandatory for resolutions at AGMs?
12.	Is there a national code of best practice largely based on international CG standards?
13.	Has the code or related CG rules or guidelines been updated over the past year or two to take account of new international best practices? (e.g. a requirement that at least one member of an audit committee have financial expertise)
14.	Does the code or local listing rules contain a clear and robust definition of 'independent director'? (i.e. one that says independent directors should be clearly independent of both management and controlling shareholders)
15.	Do the rules require disclosure of individual director compensation (by name, coming into effect at least by FY04)?
16.	Do the rules require independent board committees to be formed (e.g. audit, nomination, remuneration)?
17.	Can minority shareholders easily nominated independent directors?
18.	Can shareholders easily remove a director who has been convicted of fraud or other serious corporate crimes?
19.	Will share-option expensing became mandatory over the next 12 months?
Enforcement	
1.	Do securities regulators have a reputation for vigorously enforcing their own CG rules and regulations?
2.	Do securities regulators treat all companies equally?
3.	Are the regulatory authorities sufficiently resourced - in terms of funding and skilled staff - to do their job properly?
4.	Does the main regulator (i.e. the securities commission) have sufficient powers of investigation and sanction?
5.	Is the main regulator investing more resources in investigation and enforcement? (e.g. against case of market misconduct such as insider trading, share-price manipulation, self dealing)
6.	Does the stock exchange have sufficient powers to sanction breaches of its listing rules?
7.	Is the stock exchange investing more resources in investigation and enforcement?
8.	Do institutional investors (domestic and foreign) exercise their voting rights?
9.	Do institutional investors (domestic and foreign) attend AGMs?
10.	Do minority shareholders (institutional or retail) often nominate independent directors?
11.	Are minority shareholder activists willing to launch lawsuits against companies and/or directors?
12.	Are minority shareholders adequately protected during takeovers, privatisations, connected transactions, and very substantial acquisitions or disposals?
13.	Is their an independent commission against corruption (or its equivalent) that is seen to be effective in tackling public- and private-sector corruption?

Political and regulatory environment	
1.	Does the government have a clear and consistent policy in support of corporate governance reform?
2.	Is there a coherent and effective structure to the regulatory system governing the securities market? (i.e. one without clear conflicts of interest involving either the securities commission or the stock exchange)
3.	Is the statutory regulator (i.e. the securities commission) autonomous of government (i.e. not part of the ministry of finance)?
4.	Has the regulator recently amended securities laws to enhance protection of minority shareholders?
5.	Has the stock exchange recently amended its listing rules to enhance protection of minority shareholders?
6.	Does the legal system allow minority shareholders cost-effective access to courts in order to settle disputes?
7.	Is the judiciary capable of handling such disputes?
8.	Is the media free to report on corporate governance abuses among listed companies?
Adoption of international accounting and auditing standards	
1.	Does the government or the accounting regulator have a policy of following IAS (or US GAAP) accounting standards?
2.	Are local accounting standards largely in line with international standards?
3.	Do the rules require disclosure of consolidated accounts?
4.	Do the rules require segment reporting?
5.	Do the rules require disclosure of audit and non-audit fees paid to the external auditor?
6.	Do the rules require disclosure of connected transactions?
7.	Does the government or the accounting regulator have a policy of following international standards on auditing (i.e. the standards promulgated by the International Federation of Accountants in New York)?
8.	Are local auditing standards in line with international standards?
9.	Is the government or the accounting regulator taking account of new international best practices on the independence of external auditors? (e.g. limits on the non-audit work that external auditors can do, requirements for audit-partner rotation)
10.	Is the government strengthening the regulation of the accounting profession? (e.g. by setting up an independent oversight board)
Institutional support and corporate governance culture	
1.	Are most listed companies increasingly following the spirit, not merely the letter, of corporate governance rules?
2.	Do 'non-financial' reporting practices (e.g. those parts of the annual report relating to the MD&A, Report of the Directors, Statement on Corporate Governance) follow international standards?
3.	Have listed companies improved their investor relations in recent years? (e.g. through more regular meetings and communication, detailed online disclosure, better reports)
4.	Are listed companies increasing the pay of independent directors in line with the latter's growing responsibilities and liabilities?
5.	Are listed companies increasingly strengthening their internal controls and risk management?
6.	Do 'reputation intermediaries' (i.e. investment banks, accountants, lawyers) promote high standards of corporate governance in clients about to undergo an IPO?
7.	Are institutional investors engaged in promoting better corporate governance practices?
8.	Have institutional investors formed their own private CG activist organisations? (Note: Industry association do not count, nor do investor bodies established by the government or regulator)
9.	Have institutional investors set up any corporate governance 'focus funds'?
10.	Are any retail investors engaged in promoting better corporate governance practices?
11.	Have retail investors formed their own shareholder activist organisations?
12.	Are professional associations - of accountants, directors, company secretaries, financial analysts and so on - promoting corporate governance training and awareness raising?
13.	Does the media actively report on corporate governance reforms and developments?

Source: Gill and Allen (2004). Appendix 1: CLSA/ACGA country macro-CG determinants, pp.118-120.

Appendix 3-B: Meaning of each country's corporate governance indicator: Kaufmann *et al.* (2006)

Indicators	Meaning
1. Voice and accountability	The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media
2. Political stability and absence of violence	Perceptions of the likelihood that the government will be destabilised or overthrown by unconstitutional or violent means, including political violence and terrorism
3. Government effectiveness	The quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies
4. Regulatory quality	The ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development
5. Rule of law	The extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence
6. Control of corruption	The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as 'capture' of the state by elites and private interests

Source: Kaufmann *et al.* (2006), p.4.

CHAPTER 4: RESEARCH METHODOLOGY AND METHODS

4.1 Introduction

This chapter describes the research methodology and methods adopted in answering the research questions outlined in section 1.4 of this study. Section 4.2 explains the research methodology employed to carry out the study and section 4.3 explains the criteria adopted in selecting the companies to be sampled for the quantitative approach, as well as the selection of respondents for the qualitative approach. The construction of research methods employed to measure corporate governance disclosure and market perceptions of company performance, and to gather the views of market participants, is reported in section 4.4, while the statistical techniques used to test the hypotheses developed (see Chapters 6 and 7), are discussed in section 4.5. The chapter concludes with the summary in section 4.6.

4.2 Research methodology

With regard to the investigation of corporate governance disclosure in the annual report, the positivist paradigm is the underlying paradigm. The methodology is based on the hypothetico-deductive approach. As discussed in Easterby-Smith *et al.* (2004), a positivist paradigm suggests that researchers have a theoretical starting point from which the hypotheses are formed and tested. This thesis examines the association between: 1) corporate governance disclosure and potential variables influencing the disclosure, and 2) market perceptions of company performance and corporate governance disclosure. Hypotheses are formed based on disclosure theories (Chapter 2) and characteristics specific to Malaysia, Singapore and Thailand (Chapter 3). The researcher develops scoring systems to measure corporate governance disclosure. This feature is consistent with the property of the positivist paradigm which suggests that reality is observable and can be measured. Furthermore, Easterby-Smith *et al.* (2004) suggest that the key idea of positivism is that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition. The positivist paradigm also tends to focus on the correlations and causations, which are the main techniques employed in this study.

There are many reasons why the positivist paradigm should be adopted. As discussed in Easterby-Smith *et al.* (2004), if the researcher uses a quantitative approach (i.e. statistical techniques), the results can cover many situations. Furthermore, they argue that the main advantage of hypothesis-testing is that researchers can have a clear understanding of what they are examining, resulting in the efficient collection of data. Also, where the results reject the hypotheses, an explanation can be given, thereby helping with a better understanding of the relevant theories. Donaldson (1997) suggests that the results from the simple model also help in pointing to the need for additional variables in the hypothesis-testing.

However, there are also disadvantages in using the positivist paradigm. Firstly, when statistical techniques, for example, regression analysis, are used in the research, some control variables might be omitted from the regression model, leading to misleading results. Additionally, for the purpose of developing a particular theory (in this case corporate governance disclosure theory), the model employed could be forced improperly on, for example, some of the companies being examined. Furthermore, by mainly focusing on the correlations and causations, the research may fail to account for the human actions and the subjectivities of the human. Easterby-Smith *et al.* (2004) argue that the processes of such actions cannot be understood effectively when the quantitative approach is adopted.

In order to address the disadvantages of the quantitative approach, this thesis extends the analysis to incorporate a qualitative approach, i.e. questionnaire and interview. Based on this approach, the interpretivist paradigm is said to be the underlying ground. It is suggested that this paradigm is informed by a concern to understand the world as it is, and to understand the fundamental nature of the social world at the level of subjective experience (Burrell and Morgan, 1989). Specifically, it aims to understand the perceptions and interpretations of the people who are the research objects. Their opinions can then be linked to disclosure theories discussed in section 2.3.

There are many reasons why the interpretivist paradigm is adopted, but primarily, the results obtained can provide a deeper understanding of the situation. This is because the motives, intentions and rationales underlying the corporate governance disclosure and the influence of corporate governance disclosure on market perceptions are studied, thereby helping to shed further light on the statistical findings.

4.3 Data collection

4.3.1 Selection of companies: quantitative approach

The sample selected for the quantitative approach comprises ninety listed companies (see Appendix 4-A), taking thirty each from those listed on the Bursa Malaysia, the Singapore Exchange (SGX), and the Stock Exchange of Thailand (SET) at the end of 2004. Companies listed on three countries' stock exchanges are selected because different levels of corporate governance disclosure are expected (as discussed in Chapter 3).

The sample size is a compromise between the constraints of manual collection of data and the desire to have sufficient data for parametric testing. This study focuses on companies which investors are most likely to be interested in. The top thirty companies in each stock exchange were selected based on their market capitalisation[22] as at 31 December 2004, restricting the choice to those which have December 2004 year ends. They are taken from the Kuala Lumpur Composite Index (KLCI), Straits Times Index (STI), and SET50 Index[23], for Malaysia, Singapore and Thailand, respectively. A uniform year end is chosen to avoid the possible effects of year-end changes in corporate governance disclosure regulations on the results, as well as for comparative purposes (i.e. across companies within the same and different countries).

The annual report of the year 2004 is chosen for examining corporate governance disclosure. This is because it is the year where the comparison of corporate governance disclosure across Malaysia, Singapore and Thailand is possible. In particular, this is the year where the corporate governance disclosure requirements in relation to the codes or principles of corporate governance in all these countries are effective (see sections 3.4.1 – 3.4.3). Furthermore, it was the most recent annual report available at the time of data collection.

This study uses the English version of annual reports for companies listed on the Bursa Malaysia and the SGX (obtained from the Bursa Malaysia and SGX websites, respectively), and the Thai version of annual reports for companies listed on the SET

---

[22] Market capitalisation is used because it captures the importance of the companies perceived by investors (Barrett, 1976).

[23] These are the most widely followed indices.

(obtained from each company's website and through requesting the listed company if it cannot be obtained via the website). The Thai version of the annual reports is preferable because English language is not the language of business communication in Thailand. Hence, English annual reports may not be as detailed as the Thai version. For example, in one listed company, only the Thai version of its annual report mentions internal communication of its corporate governance principles and the campaign to promote compliance with the principles. This can affect the final corporate governance disclosure scores. Since Thai has a different structure from English, care was taken during the scoring process to ensure comparability of the scores based on sentence count across the three countries. This was done by comparing corporate governance disclosure in both the Thai and English versions of the annual reports for Thai listed companies, whenever there were uncertainties about the reliability of the comparison. Nonetheless, a possible limitation of this study is that using the Thai version of the annual reports could introduce bias to the findings, especially when the pooled data are examined (i.e. those which incorporates the data for all three countries).

Table 4-1 shows the market proportion of listed companies examined in this thesis.

Table 4-1: Market proportion of listed companies examined

	Malaysia	Singapore	Thailand
Companies included in the index	100	45	50
Companies selected in this study	30	30	30
Percentage of companies selected	30%	66.67%	60%
Proportion of market capitalisation as at 31 December 2004	42.03%	61.94%	87.11%

Table 4-2 shows the industry sector representation of the sample companies examined in this thesis, based on industrial classification of the Datastream[24].

Table 4-2: Number of selected companies in each industry sector

Industry sector	Malaysia		Singapore		Thailand	
	No.	%	No.	%	No.	%
Financials	6	20.00	10	33.33	8	26.67
Cyclical services	8	26.67	3	10.00	4	13.33
Non-cyclical services	2	6.67	3	10.00	3	10.00
Information technology	0	0.00	3	10.00	1	3.33
Cyclical consumer goods	4	13.33	1	3.33	0	0.00
Non-cyclic consumer goods	6	20.00	3	10.00	0	0.00

[24] Datastream industrial classifications comprise six levels. This thesis selects level 3 as the basis for classifying in the context of the total number of companies sampled.

Industry sector	Malaysia		Singapore		Thailand	
	No.	%	No.	%	No.	%
Basic industries	2	6.67	0	0.00	9	30.00
General industrials	0	0.00	7	23.33	0	0.00
Resources	0	0.00	0	0.00	3	10.00
Utilities	2	6.67	0	0.00	2	6.67
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

Basis industries include, for example, building materials, commodity chemicals, steel, house building, and other construction. General industrials comprise, for example, electronic equipment, engineering (general), and diversified industry.

Since this thesis examines corporate governance disclosure in detail and based on various scoring methods (see section 4.4.3), the number of industry sectors which are included becomes the limitation of the study. Nonetheless, it can be seen from the table that the sample companies have a reasonable spread across three groups of sectors: financials, service (cyclical, non-cyclical and information technology) and manufacturing and others (i.e. the rest of the sectors shown in Table 4-2).

4.3.2 Selection of respondents: qualitative approach

Potential respondents were contacted via e-mail and/or telephone explaining the research purpose for both preparers and potential users of corporate governance information, i.e. 90 listed companies, 30 investment analysts (both sell-side and buy-side analysts), 24 external auditors, and 6 regulators. Both listed companies and investment analysts are chosen from the stock exchange websites. The external auditors are mainly from one of the Big 4 audit companies (i.e. PricewaterhouseCoopers, Ernst & Young, KPMG, and Deloitte), or from companies recommended to the researcher through contacts in those countries. A large number of preparers and users of corporate governance information in Malaysia and Singapore were unwilling to respond to the questions, resulting in relatively low responses, when compared with those of Thailand. Furthermore, the researcher has a network of contacts in Thailand, making it easier to obtain responses from market participants in that country. Appendix 4-B provides respondents' information on a country basis. The final number of respondents comprises: 25 listed companies, 17 investment analysts (both sell-side and buy-side analysts), 13 external auditors, and 3 regulators. Because of the relatively low response in Malaysia and Singapore, and possible selection bias towards Thailand, this study does not attempt to generalise the results but regards the findings as initial evidence for corporate governance disclosure[25].

4.4 Research methods

4.4.1 Constructing corporate governance disclosure checklist

For the purposes of examining corporate governance disclosure, this thesis is based on the principles of content analysis[26], whereby text units are classified into items and categories of information developed. All corporate governance disclosure items for this thesis and the relevant sources for each item are shown in Appendix 4-C. The items are based on three sources[27]:

1. OECD principles of corporate governance (see section 3.4.4),
2. Codes or principles, regulations and guidelines on corporate governance developed specifically for Malaysia, Singapore and Thailand (see sections 3.4.1 – 3.4.3), and
3. Prior studies on corporate governance disclosure (see section 2.5).

Each item is set up in such a way so as to avoid ambiguity. The item which is not applicable to any of the three countries, i.e. information about board of commissioners responsible for supervising and advising directors, is excluded from the checklist. Items suggested by the OECD principles are incorporated in the checklist because the principles can be regarded as an international benchmark and they can be used as the general framework in both OECD and non-OECD countries (see section 3.4.4). Furthermore, because Malaysia, Singapore and Thailand can be regarded as based on the stakeholder concept of corporate governance (see section 3.3.1), this reflects the significance of other stakeholders, besides investors in these countries. Hence, this justifies including corporate governance items relating to stakeholders, based on the OECD principles, in the checklist. Furthermore, items from prior corporate governance

[25] Because this study does not attempt to generalise the findings based on the qualitative approach, the non-response bias is not examined in this thesis.

[26] Content analysis is regarded as a multipurpose research method developed specifically for investigating any problem in which the content of communication serves as the basis of inference (Holsti, 1969). Furthermore, Tennyson *et al.* (1990) suggest that content analysis is a method for converting the narrative disclosure into a quantitative measure (i.e. a content score).

[27] Social, environment, and risk management information are excluded from the checklist because they are specialised topics and cover wide areas. Hence, they could be studied separately.

disclosures studies relevant to Malaysia, Singapore and Thailand are useful in assuring the validity of the checklist[28].

After construction of the checklist, the researcher consults the illustrative annual reports developed by PricewaterhouseCoopers (PwC) for Malaysia (PwC, 2003) and Singapore (PwC, 2004), which can be regarded as a useful reference point when preparing an annual report, to check the suitability and completeness of the checklist. These illustrative annual reports were produced after the issue of the codes of corporate governance in these countries.

Table 4-3 shows that the checklist has six main topics: 1) codes or principles of corporate governance, 2) board matters, 3) audit and internal control matters, 4) nomination matters, 5) remuneration matters, and 6) stakeholders. There are also 29 sub-topics. Appendix 4-C shows that the checklist items are also separated into two columns. The first column contains 'general items', while the second column contains 'enhanced items'. The analogy for this separation lies in the environmental disclosure research, for example, Hasseldine *et al.* (2005), which regards quantitative data or qualitative detailed information as providing more useful information to the users than brief qualitative data alone. The 'enhanced items' are those which should help users of information gain a better understanding of each particular area of a company's corporate governance system (i.e. help provide more comprehensive information). In total, the checklist comprises 191 items: 122 for general items and 69 for enhanced items. The separation into mandatory and voluntary items is also shown in Appendix 4-C. This thesis defines voluntary corporate governance disclosure as disclosure in excess of laws (i.e. Companies Act) and listing requirements. Examples of sentences in the annual reports for some of the checklist items (both general and enhanced items) are shown in Appendix 4-D.

Table 4-3: Main topics and relevant sub-topics of the checklist items

Main topics	Relevant sub-topics
Codes or principles of corporate governance (3)	Codes or principles of corporate governance (3)
Board matters (60)	Board information (2)
	Principal responsibilities of the board (4)
	Access to information and advice (3)
	Board balance (4)

[28] This can be called 'construct validity'. Beattie *et al.* (2004) suggest that construct validity can be achieved through the use of a classification scheme that is rigorously grounded in empirical research.

Main topics	Relevant sub-topics
	Board dialogue (3)
	Board performance (13)
	Board size (2)
	Board structures and procedures (11)
	Business ethics (5)
	Directors' training (4)
	Independence of directors (3)
	Separation of the roles of CEO and chairman of the board (3)
	Use of board committees (3)
Audit and internal control matters (43)	Audit committee (23)
	Auditor remuneration (4)
	Internal audit (6)
	Internal controls (10)
Nomination matters (16)	Nomination committee (15)
	Re-nomination/Re-election of directors (1)
Remuneration matters (26)	Development of remuneration policies and procedures (7)
	Remuneration committee (12)
	Remuneration disclosure (7)
Stakeholders (43)	Annual General Meeting (AGM) (13)
	Conflict of interest (6)
	Equitable treatment (6)
	Inside information (3)
	Rights of shareholders (7)
	Role of stakeholders in corporate governance (8)

Total number of items for each main topic and relevant sub-topic is shown in brackets.

The checklist items are employed when scoring corporate governance disclosure. The scoring methods are explained in section 4.4.3. The reliability of the results obtained from scoring corporate governance disclosure is tested by examining the intra-coder reliability (internal validation of the scores). In particular, three annual reports for each country were scored twice by the researcher and the results, i.e. the classifications of information into each item in the checklist and the number of text units (see discussion about employing text unit in section 4.4.3.2) under each item, were similar[29]. The second scoring was conducted only after all ninety annual reports had been scored, rather than immediately after each individual annual report in order to reduce the possibility that the second scoring would be influenced by the first. Because of the resource constraint (i.e.

[29] For each annual report, the differences of the scores are less than 0.02%.

cost), other methods of testing reliability, such as inter-coder reliability[30], are not performed.

4.4.2 Reasons for using annual reports

Although there are various channels through which companies can provide corporate governance information, for example, press releases, websites and analysts' meetings, this study focuses only on the corporate annual report. With respect to the listed companies, their annual reports are produced regularly and are widely and publicly available to all interested persons. Furthermore, the annual report is an information source over which company's management has complete editorial control, hence it does not have the risk of journalistic interpretations and distortions possible through press reporting (Guthrie and Parker, 1989). Bujaki and McConomy (2002), who investigate corporate governance disclosure, show that the annual report is the preferred disclosure medium for companies intending to issue shares and for larger companies. Gandía and Andrés (2004) develop three corporate governance disclosure indices for: 1) annual reports, 2) the National Securities Market Commission website, and 3) company websites. The results indicate a highly significant correlation between the three indices, indicating that if companies provide higher (lower) corporate governance disclosure in the annual report, it is highly possible that they will also provide higher (lower) level of corporate governance disclosure in other sources of information. However, it should be pointed out that Bujaki and McConomy (2002) and Gandía and Andrés (2004) examine data from Canada and Spain, respectively.

Furthermore, for their study in Asia, Ho and Wong (2004), by means of questionnaire, report that annual reports provide high value and are a major information source for investments analysts in Hong Kong. Results from other previous studies, also based on the questionnaire and focusing on specific users of information, indicate that the annual report is the most important source of information to individual and institutional investors (Most and Chang, 1979), and financial/investment analysts (for example, Most and Chang, 1979; Day, 1986; and Vergoossen, 1993). According to Catasús (2000), the annual report is normally the focus for the content analysis of corporate disclosure

[30] Inter-coder reliability refers to the extent to which content classification produces the same results when the same text is coded by *more than one* coder (Weber, 1990).

because it can be seen as one of the most important sources of communication for stakeholders.

Despite the advantages in examining annual reports, there is limitation in employing them. In particular, when using the annual report, the researcher assumes that corporate governance information provided is correct. In reality, there is a possibility that the information disclosed might not reflect actual corporate governance practices. This issue is discussed further in section 8.2.3, perceptions of the reliability of corporate governance information disclosed in the annual report.

4.4.3 The scoring methods

To examine the variables influencing corporate governance disclosure and whether corporate governance disclosure can have an impact on market perceptions of company performance (Chapters 6 and 7, respectively), four scoring methods are employed to measure corporate governance disclosure, extending the method adopted in prior studies. In addition to the dichotomous method, which is widely adopted in prior corporate governance disclosure studies (see section 2.5), three more methods are incorporated in this study: 1) a relative number of text units method, 2) a method adapted from Beattie *et al.* (2004), and 3) a method adapted from Beretta and Bozzolan (2004).

To avoid penalising companies for not disclosing the information which is not relevant to them, the whole annual report for each company was read in order to help identify the non-applicable item for each company. For example, if a company does not issue share options, the checklist item relating to the important details about the share options will be regarded as non-applicable item. The detailed method in which this problem is dealt with is discussed in each of the scoring methods as follows.

4.4.3.1 A dichotomous method

For the dichotomous method, the 'general items' are considered, representing a total maximum number of 122 items. In addition, both the general and enhanced items are examined for the robustness tests of the multiple regressions in Chapters 6 and 7. Each item receives a score of 1 if it is disclosed and 0 otherwise. The total score based on this method is derived from the addition of all the scores which a company receives, as shown in Equation (1).

$$T_j = \sum_{i=1}^{n_j} X_{ij} \tag{1}$$

where

T_j = total score for company j

n_j = number of items applicable for company j, $n_j \leq 122$

X_{ij} = 1 if the item i for company j is disclosed, and 0 otherwise.

The dichotomous index *(DichInd)* is calculated as the total score obtained divided by the total maximum score applicable to the company, as shown in Equation (2). The maximum score applicable is used as the denominator to avoid penalising companies for not disclosing items which are not relevant to them.

$$DichInd_j = \frac{T_j}{n_j} \tag{2}$$

where

$DichInd_j$ = dichotomous index for company j based on the dichotomous method

so that $0 \leq DichInd_j \leq 1$.

This dichotomous index captures breadth coverage of corporate governance information. Based on this method, all the items are equally weighed, hence every item is treated as equally important. However, in reality, this might not be the case as different user groups might attach different weights to different items. However, by introducing the weightings, a subjective element to the method could be introduced. Furthermore, Cooke (1992) suggests that an approach which attempts to encapsulate the weights of different user groups would be unwieldy and probably futile. The researcher, therefore, decides to use an unweighted approach. Cooke (1989) suggests that the unweighted approach assumes that the subjective weights of different user groups will average each other out.

4.4.3.2 A relative number of text units method

Since the dichotomous method does not measure the relative emphasis which companies place on corporate governance disclosure in the annual report, this study also employs a relative number of text units method. The relative number of text units index *(TextInd)* reflects the significance of corporate governance information perceived by the listed companies in relation to other information disclosed in the annual report. The researcher also argues that it could indicate management's perception of the relevance of corporate governance information to their stakeholders.

For this method, the 'general items', comprising of a maximum number of 122 items, are examined[31]. The relative number of text units index is computed by dividing the total number of corporate governance text units by the total number of pages in the annual report, as shown in Equation (3)[32]. The absolute extent of corporate governance disclosure could be affected by the total amount of information disclosed in the annual report.

$$TextInd_j = \frac{1}{Pages_j} \sum_{i=1}^{k_j} CG_{ij} \tag{3}$$

where

$TextInd_j$	= relative number of text units index for company j based on the relative number of text units method
$Pages_j$	= number of pages in the annual report for company j
k_j	= number of text units in the annual report for company j[33]
CG_{ij}	= 1 if the text unit i in the annual report of company j contains corporate governance information, and 0 otherwise.

Because this study tries to preserve the intended meaning of corporate governance disclosure, the sentence is used here as a measure of text unit. Milne and Adler (1999) suggest that using sentence should provide complete and reliable data for further analysis. Additionally, using number of sentences reduces the subjective element of the recording process, thereby increasing the accuracy. Nonetheless, readers should be aware that there is also a disadvantage in using the sentence as a recording unit. Unerman

[31] It is the same measure as for the density index (*DEN*) discussed in section 4.4.3.4. The only difference is that the density index is computed based on both general and enhanced items.

[32] Total number of pages, rather than total number of text units, is employed as the denominator because to collect the total number of text units in the annual report would require a disproportionate amount of manual work and time as most of the companies in the sample have relatively large amounts of information in their annual reports. The researcher argues that possible differences in font size do not pose much of a problem in this thesis. This is because the font size for all sample companies looks very similar.

[33] In practice, the number of text units in the annual report of each company was not counted by the researcher.

(2000) suggests that two writers may use a similar amount of words and space to convey the same message, yet use a different number of sentences due to differences in the use of grammar. Below is a comparison of corporate governance information from two companies, both of which convey the same message but use a different number of sentences. The first company uses two sentences, while the second company employs only one sentence to convey information about audit committee meetings held and the attendance of the members.

Magnum Corporation Berhad:
'There were five (5) Audit Committee Meetings held during the financial year ended 31 December 2004. Details of attendance of the Audit Committee members are as follows: ...' (p.11)

Affin Holdings Berhad:
'The AC [Audit Committee] had five meetings in the financial year, which were attended by ...' (p.10)

The benefits in using sentence as a recording unit as suggested above, although desirable, are not totally supported in this study. This is because there is an exception in using sentence as a recording unit when, for the purpose of the analysis, a sentence can be separated into phrases comprising more than one piece of information. In this case, each piece of information would be regarded as a recording unit, following Beattie *et al.* (2004) who examine content analysis of the voluntary disclosure in the narrative part of annual reports and accounts. Although this method could be considered as more subjective, the researcher feels confident that it does not destroy the meaning of the information being examined. The other scoring methods in the following sections also adopt this means of measuring a text unit. Examples of the separation of sentence into pieces of information are shown in Appendix 4-E.

Repeated or similar text units are counted because this reflects the significance which companies place on a particular piece of information in relation to the usefulness and relevance of it to the decision-making of market participants. Furthermore, it reflects management's intention to get across the information (Lothian, 1976). Figures provided in table format, although not in sentence form, are also considered as information. These are counted based on the pieces of information provided. For example, information about the number of board meeting and directors' remuneration in bands, each is counted as a text unit.

For only the following items, the score of 1 is given just for the information being disclosed, i.e. simply to acknowledge the existence of the information: 1) names of directors, 2) names of audit committee members, 3) names of nomination committee members, 4) names of remuneration committee members, 5) key information regarding directors, and 6) the important details about the share options. Counting all the text units in relation to information of directors or committees might provide misleading results because the number of text units can depend on the number of directors on the board or the number of committees' members. As for share options, the amount of information disclosed is mainly dependent on the number of times options are granted. Hence, counting all the text units for information about share options may not provide a meaningful disclosure score.

4.4.3.3 A method adapted from Beattie et al. (2004)

Beattie *et al.* (2004) develop a four-dimensional framework with regard to content analysis of the voluntary disclosure in the narrative part of annual reports and accounts[34]. The topic is based on the Jenkins Report, totaling 79 sub-topic categories, and three types of attributes: 1) time orientation (historical/forward-looking/non-time specific), 2) financial/non-financial, and 3) quantitative/qualitative. The demonstration is conducted on the 1999 annual report of Cadbury Schweppes.

In their study, the authors propose two main dimensions when measuring disclosure quality, i.e. 1) relative amount of disclosure, and 2) spread of disclosures across topics. These quality dimensions and possible proxies[35] are adapted to suit the corporate governance disclosure context of this thesis. Although the authors make claims that the two dimensions are for measuring disclosure quality, this thesis regards them as another measurement of quantity. This is because they seem to be measuring the extent of disclosure, rather than the quality (i.e. quantity by a different name). Including these

[34] The study excludes the examination of audited financial statements and notes, the auditor's report, the directors' report, corporate governance statement, directors' remuneration reports, tables of contents, information for shareholders, historical summary tables and lists of principal operating companies.
[35] These disclosure quality dimensions and possible proxies are mentioned in section 6.2 of Beattie *et al.* (2004).

measures in this study should help shed further light on the extent of corporate governance disclosure.

All the scoring methods adapted from Beattie *et al.* (2004) are based on the pooling of the 'general items' and 'enhanced items' in the checklist, totalling a maximum number of 191 items.

1) Relative amount of disclosure (RD)

Beattie *et al.* (2004) measure the relative amount of disclosure by comparing the actual disclosure with the expected amount, given the company size and complexity (they suggest that these two variables are shown in prior studies to have a strong relationship with the extent of disclosure). Hence, the standardised residuals from a regression of the number of text units on size and complexity are proposed as a measure for the relative amount of disclosure.

In this thesis, the relative amount of corporate governance disclosure is estimated as standardised residuals from a regression which has the number of corporate governance text units as the dependent variable, and size and industry sector as independent variables, as shown in Equation (4)[36]. Beattie *et al.* (2004) explore only one industry sector, using a number of business segments to measure the complexity. However, since none of the prior corporate governance disclosure studies shows the relationship between corporate governance disclosure and complexity, the researcher decides to use industry sector (financial or not) instead. This is consistent with the scoring method (relative quantity index) adapted from Beretta and Bozzolan (2004) discussed in section 4.4.3.4. Prior studies, for example, Bujaki and McConomy (2002) and Arcay and Vázquez, (2005) suggest that the politically sensitive industry can have an association with disclosure, including corporate governance disclosure, due to regulatory influences (see hypothesis development in section 6.2.4.4).

$$S = \beta_0 + \beta_1 MarketCap + \beta_2 Industry + \varepsilon \tag{4}$$

where

[36] Robustness tests show that standardised residuals based on regressions which include other possible independent variables (such as, listing age, profitability, leverage) are highly correlated with the standardised residuals obtained from the regression in Equation (4).

S = total number of corporate governance text units

MarketCap = company size, measured by market capitalisation, obtained from Datastream

Industry = industry sector obtained from Datastream (1 if the company is in the financial sector, and 0 otherwise)

$\beta_0, \beta_1, \beta_2$ = regression coefficients

ε = error term.

The larger the standardised residual, the greater the relative amount of disclosure will be.

2) Spread of disclosures across topics

Beattie *et al.* (2004) propose that a variety of spread measures should be employed, in particular the Herfindahl (*H*) index for the main topics, the *H* index for the sub-topics, and the number of non-empty sub-topics. Following their suggestions, these three measures are applied in this study in order to measure the spread of corporate governance information. The formula for the *H* index is shown in Equation (5). The higher the *H* index, the poorer the spread will be.

$$H_j = \sum_{t=1}^{x_j} p_{tj}^2 \qquad (5)$$

where

H_j = Herfindahl index (main-topic or sub-topic levels) for company j

x_j = number of topics (main topics or sub-topics) for company j

p_{tj} = proportion of corporate governance text units in topic t for company j

so that $1/x \leq H_j \leq 1$ ($1/x$ when the corporate governance text units are spread evenly across topics, and 1 when all corporate governance text units fall into one topic).

The *H* index is computed for both the main-topic (*MainH*) and sub-topic (*SubH*) levels. For comparability purposes, Beattie *et al.* (2004) suggest that the *H* index (for both main-topic and sub-topic levels) should be reversed so that the higher the value of the indices, the better will be the spread. Therefore, the value $1 - H$ is used in this thesis.

Beattie *et al.* (2004) suggest that the number of non-empty sub-topics is calculated by counting the number of sub-topics in which the company discloses at least one item of information. However, in this thesis, the number of non-empty sub-topics is also divided by the number of applicable sub-topics for each particular company, so that the company is not penalised for not disclosing information for any sub-topic which is not relevant to it. This gives the *NE* index, and the formula for this is shown in Equation (6). The higher the *NE*, the better the spread will be.

$$NE_j = \frac{NonEmp_j}{App_j} \tag{6}$$

where

NE_j = relative number of non-empty sub-topics for company j

$NonEmp_j$ = number of non-empty sub-topics for company j

App_j = number of applicable sub-topics for company j

so that $0 \leq NE_j \leq 1$.

As suggested by Beattie *et al.* (2004), this measure should not be used for the main topics as the company will normally always disclose something at the main-topic level.

3) Composite corporate governance disclosure index (ComBea)

Each component score *(RD, 1-MainH, 1-SubH* and *NE)* is standardised to avoid a scale effect based on the method shown in Appendix 4-F[37]. Then, the composite corporate governance disclosure index is computed based on the arithmetic mean of all the standardised scores suggested by Beattie *et al.* (2004), as shown in Equation (7). The arithmetic mean implies that equal weighting is employed. Shevlin (2004) suggests that, without any supporting theory or compelling reasons to do otherwise, employing the equal weighting seems to be a reasonable approach.

$$ComBea_j = \frac{1}{4}\left(RD_j^s + (1 - MainH)_j^s + (1 - SubH)_j^s + NE_j^s\right) \tag{7}$$

where

$ComBea_j$ = composite corporate governance disclosure index for company j based on the method adapted from Beattie *et al.* (2004)

[37] For consistency, this study follows the standardisation method suggested by Beretta and Bozzolan (2004).

RD_j^s = standardised relative amount of disclosure for company j

$(1 - MainH)_j^s$ = standardised *1-H* index for the main-topic level for company j

$(1 - SubH)_j^s$ = standardised *1-H* index for the sub-topic level for company j

NE_j^s = standardised relative number of non-empty sub-topics for company j

so that $0 \leq ComBea_j \leq 1$

4.4.3.4 A method adapted from Beretta and Bozzolan (2004)

Beretta and Bozzolan (2004) propose a framework for risk communication analysis and risk disclosure quality measures. They argue that, in the context of risk communication for public companies, attention should be paid not only to the extent of information disclosed, but also to the types of information disclosed and the manner of disclosure. Four indices are proposed in measuring the quality of risk disclosure in their study: 1) relative quantity index, 2) density index, 3) depth index, and 4) outlook profile index. The four quality measures suggested are adapted in this thesis for the purpose of examining corporate governance disclosure. However, they are not regarded as a quality measure because the methods are heavily reliant on the amount of information disclosed.

All the scoring methods adapted from Beretta and Bozzolan (2004) are measured based on the pooling of the 'general items' and 'enhanced items' in the checklist, a maximum number of 191 items in total.

1) Relative quantity index (RQT)

To measure relative quantity index, Beretta and Bozzolan (2004) use the same measure as in relative amount of disclosure suggested by Beattie *et al.* (2004) (see the discussion of the measure for relative amount of disclosure in section 4.4.3.3). However, they employ the industry sector rather than a number of business segments as an independent variable in their regression, which is consistent with this thesis (see section 4.4.3.3 for the reasons).

2) Density index (DEN)

Beretta and Bozzolan (2004) suggest that the relevance of the risk information disclosure is affected by how much it is diluted into the mass of other information disclosed. It could be more difficult for users to find the relevant information they need if large amounts of other information are included in the same document. Their density index is the ratio of the number of risk information sentences to the total number of sentences disclosed. This concept is directly applicable to corporate governance disclosure. The researcher argues that comparing the extent of corporate governance disclosure to the extent of other pieces of information disclosed in the same annual report can indicate management's perception of the relevance and importance of corporate governance information to their stakeholders.

The density index is computed in this thesis as the number of corporate governance text units divided by the total number of pages in the annual report, as shown in Equation (8)[38].

$$DEN_j = \frac{1}{Pages_j} \sum_{i=1}^{k_j} CG_{ij} \tag{8}$$

where

DEN_j = density index for company j

$Pages_j$ = number of pages in the annual report for company j

k_j = number of text units in the annual report for company j

CG_{ij} = 1 if the text unit i in the annual report of company j contains corporate governance information, and 0 otherwise.

It can be seen that this density index employs the same measure as the relative number of text units index. The difference is the number of items in the checklist examined, both general and enhanced items (191) for the density index, and only general items (122) for the relative number of text units index.

3) Depth index (DPT)

[38] Total number of pages, rather than total number of text units, is employed as the denominator for the density index because to collect total number of text units in the annual report would require a disproportionate amount of manual work and time as most of the companies in the sample have relatively large amounts of information in their annual reports.

Beretta and Bozzolan (2004) define a depth index comprising two dimensions of risk disclosure. The first dimension is the sign of the expected impact on the future performance of the company. The second dimension is whether the communication of the expected performance is qualitative or quantitative in nature. Neither of these dimensions is directly applicable to corporate governance disclosure because companies do not discuss explicitly the expected impact of corporate governance on future performance. However, the concept has a parallel in corporate governance disclosure where quantitative and further qualitative information enhances a basic disclosure for each disclosure item (by analogy with Hasseldine *et al.*, 2005 discussed in section 4.4.1). Therefore, this study provides a newly developed depth index by examining all the areas which have enhanced items as shown in Appendix 4-C.

Firstly, the depth score is computed for each particular area by giving a score of one for each item in the 'general items' disclosed, and a score of two if all items in the corresponding 'enhanced items' are disclosed. If only some items in the relevant enhanced items are disclosed then the score received will be the proportion of two (the full score). Zero is given when there is no corporate governance disclosure. The total depth score for each particular area is the summation of the scores for the general and enhanced items for that area. The total depth score is then divided by the total score applicable to that particular area in order to derive the relative depth score for each area as shown in Equation (9). This is done to avoid penalising companies for not disclosing information which is not relevant to them.

$$RDS_{xj} = \frac{1}{Score_{xj}} \sum_{i=1}^{z_{xj}} DET_{xij} \qquad (9)$$

where

RDS_{xj} = relative depth score for area x for company j

$Score_{xj}$ = total score applicable with regard to area x for company j

z_{xj} = number of all items with regard to area x for company j

DET_{xij} = depth score for item i with regard to area x for company j

so that $0 \leq RDS_{xj} \leq 1$.

The depth index for company j is then calculated by dividing the total relative depth score for all areas examined by the number of applicable areas for company j as shown in Equation (10) to avoid penalising companies for not disclosing information which is not relevant to them.

$$DPT_j = \frac{1}{n_j} \sum_{x=1}^{n_j} RDS_{xj} \tag{10}$$

where

DPT_j = depth index for company j

n_j = number of applicable areas for company j

so that $0 \leq DPT_j \leq 1$.

The higher the depth index, the better the depth of corporate governance information will be.

4) Outlook profile index (OPR)

Beretta and Bozzolan (2004) use an outlook profile index to evaluate how the actions taken or programmes planned to deal with the risks have been communicated. They compute the index as the total number of sentences related to the actions taken or programmes planned divided by the number of risk information sentences disclosed. In the case of corporate governance information in this thesis, the nearest concept to actions taken or programmes planned is a description of corporate governance policies. This is because the policies can demonstrate how the company deals with the corporate governance issues which it faces, and should demonstrate how management intends to manage the company in the future. The disclosure of policy information should, therefore, help stakeholders in evaluating whether the current policies are appropriate for dealing with problems which might arise, and whether they follow the national and international guidelines.

The outlook profile index will be higher when the company discloses more information about corporate governance policies. It is computed by dividing the total number of text units containing corporate governance policies by the total number of corporate governance text units the company discloses in relation to the checklist, as shown in Equation (11).

$$OPR_j = \frac{1}{S_j} \sum_{i=1}^{k_j} CGP_{ij} \tag{11}$$

where

OPR_j = outlook profile index for company j

S_j = total number of corporate governance text units for company j

k_j = number of text units in the annual report for company j

CGP_{ij} = 1 if the text unit i in the annual report of company j contains corporate governance policy, and 0 otherwise

so that $0 \leq OPR_j \leq 1$.

5) Composite corporate governance disclosure index (ComBer)

To avoid a scale effect, the four component indices (*RQT*, *DEN*, *DPT* and *OPR*) are standardised based on the method shown in Appendix 4-F. The composite corporate governance disclosure index is then computed based on the arithmetic mean of the four standardised indices as suggested by Beretta and Bozzolan (2004). The formula is shown in Equation (12).

$$ComBer_j = \frac{1}{4}\left(RQT_j^s + DEN_j^s + DPT_j^s + OPR_j^s\right) \qquad (12)$$

where

$ComBer_j$ = composite corporate governance disclosure index for company j based on the method adapted from Beretta and Bozzolan (2004)

RQT_j^s = standardised relative quantity index for company j

DEN_j^s = standardised density index for company j

DPT_j^s = standardised depth index for company j

OPR_j^s = standardised outlook profile index for company j

so that $0 \leq ComBer_j \leq 1$.

4.4.4 Measure of market perceptions of company performance

To examine the influence of corporate governance disclosure on the market perceptions of companies, Tobin's *Q* is selected as a proxy and it is used to measure the market perceptions of company performance (Weir *et al.*, 2002). The reasons for using Tobin' *Q* are as follows. Tobin's *Q* is a commonly used performance measure in terms of company valuation in corporate governance research (for example, Weir *et al*, 2002; Abdul Rahman and Haniffa, 2005; Bebczuk, 2005; Klein *et al.*, 2005; and Haniffa and Hudaib, 2006). Weir *et al.* (2002) argue that the higher value of Tobin's *Q* suggests more effective governance mechanisms. Hence, the researcher argues that it is possible that Tobin's *Q* can represent how the market sees corporate governance based on the information disclosed to the public. Using Tobin's *Q* also allows the researcher to compare the findings with prior corporate governance studies. Furthermore, Tobin's *Q* value above 1 suggests that investors are willing to pay a premium for the company in return for good future prospects (Hovey *et al.*, 2003) and that the company is considered to be using resources effectively (Chen, 2001). These can be interpreted as relevant to corporate governance disclosure because the disclosure could signal the ability of managers to manage the company and its resources effectively and efficiently, hence could help attract investment and securing credit for the company (for example, Robb *et al.* 2001; and Miles, 2005). A value of Tobin's *Q* below 1 provides evidence that the controlling shareholders may enjoy privately the benefit of having controls (Black *et al.*, 2006). In relation to this issue, SET (2001) suggests that corporate governance disclosure allows stakeholders to examine the company more cautiously, specifically with regard to monitoring the ethical and moral conduct of a company's operations and whether or not this conduct is maintained. Hence, the disclosure could have an impact on Tobin's *Q*.

Tobin's *Q* is the ratio of the market value of assets to their replacement value (La Porta *et al.*, 2002). However, due to the unavailability of the data, Tobin's *Q* is approximated in this thesis using the proportion of market value of common shares plus total debt to the book value of total assets (as in, for example, Abdul Rahman and Haniffa, 2005; Mak and Kusnadi, 2005; and Haniffa and Hudaib, 2006)[39]. Tobin's *Q* as at 31 March 2005 is used[40]. The date selected is based on the desire to avoid the impact of the first quarterly results of 2005 on Tobin's *Q*. In addition, the assumption here is that the policy on corporate governance disclosure for each company does not change much from year

[39] Gill and Allen (2004; 2005) indicate that accounting standards in Malaysia, Singapore and Thailand are relatively in line with international accounting standards. Hence, Tobin's *Q* values should not be significantly affected by the difference in each country's accounting standard.
[40] This is consistent with many previous value relevance studies which examine whether, e.g. share price, three months after the fiscal year-end can be explained by the accounting information (for example, Graham *et al.*, 2003; and Ahmed and Falk, 2006).

2004 to year 2005. Therefore, even though the 2004 annual reports had not been issued on or before 31 March 2005, it should not have much impact on the results.

To examine the influence of corporate governance disclosure on Tobin's *Q*, this study attempts to control for the possible competing factors (see sections 7.2.2 and 7.2.3). In particular, Demsetz and Villalonga (2001) suggest that Tobin's *Q* reflects the intangible assets value perceived by investors. Industry sector variable, categorised into high and low intangible asset sectors, is included in regressions in this thesis to control for this factor (see section 7.2.3.3). Furthermore, Mehran (1995) and Dwivedi and Jain (2005) suggest that Tobin's *Q* can reflect the growth opportunities of the company. This factor is controlled for by incorporating the proportion of capital expenditure to total assets of the company in the regressions (see section 7.2.3.3).

4.4.5 Qualitative approach: Questionnaire and interview

The qualitative approach was conducted after the statistical analyses in order to allow the researcher to discuss results based on the relatively recent evidence with the market participants. The results of the statistical findings also help focus the questionnaires and interviews, and allow the researcher to gain prior knowledge about the companies before asking any questions.

4.4.5.1 Objectives

There are three main objectives for employing a qualitative approach. Firstly, it is to gain more insight into the factors influencing corporate governance disclosure, as well as the impact of corporate governance disclosure on the market perceptions of companies. By asking the preparers and users of the information, it can help in identifying factors affecting corporate governance disclosure which cannot be captured through statistical analysis, i.e. factors which cannot be quantified or are difficult to do so, or have not been included in the statistical analysis. The responses can help shed further lights in identifying the motives behind corporate governance disclosure and whether the disclosure itself can affect how the market perceives the company. Secondly, the responses should help enhance the interpretation of the statistical findings. Finally, they help in assessing the applicability of the theoretical frameworks with regard to corporate governance disclosure, particularly in Malaysia, Singapore and Thailand.

4.4.5.2 Operationalisation

In this study, the main qualitative approach employed is a questionnaire sent via e-mail. This was the main method used because of the resource constraint (i.e. cost) and the intention to allow time for the respondents to reply in the hope to obtain a high response rate. Since the questions were sent out via e-mail, it was possible to clarify any questions which respondents did not understand. Additionally, if the answers were not clear and needed further clarification, the respondents were contacted to provide the clarification. Additional questions related to the respondent's reply were also asked. Interviews were carried out when it was preferred by the respondents. Once again, because of the resource constraint, the interviews were conducted via telephone and a tape recorder was used. Whether gathering responses by questionnaire or interview, the anonymity of the respondents and their employers is assured by the researcher.

The questions employed are shown in Appendix 4-G. In designing the questions, references were made to the questions developed in prior disclosure studies, specifically, Ho and Wong (2001), Leventis (2001), Mohd Ghazali (2004), and Haniffa and Cooke (2005), taking into consideration the objectives of this thesis, as well as the statistical models and findings. The questions are categorised into two parts. The first part contains general questions, covering the specific research questions 6 to 10, as shown in section 1.4 of this thesis. The second part is comprised of more specific issues relating to the multivariate analyses in Chapters 6 and 7. This part responds to specific research questions 7 to 10, as shown in section 1.4. Pilot testing of the questions was conducted by sending them out to qualified accountants in Malaysia (2), Singapore (2), and Thailand (4), in order to ensure that the questions were understandable, and appropriate to the countries being examined. The qualified accountants were contacted through networking and personal contacts. Adjustments were made in accordance with their recommendations.

Both open-ended questions, i.e. questions which give freedom to respondents to reply, and closed questions, i.e. those which offer a choice of replies (Oppenheim, 1992) are included. Closed questions are included because of the particular interest in obtaining opinions about factors, which can have an influence on corporate governance disclosure and market perceptions. These are also included in the hope of increasing the response rate from Malaysia and Singapore. When compared with the open-ended questions, which can be quite time-consuming to respond to and demand a lot more effort from the respondents, the closed questions can be regarded as easier and quicker to answer (Oppenheim, 1992). Closed questions also help make comparisons of the results with the statistical findings relatively easier.

When the questions were sent out via e-mail for the first time, only those questions in Part One were included because it was felt that too many questions would result in a low response rate. Open-ended questions in Part One would allow the respondents to give their opinions freely before sending the closed questions in the second part. This avoids the respondents being influenced by those factors suggested in the second part of the questions. Only when the responses to the first set of questions were received were the second part of the questions then sent out. As for the interviews, questions in both parts were asked at the same interview, but again the open-ended questions were asked first. Each interview, on average, lasted around one to one and a half hours. In total, seventeen interviews were conducted. In this thesis, the semi-structured interview was employed because it is quite flexible and allows the interviewer to follow up any issues of interest, and because there are specific issues to be asked (Bryman, 2004).

The responses were analysed using content analysis (Krippendorff, 2004). The analyses are based on the written responses to questionnaires received via e-mail, and on the transcripts prepared after each interview. Themes from the responses to each question are put in table format to allow frequency scoring, separately for each country.

4.5 Statistical techniques

4.5.1 Main assumptions

The data in this thesis (pooled and separate country data) are assessed whether they are normally distributed by looking at normal probability plots (the normal Q-Q Plots), skewness, kurtosis, and the Kolmogorov-Smirnov statistics (Pallant, 2005). The findings show that the distribution of the data deviates significantly from normality. Firstly, the normal probability plots, in which the observed value is plotted against the expected value from a normal distribution, do not appear in a straight line. Skewness which shows the symmetry of the distribution, and Kurtosis, which indicates the peakedness of the distribution (Pallant, 2005), further confirm that the data are not normally distributed, i.e.

the skewness and kurtosis values are rather deviated from 0[41]. For the Kolmogorov-Smirnov statistic, the Sig. values are below 0.05, indicating that the data deviate from normality.

To use the parametric tests discussed in section 4.5.2 and 4.5.3 below[42], both dependent and continuous independent variables are transformed so that the distributions are normal. Due to the benefits of the normal scores approach, it is employed in this study. In particular, it helps disperse the concentration of the data (Cooke, 1998). Additionally, the normal scores are relatively insensitive to outliers, while the F and t-tests, and the regression coefficients are meaningful (Cooke, 1998). This approach is referred to as the Van der Waerden approach. Based on this approach, the data are substituted by scores on the normal distribution (Cooke, 1998)[43].

Hair *et al.* (1998) suggest that correction of non-normality also remedies the heteroscedasticity problem (unequal dispersion of variance). An analysis of the residual scatterplot of the regression standardised residuals against regression standardised predicted value shows supporting evidence that the data are homoscedastic, while linearity assumption is also achieved.

4.5.2 Univariate analyses

For univariate analysis, this thesis uses the normal scores to analyse the data when using the parametric techniques. However, the actual data are also used in order to compare the results with those of the normal scores. Specifically, correlation coefficients based on Pearson product-moment correlation coefficients are explored in order to examine the strength and direction of the association between the dependent and independent variables. As a non-parametric alternative, Spearman's rank order correlations are also calculated. Independent-samples t-tests are performed for categorical independent variables. The results help establish whether each categorical variable, for example,

[41] The positive skewness suggests that the scores clustered at the low end (left-hand side of a graph) and negative skewness indicates the clustering of the scores at the high end (right-hand side of a graph) (Pallant, 2005). As for the Kurtosis, the positive value suggests that the distribution is clustered in the centre with long thin tails and the negative value indicates relatively flat distribution (Pallant, 2005).
[42] SPSS 13.0 was used for statistical analyses in this thesis.
[43] The transformation proposed is from actual observations to the normal distribution by dividing the distribution into the number of observations plus one region on the basis that each region has equal probability (Cooke, 1998).

separation of the roles of CEO and chairman and industry sector, can have an influence on corporate governance disclosure (Chapter 6) or market perceptions of company performance (Chapter 7). In particular, it helps in identifying whether there is a statistically significant difference in the mean scores with regard to corporate governance disclosure or market perceptions between the two groups for each categorical variable. A non-parametric test, Mann-Whitney U test, is also performed as an alternative in order to explore the difference in the median scores. Finally, a one-way between-groups analysis of variance (ANOVA) and a non-parametric alternative, Kruskal-Wallis test, are conducted to examine whether different countries have statistical differences in mean scores and mean ranks, respectively, in relation to corporate governance disclosure.

4.5.3 Multivariate analysis

Besides the univariate analysis, this study also explores the multivariate analysis because it can determine the collective impact of the independent variables on the dependent variable. In this study, the standard multiple regression is employed. Betas under 'Standardised Coefficients' is used to compare different independent variables because the values are already adjusted to the same scale. The highest Beta suggests that the variable has a strong unique contribution. The significance of the independent variables examined is decided based on statistical significance at either 1% or 5%. Variables which are significant at 10% level were reported as marginally significant. The 1% or 5% significant level indicates that the variables provide a statistically significant unique contribution (Pallant, 2005). To avoid violating the normality assumption, the normal scores for both dependent and continuous independent variables are employed in all of the regressions.

In each regression, when two or more independent variables are highly correlated, it is said that multicollinearity exists. In other words, those variables provide redundant information. There are problems when multicollinearity exists. Mendenhall and Reinmuth (1982) and Mendenhall *et al.* (1993) indicate that when using multiple regression, high correlations between independent variables could prevent researchers from determining the individual contribution, as well as making them fail to reject the null hypothesis. According to McClave *et al.* (2005), high correlations could make the regression results confusing and misleading, and can have an impact on the signs of the parameter estimates. Tabachnick and Fidell (2001) suggest that the cut-off point for including the variables which are collinear should be 0.70. In other words, the inclusion of the two redundant variables could be considered to be harmful when the variables are correlated at 0.70 or higher. Kennedy (2003) proposes a less stringent cut-off point, i.e. the variables are considered to be highly correlated when the correlation coefficient is about 0.80 or 0.90. In this study, the multicollinearity is tested by examining Pearson product-moment correlation coefficients, using both actual data and normal scores, as well as the non-parametric Spearman's rank order correlations[44]. Additionally, the Variance Inflation Factor (VIF) based on the regression analysis is also considered. According to Pallant (2005), a VIF value above 10 is the cut-off point commonly used to determine multicollinearity.

4.6 Summary

The purpose of this chapter is to explain the methodology and methods, both quantitative and qualitative, adopted in answering this study's research questions. It explains the research paradigms followed in conducting the empirical work, followed by the discussion about data collection. The construction of corporate governance disclosure checklist, the reasons in choosing annual reports as the main data source for examining the disclosure, and the method for scoring corporate governance disclosure are then explained and discussed. This is followed by discussion of and justification in selecting Tobin's *Q* as a proxy for market perceptions of company performance. Then the qualitative approach, i.e. the questionnaire and interview, is explained and discussed. Finally, the statistical techniques used in examining corporate governance disclosure and for testing the hypotheses developed in Chapters 6 and 7 are discussed.

The next chapter reports on the analysis of the extent of corporate governance disclosure in annual reports. They are computed based on the checklist and the scoring methods proposed in this chapter (see sections 4.4.1 and 4.4.3, respectively). The results obtained form a basis and are background for examining variables influencing corporate governance disclosure, and whether the disclosure can have an effect on market perceptions of companies hypothesised in Chapters 6 and 7, respectively.

---

[44] The findings suggest that the highest correlations between independent variables in this thesis are 0.547 for variables influencing corporate governance disclosure, and 0.567 for variables influencing market perceptions of company performance (see Appendices 6-D and 7-A, respectively).

APPENDICES

Appendix 4-A: Companies selected for statistical analyses

No.	Company name	Market capitalisation as at 31 Dec. 2004 (millions of US$)
Malaysia		
1.	Affin Holdings Berhad	459.87
2.	Bintulu Port Holdings Berhad	442.11
3.	British American Tobacco (Malaysia) Berhad	3,437.63
4.	Carlsberg Brewery Malaysia Berhad	429.69
5.	Commerce Asset-Holding Berhad	3,368.46
6.	Genting Berhad	3,522.28
7.	IGB Corporation Berhad	446.68
8.	JT International Berhad	304.21
9.	Kumpulan Guthrie Berhad	621.04
10.	Lafarge Malayan Cement Berhad	556.83
11.	Magnum Corporation Berhad	997.56
12.	Malaysia Airports Holdings Berhad	466.05
13.	Malaysian Industrial Development Finance Berhad	331.59
14.	Maxis Communications Berhad	6,090.98
15.	NCB Holdings Berhad	327.86
16.	Nestle (Malaysia) Berhad	1,425.51
17.	Oriental Holdings Berhad	563.26
18.	Plus Expressways Berhad	3,684.21
19.	POS Malaysia & Services Holdings Berhad	342.74
20.	PPB Group Berhad	877.96
21.	Public Bank Berhad	6,269.98
22.	Puncak Niaga Holdings Berhad	399.42
23.	Ramatex Berhad	366.49
24.	RHB Capital Berhad	1,122.87
25.	Sarawak Enterprise Corporation Berhad	434.23
26.	Shell Refining Company (Federation of Malaya) Berhad	765.79
27.	Star Publications (Malaysia) Berhad	584.90
28.	Tan Chong Motor Holdings Berhad	293.56
29.	Telekom Malaysia Berhad	10,325.31
30.	UMW Holdings Berhad	691.01
Singapore		
31.	AllGreen Properties	668.50
32.	CapitaLand Limited	3,166.41
33.	Chartered Semiconductor Manufacturing	1,447.95
34.	City Developments Limited	3,644.25
35.	ComfortDelgro Corporation Limited	1,875.69
36.	Dairy Farm International Holdings Limited	3,257.82
37.	Great Eastern	3,623.12
38.	Haw Par Corporation	627.56
39.	Hongkong Land Holdings Limited	6,082.34
40.	Jardine Cycle & Carriage	2,059.72
41.	Jardine Matheson Holdings Limited	9,493.39
42.	Jardine Strategic	8,587.50
43.	Keppel Corporation Limited	3,943.04
44.	Keppel Land Limited	943.20
45.	MobileOne	1,047.16

No.	Company name	Market capitalisation as at 31 Dec. 2004 (millions of US$)
46.	Neptune Orient Lines	2,564.01
47.	Oversea-Chinese Banking Corporation Limited	10,465.29
48.	Parkway Holdings Limited	638.50
49.	People's Food Holdings Limited	1,001.00
50.	SembCorp Industries	1,742.22
51.	SembCorp Logistics	884.91
52.	SembCorp Marine	1,142.89
53.	Singapore Land	1,017.22
54.	STATSChipPAC	1,156.32
55.	Total Access Communication Public Company Limited	1,679.43
56.	TPV Technology Limited	813.48
57.	United Overseas Bank Limited	12,483.25
58.	United Overseas Land Limited	943.28
59.	Venture Corporation	2,467.72
60.	Want Want Holdings Limited	1,153.51
Thailand		
61.	Advanced Info Service Public Company Limited	7,953.44
62.	Aromatics (Thailand) Public Company Limited	1,518.03
63.	Bangkok Bank Public Company Limited	5,009.93
64.	Bangkok Expressway Public Company Limited	510.13
65.	Bank of Ayudhya Public Company Limited	863.47
66.	Banpu Public Company Limited	1,042.48
67.	BEC World Public Company Limited	792.48
68.	Electricity Generating Public Company Limited	983.24
69.	Italian-Thai Development Public Company Limited	905.83
70.	Kasikornbank Public Company Limited	3,131.81
71.	Kim Eng Securities (Thailand) Public Company Limited	512.37
72.	Krung Thai Bank Public Company Limited	2,539.41
73.	Land and Houses Public Company Limited	2,062.43
74.	National Petrochemical Public Company Limited	837.15
75.	Precious Shipping Public Company Limited	518.39
76.	PTT Exploration and Production Public Company Limited	4,781.79
77.	PTT Public Company Limited	12,213.35
78.	Ratchaburi Electricity Generating Holding Public Company Limited	1,390.62
79.	Sahaviriya Steel Industries Public Company Limited	952.28
80.	Shin Corporation Public Company Limited	2,963.13
81.	Siam Cement Public Company Limited	7,389.74
82.	Siam City Bank Public Company Limited	1,346.42
83.	Siam City Cement Public Company Limited	1,539.53
84.	Siam Commercial Bank Public Company Limited	2,096.44
85.	Thai Military Bank Public Company Limited	1,263.47
86.	Thai Olefins Public Company Limited	1,388.51
87.	TPI Polene Public Company Limited	575.73
88.	True Corporation Public Company Limited	693.64
89.	United Broadcasting Corporation Public Company Limited	465.28
90.	United Communication Industry Public Company Limited	762.43

Appendix 4-B: Information about respondents (indicates companies included in the statistical analyses)*

Listed companies		Investment analysts		External auditors		Regulators	
Label	*Industry (Position)*	*Label*	*Type (Position)*	*Label*	*Type (Position)*	*Label*	*Department (Position)*
Panel A: Malaysia							
M-LI1*	Banking (Company Secretary)	M-IN1	Sell-side analyst (Manager, Operations)	M-AU1	International audit company - Big 4 (Senior Audit Associate)		No response
M-LI2	Telecom wireless (Corporate Communications Officer)	M-IN2	Sell-side analyst (Analyst)	M-AU2	International audit company - Big 4 (Auditor)		
M-LI3*	Tobacco (Company Secretary)	M-IN3	Sell-side analyst (Analyst)	M-AU3	International audit company (Partner)		
M-LI4	Other mining (Company Secretary)	M-IN4	Buy-side analyst (Assistant Manager, Compliance)				
Panel B: Singapore							
S-LI1	Equity investment institution (Assistant Secretary)	S-IN1	Sell-side analyst (Vice President, Investments)	S-AU1	International audit company - Big 4 (Partner)	S-RE1	Market and Business Conduct Department
S-LI2*	Brewers (Head of Investor Relations)	S-IN2	Sell-side analyst (Analyst)	S-AU2	Medium-sized audit company (Audit Manager)		
S-LI3*	Telecom wireless (Assistant Manager, Investor Relations)	S-IN3	Sell-side analyst (Analyst)				
S-LI4*	Computer hardware (Assistant Manager, Investor Relations)	S-IN4	Buy-side analyst (Analyst)				
S-LI5	Electronic equipment (Senior Vice President)						
S-LI6*	Engineering, general (Group Corporate Communications Officer)						
Panel C: Thailand							
T-LI1*	Banks (Senior Investor Relations Officer)	T-IN1	Sell-side analyst (Managing Director, Head of Research Group)	T-AU1	International audit company - Big 4 (Audit Manager)	T-RE1	Corporate Governance Department (Senior Officer)
T-LI2*	Banks (Head of Investor Relations)	T-IN2	Sell-side analyst (Analyst/Vice President, Economic and Strategy	T-AU2	International audit company - Big 4 (Assistant Audit Manager)	T-RE2	Corporate Governance Center (Supervisor)

Listed companies		Investment analysts		External auditors		Regulators	
Label	*Industry (Position)*	*Label*	*Type (Position)*	*Label*	*Type (Position)*	*Label*	*Department (Position)*
			Research)				
T-LI3*	Banks (Investor Relations Officer)	T-IN3	Sell-side analyst (Vice President, Research Department)	T-AU3	International audit company - Big 4 (Partner)		
T-LI4*	Investment banks (Corporate Communications Officer)	T-IN4	Sell-side analyst (Senior Vice President, Research Department)	T-AU4	International audit company - Big 4 (Auditor)		
T-LI5	Consumer finance (Assistant Vice President, Investor Relations)	T-IN5	Sell-sidé analyst (Analyst)	T-AU5	Medium-sized audit company (Owner)		
T-LI6	Auto parts (Chief Financial Officer)	T-IN6	Sell-side analyst (Analyst)	T-AU6	Small-sized audit company (Auditor)		
T-LI7*	Commodity chemicals (Investor Relations Division Manager)	T-IN7	Buy-side analyst (Property Fund Manager)	T-AU7	Small-sized audit company (Auditor)		
T-LI8*	Commodity chemicals (Investor Relations Manager)	T-IN8	Buy-side analyst (Compliance Officer)	T-AU8	Independent auditor		
T-LI9*	Building materials (Investor Relations Officer)	T-IN9	Buy-side analyst (Compliance Officer)				
T-LI10*	Telecom wireless (Investor Relations Officer)						
T-LI11*	Electricity (Investor Relations Manager)						
T-LI12*	Electricity (Investor Relations Manager)						
T-LI13*	Oil integrated (Company Secretary)						
T-LI14*	Oil and Gas Exploration/Production (Investor Relations Officer)						
T-LI15*	Other mining (Corporate Governance Secretary)						

Key:
Label is the label for each respondent for making reference in the context.
Big 4 include: 1) PricewaterhouseCoopers, 2) Ernst & Young, 3) KPMG, and 4) Deloitte.
T-LI7 is a merger of two of the major players in Thailand's petrochemical and chemical industry sectors, in which both of them are included in the sample of this thesis.

Appendix 4-C: Corporate governance disclosure checklist

Items		Sources				
General items	**Enhanced items**	**OECD**	**M**	**S**	**T**	**Prior studies**
Codes or principles of corporate governance						
Codes or principles of corporate governance						
Explanation of the establishment of corporate governance codes/principles or whether the company applies the country's codes/principles	Brief details of the overall corporate governance codes/principles adopted	/			/	Carson (1996), Sibson Consulting and Spencer Stuart (2003), Gandía and Andrés (2004), Thai IOD (2004), SET (2005), Aksu and Kosedag (2006), Cheung *et al.* (2007)
A statement as to whether or not the company has complied with the codes/principles and a summary of situations and the reasons for not being able to apply some of the codes/principles at that moment. If company fully complies with the codes/principles, then disclosure of this fact			/ MD	/ MD	/ MD	Ab. Rashid (1996), Belcher (1996), Gandía and Andrés (2004)
Board matters						
Board information						
Names of directors	Key information regarding directors	/	/ MD	/ MD	/ MD	Patel and Dallas (2002), Patel *et al.* (2002), Gandía and Andrés (2004), S&P (2004),Thai IOD (2004), Stanwick and Stanwick (2005), Aksu and Kosedag (2006), Hossain and Taylor (2006)
Principal responsibilities of the board						
Information about whether the responsibilities of the board are defined	Responsibilities of the board	/	/		/	Ramsay and Hoad (1997), Bujaki and McConomy (2002), Gallagher (2002), Patel and Dallas (2002), Patel *et al.* (2002), Cullen and Christopher (2003), Sibson Consulting and Spencer Stuart (2003), Gandía and Andrés (2004), Thai IOD (2004), Australian Stock Exchange (2005), Collett and Hrasky (2005), Green and Graham (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006)
Information about whether the responsibilities of the chairman are defined.	Responsibilities of the chairman		/	/		S&P (2004), Stanwick and Stanwick (2005)
Access to information and advice						
Information about whether the board has separate and independent access to the company's senior management				/		S&P (2004)
Information about whether the board can obtain independent professional advice, at the expense of the company			/	/		Carson (1996), Ramsay and Hoad (1997), Evans and Christopher (1999), Bujaki and McConomy (2002), Cullen and Christopher (2002), Gallagher (2002), S&P (2004), Green and Graham (2005), Stanwick and Stanwick (2005)
Information about whether directors have access to the advice and services of a company secretary			/	/		S&P (2004)
Board balance						
Information about whether the board includes a balance of executive and non-executive directors (including independent non-executives) such that no individual or small	Types of directors on the board		/ (GEN) / MD (ENH)	/		Carson (1996), Ramsay and Hoad (1997), Bujaki and McConomy (2002), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), Thai IOD (2004), Australian Stock Exchange (2005), Green and Graham (2005), Stanwick and Stanwick (2005),

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
group of individuals can dominate the board's decision making						Aksu and Kosedag (2006), Hossain and Taylor (2006)
	Proportion of independent non-executive directors		/	/	/	Ramsay and Hoad (1997), Bujaki and McConomy (2002), Gandía and Andrés (2004), S&P (2004),Thai IOD (2004), Australian Stock Exchange (2005), Green and Graham (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006), Hossain and Taylor (2006), Qu and Leung (2006)
	Information about whether the board is chaired by an independent non-executive director					Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Thai IOD (2004), Australian Stock Exchange (2005), SET (2005), Stanwick and Stanwick (2005)
Board dialogue						
Information about whether the board provides an Investor Relations Unit to represent the company in communication	Information about whether the board provides adequate resources to help develop the knowledge and abilities of company personnel in relation to the communication and presentation of information				/	For the general item: Thai IOD (2004), SET (2005)
Information about whether the information is disclosed to shareholders and general investors correctly, in time, transparently and in compliance with rules and regulations					/	
Board performance						
Information about whether there is process for carrying out an annual evaluation of board performance	Details about the process to be carried out annually for evaluating performance of the board		/	/		Ramsay and Hoad (1997), Bujaki and McConomy (2002), Cullen and Christopher (2003), Sibson Consulting and Spencer Stuart (2003), S&P (2004), Australian Stock Exchange (2005), Green and Graham (2005), Stanwick and Stanwick (2005)
	Statement of compliance with the process to be carried out annually for evaluating performance of the board		/	/		
Information about whether there is process for carrying out an annual evaluation of each individual director's performance	Details about the process to be carried out annually for evaluating performance of each individual director		/	/		Bujaki and McConomy (2002), S&P (2004), Australian Stock Exchange (2005), Green and Graham (2005), Stanwick and Stanwick (2005)
	Statement of compliance with the process to be carried out annually for evaluating performance of each individual director		/	/		
Information about whether there are objective performance criteria for evaluating the performance of the board	Quantitative performance criteria in evaluating performance of the board			/		Sibson Consulting and Spencer Stuart (2003), S&P (2004)
	Qualitative performance criteria in evaluating performance of the board					Sibson Consulting and Spencer Stuart (2003)
Information about whether there are objective performance criteria for evaluating the performance of each individual director	Details of the objective performance criteria for evaluating the performance of each individual director		/			S&P (2004)
Information about whether multiple board memberships by the same person are compatible with effective board performance		/		/		S&P (2004)

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
The results of the board performance evaluation						Stanwick and Stanwick (2005)
Board size						
Information about whether the board examines its size, with a view to determining the impact of the number upon its effectiveness	Factors in determining the size of the board		/	/	/	Bujaki and McConomy (2002), S&P (2004), Stanwick and Stanwick (2005)
Board structures and procedures						
Information about whether meeting agendas, and sufficient background information, are distributed in advance to enable directors to prepare for meetings	Number of days before the meetings that the meeting agendas and sufficient background information are distributed			/		
	Information about whether the board, when dealing with any item on the agenda, receives information which is not just historical or bottom line and financial-oriented, but which goes beyond assessing the quantitative performance of the enterprise and looks at other performance factors such as customer satisfaction		/			
Information about whether meeting schedule is determined regularly in advance so that the directors and executives can arrange their time for the meeting efficiently					/	
Information about whether the chairman of the board, at the meetings, allocates appropriate time for the management to present adequate issues and enough for the directors to broadly discuss important matters with care			/		/	
Information about whether company's Articles of Association allow telephonic and videoconference meetings				/		S&P (2004)
Information about whether results and resolutions from the meetings are recorded clearly for reference			/			Thai IOD (2004)
Information about whether non-executive directors meet among themselves as regularly as necessary, in order to discuss management problems that they are interested in without the presence of the management						Carson (1996), Sibson Consulting and Spencer Stuart (2003), Green and Graham (2005), Stanwick and Stanwick (2005)
Types of material transactions that require board approval				/		Patel and Dallas (2002), Patel *et al.* (2002), S&P (2004), Aksu and Kosedag (2006)
Frequency of board meetings			/ MD	/	/ MD	S&P (2004), Thai IOD (2004), Deloitte & Touche LLP (2005), Hossain and Taylor (2006)
Members' attendance at board meetings		/	/ MD	/	/ MD	S&P (2004), Thai IOD (2004), Deloitte & Touche LLP (2005), SET (2005), Stanwick and Stanwick (2005), Hossain and Taylor

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
						(2006), Cheung *et al.* (2007)
Business ethics						
Information about whether there is code of ethics or statement of business conduct	Details about code of ethics or statement of business conduct	/			/	Carson (1996), Evans and Christopher (1999), Cullen and Christopher (2002), Cullen and Christopher (2003), Sibson Consulting and Spencer Stuart (2003), Gandía and Andrés (2004), Thai IOD (2004), Australian Stock Exchange (2005), Collett and Hrasky (2005), SET (2005), Stanwick and Stanwick (2005), Cheung *et al.* (2007)
	Statement of compliance with the code of ethics or statement of business conduct	/			/	
Information about whether the code of ethics or statement of business conduct are regularly reviewed and updated						Carson (1996)
Information about whether compliance to the code of ethics or statement of business conduct is monitored regularly					/	
Directors' training						
Information about whether there is an orientation program for new recruits to the board	Details about the orientation program	/	/	/		Bujaki and McConomy (2002), Gallagher (2002), S&P (2004), Thai IOD (2004), Green and Graham (2005), Stanwick and Stanwick (2005)
Information about whether any further training is provided to directors, particularly on relevant new laws and regulations and changing commercial risks	Details about the on-going training provided to directors	/	/	/		Bujaki and McConomy (2002), Gallagher (2002), Patel and Dallas (2002), Patel *et al.* (2002), Sibson Consulting and Spencer Stuart (2003), S&P (2004), Thai IOD (2004), Green and Graham (2005), Aksu and Kosedag (2006)
Independence of directors						
Information about whether the meaning of 'independence' is defined	Meaning of 'independence'	/	/	/		Sibson Consulting and Spencer Stuart (2003), Gandía and Andrés (2004), Thai IOD (2004), Cheung *et al.* (2007)
Information about whether independent directors submit a confirmation letter to the company verifying their independence (according to the company's definition) on the date which they accepted the appointment, and every year thereafter as required						SET (2001)
Separation of the roles of CEO and chairman of the board						
Information about whether there is a separation of the roles of CEO and chairman	Explanation for the decision to combine the roles of CEO and chairman		/	/	/	For the general item: Ab. Rashid (1996), S&P (2004), Thai IOD (2004), Australian Stock Exchange (2005), Green and Graham (2005), SET (2005) For the enhanced item: Gallagher (2002), Deloitte & Touche LLP (2005)
	Relationship between the CEO and chairman where they are related to each other (i.e. members of the same immediate family)			/		S&P (2004), Stanwick and Stanwick (2005)
Use of board committees						

Items		Sources				
General items	**Enhanced items**	**OECD**	**M**	**S**	**T**	**Prior studies**
Information about whether meeting agendas, and sufficient background information, are distributed in advance to enable committee members to prepare for meetings	Number of days before the meetings that the meeting agendas and sufficient background information are distributed					PwC (2000)
Information about whether committees regularly report on their activities and results of their meetings to the board			/		/	
Audit and internal control matters						
Audit committee						
Information about whether an audit committee has been established		/	/	/	/ MD	Ab. Rashid (1996), Carson (1996), Evans and Christopher (1999), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), Thai IOD (2004), Australian Stock Exchange (2005), Collett and Hrasky (2005), SET (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006)
Names of audit committee members	Types of directors on the audit committee	/	/ MD (GEN)	/	/ MD (GEN)	For the general item: Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), S&P (2004), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006), Qu and Leung (2006) For the enhanced item: Bujaki and McConomy (2002), Thai IOD (2004), Australian Stock Exchange (2005), Stanwick and Stanwick (2005), Hossain and Taylor (2006)
	Proportion of independent non-executive directors		/	/	/	Bujaki and McConomy (2002), S&P (2004), Thai IOD (2004), Australian Stock Exchange (2005), Stanwick and Stanwick (2005), Hossain and Taylor (2006)
	Information about whether the audit committee is chaired by an independent non-executive director		/	/	/	S&P (2004), Thai IOD (2004), Australian Stock Exchange (2005), Hossain and Taylor (2006)
Information about whether there are written terms of reference which describe audit committee responsibilities	Responsibilities of the audit committee	/	/	/	/ MD (ENH)	Carson (1996), Ramsay and Hoad (1997), Bujaki and McConomy (2002), Cullen and Christopher (2002), Sibson Consulting and Spencer Stuart (2003), Thai IOD (2004), Collett and Hrasky (2005), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005), Hossain and Taylor (2006), Qu and Leung (2006), Parsa *et al.* (2007)
Information about whether there are written terms of reference which describe objectives of the audit committee	Objectives of the audit committee					Hossain and Taylor (2006)
Information about whether there are written terms of reference which describe membership of the audit committee	Membership of the audit committee					Hossain and Taylor (2006)
Information about whether there are written terms of reference which describe meetings of the audit committee	Meetings of the audit committee					Hossain and Taylor (2006)
Information about whether there are written terms of reference which describe the authority	Authority of the audit committee		/	/		Sibson Consulting and Spencer Stuart (2003), Hossain and Taylor (2006)

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
of the audit committee						
Activities performed by the audit committee			/ MD	/		Deloitte & Touche LLP (2005), SET (2005), Qu and Leung (2006)
Information about whether the audit committee meets with the external auditors (and/or with the internal auditors) without the presence of the company's management			/	/		Bujaki and McConomy (2002), S&P (2004), Stanwick and Stanwick (2005)
Frequency of audit committee meetings			/ MD	/		Sibson Consulting and Spencer Stuart (2003), S&P (2004), Deloitte & Touche LLP (2005), Hossain and Taylor (2006), Qu and Leung (2006)
Members' attendance at audit committee meetings			/ MD	/		S&P (2004), Thai IOD (2004), Stanwick and Stanwick (2005), Hossain and Taylor (2006), Qu and Leung (2006)
Information about whether the audit committee has at least two members who have accounting or related financial management expertise or experience				/		S&P (2004), Thai IOD (2004), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005)
Information about whether the audit committee can obtain independent professional advice, at the expense of the company			/			Carson (1996)
Information about whether a separate audit committee report is presented						Stanwick and Stanwick (2005)
A statement by the audit committee that it has undertaken the necessary review and that the provision of the non-audit services by the auditors would not, in its opinion, affect the independence of the auditors		/		/ MD		Carson (1996), Stanwick and Stanwick (2005)
Auditor remuneration						
Audit fees			/ MD		/ MD	Patel and Dallas (2002), Patel *et al.* (2002), Gandía and Andrés (2004)
Non-audit service fees paid to external auditors	Narrative explanation of the nature of non-audit services	/	/ MD (GEN)	/ MD (GEN)	/ MD	Patel and Dallas (2002), Patel *et al.* (2002), Gandía and Andrés (2004)
	Information about whether audit fees and non-audit service fees paid to external auditors are disclosed separately				/ MD	
Internal audit						
Information about whether an internal audit unit has been established			/ MD	/	/	Thai IOD (2004), Cheung *et al.* (2007)
Information about whether the responsibilities of the internal audit unit are defined	Responsibilities of the internal audit unit		/ MD (ENH)			Patel and Dallas (2002), Patel *et al.* (2002), Collett and Hrasky (2005), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005)
Activities performed by the internal audit unit				/		
Information about whether internal auditors report to an independent audit committee, or an equivalent body, which is also responsible for managing the relationship with the external		/		/		S&P (2004), Thai IOD (2004), Stanwick and Stanwick (2005)

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
auditor						
Information about whether internal auditors meet or exceed the standards set by nationally or internationally recognised professional bodies				/		S&P (2004)
Internal controls						
Information about whether a separate internal control statement is presented			/ MD			
Information about whether a review of the adequacy and integrity of the system of internal control is conducted at least annually	Comments on the adequacy and integrity of the system of internal control		/ MD (ENH)	/	/ MD (ENH)	For the general item: S&P (2004), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005) For the enhanced item: Ab. Rashid (1996), S&P (2004), Australian Stock Exchange (2005)
A summarised explanation on how the company has obtained assurances about the adequacy and integrity of its system of internal control, when there is an absence of an internal audit function	Information about the means of assessment (i.e. whether they provide sufficient and objective assurance of regular review and/or appraisal of the adequacy and integrity of the system of internal control)		/ MD (GEN) / (ENH)			
Key components on internal control system			/		/	Ab. Rashid (1996), Collett and Hrasky (2005), Stanwick and Stanwick (2005)
The process the board has applied (where applicable, through its committees) in reviewing the adequacy and the integrity of the system of internal control			/ MD			Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005)
Explanation that a system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss			/ MD			Ab. Rashid (1996), Deloitte & Touche LLP (2005)
An acknowledgement by the board that it is responsible for the system of internal control and for reviewing its adequacy and integrity		/	/ MD		/	Deloitte & Touche LLP (2005), Green and Graham (2005), Stanwick and Stanwick (2005)
The process applied to deal with material internal control aspects of any significant problems			/ MD			Stanwick and Stanwick (2005)
Nomination matters						
Nomination committee						
Information about whether a nomination committee has been established		/	/	/	/ MD	Ab. Rashid (1996), Carson (1996), Evans and Christopher (1999), Bujaki and McConomy (2002), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), S&P (2004), Thai IOD (2004), Australian Stock Exchange (2005), Collett and Hrasky (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006)
Names of nomination committee members	Types of directors on the nomination committee	/ (GEN)			/ MD (GEN)	For the general item: Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.*

Items		Sources				
General items	**Enhanced items**	**OECD**	**M**	**S**	**T**	**Prior studies**
						(2002), Cullen and Christopher (2003), S&P (2004), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006) For the enhanced item: Ab. Rashid (1996), Bujaki and McConomy (2002), Sibson Consulting and Spencer Stuart (2003), Thai IOD (2004), Stanwick and Stanwick (2005)
	Proportion of independent non-executive directors		/	/	/	Ab. Rashid (1996), Bujaki and McConomy (2002), Sibson Consulting and Spencer Stuart (2003), S&P (2004), Thai IOD (2004), Stanwick and Stanwick (2005)
	Information about whether the nomination committee is chaired by an independent non-executive director			/	/	Cullen and Christopher (2003), S&P (2004), Thai IOD (2004)
Information about whether there are written terms of reference which describe the responsibilities of the nomination committee	Responsibilities of the nomination committee	/		/	/ MD (ENH)	For the general item: S&P (2004) For the enhanced item: Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Cullen and Christopher (2003), Sibson Consulting and Spencer Stuart (2003), S&P (2004), Thai IOD (2004), Collett and Hrasky (2005), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005)
	Factors in determining the directors for nomination			/	/ MD	Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2003), Sibson Consulting and Spencer Stuart (2003), Collett and Hrasky (2005), Stanwick and Stanwick (2005)
Information about whether the nomination committee makes recommendations to the full board on all board appointments			/	/		S&P (2004)
Information about whether the nomination committee reviews the required mix of skills and experience and other qualities, which non-executive directors should bring to the board			/			Carson (1996), Stanwick and Stanwick (2005)
Information about whether the nomination committee determines director independence				/		S&P (2004), Stanwick and Stanwick (2005)
Information about whether the nomination committee decides how the board's performance may be evaluated and proposes objective performance criteria				/		
Frequency of nomination committee meetings				/		Sibson Consulting and Spencer Stuart (2003), S&P (2004)
Members' attendance at nomination committee meetings				/		S&P (2004), Thai IOD (2004), Stanwick and Stanwick (2005)
Information about whether the nomination committee can obtain independent professional advice, at the expense of the company						Carson (1996)
Re-nomination/Re-election of directors						
Information about whether all directors are required to submit themselves for re-			/	/		Gandía and Andrés (2004), S&P (2004), Deloitte & Touche LLP (2005)

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
nomination and re-election at regular intervals, and at least every three years						
Remuneration matters						
Development of remuneration policies and procedures						
Information about whether there is remuneration policy	Details about the remuneration policy	/	/	/	/	Ab. Rashid (1996), Carson (1996), Deloitte & Touche LLP (2003), Thai IOD (2004), Australian Stock Exchange (2005), Collett and Hrasky (2005), Hossain and Taylor (2006), Qu and Leung (2006)
	Statement of compliance with the remuneration policy	/	/	/	/	
Information about whether there are procedures for setting remuneration	Details about the procedures for setting remuneration			/	/	Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), Cullen and Christopher (2003), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006)
	Statement of compliance with the procedures for setting remuneration			/	/	
Information about whether directors (executive or non-executive) participate in decisions on their own remuneration packages			/	/	/	S&P (2004), Deloitte & Touche LLP (2005)
Remuneration committee						
Information about whether a remuneration committee has been established		/	/	/	/ MD	Ab. Rashid (1996), Carson (1996), Evans and Christopher (1999), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), S&P (2004), Thai IOD (2004), Australian Stock Exchange (2005), Collett and Hrasky (2005), SET (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006)
Names of remuneration committee members	Types of directors on the remuneration committee	/		/ MD (GEN)	/ MD (GEN)	For the general item: Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Patel and Dallas (2002), Patel *et al.* (2002), Cullen and Christopher (2003), Deloitte & Touche LLP (2003), S&P (2004), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005), Aksu and Kosedag (2006), Qu and Leung (2006) For the enhanced item: Ab. Rashid (1996), Bujaki and McConomy (2002), Thai IOD (2004), SET (2005), Stanwick and Stanwick (2005)
	Proportion of independent non-executive directors			/	/	Bujaki and McConomy (2002), S&P (2004), Thai IOD (2004), SET (2005), Stanwick and Stanwick (2005)
	Information about whether the remuneration committee is chaired by an independent non-executive director			/	/	Cullen and Christopher (2003), S&P (2004), Thai IOD (2004), SET (2005)
Information about whether there are written terms of reference which describe the responsibilities of the remuneration committee	Responsibilities of the remuneration committee	/			/ MD (ENH)	Carson (1996), Ramsay and Hoad (1997), Cullen and Christopher (2002), Cullen and Christopher (2003), Sibson Consulting and Spencer Stuart (2003), Thai IOD (2004), Collett and Hrasky (2005), Deloitte & Touche LLP (2005), Stanwick and Stanwick (2005), Qu and Leung (2006)
Information about whether the remuneration				/	/	S&P (2004)

Items		Sources				
General items	**Enhanced items**	**OECD**	**M**	**S**	**T**	**Prior studies**
committee recommends to the board a framework of remuneration for the board and/or key executives						
Frequency of remuneration committee meetings				/		Sibson Consulting and Spencer Stuart (2003), S&P (2004), Qu and Leung (2006)
Members' attendance at remuneration committee meetings				/		S&P (2004), Thai IOD (2004), Stanwick and Stanwick (2005), Qu and Leung (2006)
Information about whether the remuneration committee has at least one member who is knowledgeable in the field of executive compensation				/		S&P (2004)
Information about whether the remuneration committee can obtain independent professional advice, at the expense of the company			/	/		Carson (1996), S&P (2004)
Remuneration disclosure						
Information about total remuneration of directors	Details of the remuneration of each director	/	/ MD (GEN) / (ENH)	/ MD (GEN) / (ENH)	/ MD	For the general item: Ab. Rashid (1996), Patel and Dallas (2002), Patel *et al.* (2002), Deloitte & Touche LLP (2003), Bushman *et al.* (2004), Gandía and Andrés (2004), Hossain and Taylor (2006), Qu and Leung (2006), Parsa *et al.* (2007) For the enhanced item: Carson (1996), Deloitte & Touche LLP (2003), Gandía and Andrés (2004), S&P (2004), Thai IOD (2004), Stanwick and Stanwick (2005)
	Details about directors' remuneration in bands		/ MD	/		
	Details about directors' remuneration, categorised into executive and non-executive directors payments		/ MD			S&P (2004)
The important details about the share options			/ MD	/ MD	/ MD	Ab. Rashid (1996), Deloitte & Touche LLP (2003), S&P (2004), Qu and Leung (2006), Parsa *et al.* (2007)
Information about the remuneration of at least the top five key executives (who are not also directors) of the company		/		/		Carson (1996), S&P (2004)
Details of the remuneration of employees who are immediate family members of a director or CEO				/		S&P (2004)
Stakeholders						
Annual General Meeting (AGM)						
Information about whether shareholders are furnished with sufficient and timely information concerning the date, location and agenda of the AGM, as well as full and timely information regarding the issues to be decided at the meeting	Number of days before the AGM that the information is distributed	/ (GEN)				For the general item: Carson (1996), Gandía and Andrés (2004), SET (2005), Hossain and Taylor (2006) For the enhanced item: Carson (1996), Thai IOD (2004), Cheung *et al.* (2007)

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
	A brief description about proposed issues given in the notice of AGM					Gandía and Andrés (2004), Thai IOD (2004)
	A brief description about directors standing for election or re-election		/	/		S&P (2004), Thai IOD (2004), Deloitte & Touche LLP (2005)
Information about whether shareholders are able to place items on the agenda of the AGM, and to propose resolutions, subject to reasonable limitations		/				
Information about whether shareholders are encouraged to express their opinions and raise any questions at the AGM, in accordance with the agenda and the issues presented to the AGM		/		/	/	SET (2005), Cheung *et al.* (2007)
Information about whether shareholders are given, and have access to timely information pertaining to voting procedures in the AGM		/				Thai IOD (2004), SET (2005)
Information about whether shareholders are able to vote in person or in absentia (such as by mail, e-mail, fax, etc.)		/		/		
Information about whether voting by proxy is generally accepted		/				Thai IOD (2004), SET (2005), Cheung *et al.* (2007)
Information about whether every director, particularly chairpersons of the committees, attends the AGM to respond to questions				/	/	Deloitte & Touche LLP (2003), S&P (2004)
Information about whether the external auditors are presented at the AGM to assist the directors address any relevant queries by shareholders				/		S&P (2004), Australian Stock Exchange (2005)
Information about whether the chairman, where appropriate, undertakes to provide the questioner with a written answer to any significant question which cannot be answered on the spot			/			
Information about whether after the AGM, shareholders are given, and have access to information regarding results of the deliberation and the voting			/			
Conflict of interest						
Information about whether there are procedures for handling conflict of interest	Details about the procedures for handling conflict of interest	/			/ MD (ENH)	Sibson Consulting and Spencer Stuart (2003), Stanwick and Stanwick (2005)
	Statement of compliance with the procedures for handling conflict of interest	/				
Information about whether the board members are required to disclose to the board whether they, directly, indirectly or on behalf of third	Where a material interest has been declared, an explanation of whether that person is involved in any decision involving the	/	/ MD (GEN)	/ MD (GEN)	/ MD (GEN)	SET (2005)

Items		Sources				
General items	**Enhanced items**	**OECD**	**M**	**S**	**T**	**Prior studies**
parties, have a material interest in any transaction or matter directly affecting the corporation	transaction or matter					
Information about whether every conflict of interest is acknowledged and thoroughly considered by the board					/	
Equitable treatment						
Information about whether there is selective disclosure of data to certain analysts or big investors before the information is released to the public	Where there is inadvertent disclosure made to a selected group, whether the companies make the same disclosure publicly to all others as soon as practicable			/		
Information about whether the corporate governance framework ensures the equitable treatment of all shareholders, including minority and foreign shareholders		/				
Information about whether all shareholders have the opportunity to obtain effective redress for any violation of their rights		/				
Information about whether any changes in voting rights are subject to approval by those classes of shares which are negatively affected		/				
Information about whether the board facilitates the AGM in such a way that they encourage equal treatment for all shareholders		/			/	
Inside information						
Information about whether there are guidelines on keeping and protecting inside information	Details about the guidelines on keeping and protecting inside information				/ MD (ENH)	For the general item: Thai IOD (2004) For the enhanced item: SET (2005)
	Statement of compliance with the guidelines on keeping and protecting inside information					SET (2005)
Rights of shareholders						
Information about whether the corporate governance framework protects and facilitates the exercise of shareholders' rights	Examples of shareholders' rights	/				
Information about whether shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes	Examples of related fundamental corporate changes	/				Carson (1996)
Information about whether shareholders, including institutional shareholders, are allowed to consult with each other on issues concerning their basic shareholder rights, subject to exceptions to prevent abuse		/				
Information about the facilitation of the effective shareholder participation in key		/				

Items		Sources				
General items	Enhanced items	OECD	M	S	T	Prior studies
corporate governance decisions, such as the nomination and election of board members						
Information about capital structures and arrangements enabling certain shareholders to obtain a degree of control disproportionate to their equity ownership		/				
Role of stakeholders in corporate governance						
Information about whether there is an establishment of a policy on stakeholders' rights	Details about the policy on stakeholders' rights					SET (2001)
	Statement of compliance with the policy on stakeholders' rights					SET (2001)
Information about whether stakeholders are able to freely communicate their concerns about illegal or unethical practices to the board and whether their rights are compromised by doing this	Information about whether there is a senior independent non-executive director of a board to whom concerns may be conveyed	/	/			
Information about whether the board ensures that stakeholders' rights are protected and treated with care					/	
Where stakeholder interests are protected by law, an explanation of whether they have the opportunity to obtain effective redress for violation of their rights		/				
Where stakeholders participate in the corporate governance process, an explanation of whether they have access to relevant, sufficient and reliable information on a timely and regular basis		/				

M, S, T stands for Malaysia, Singapore and Thailand.
/ means that both general and enhanced items are discussed in the codes or principles of corporate governance, or the disclosure requirements in each country. The exception is when 'GEN' or 'ENH' is included in brackets. This means that only general item or enhanced item is discussed, respectively.
MD stands for mandatory disclosure, i.e. the item is required to be disclosed according to the requirements in each country.

Appendix 4-D: Examples of sentences in annual reports in relation to some of the checklist items

General items	Enhanced items
Information about whether there are objective performance criteria for evaluating the performance of the board **Example:** • 'The assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities.' (Oversea-Chinese Banking Corporation Limited, p.33)	Quantitative performance criteria in evaluating performance of the board **Example:** • 'The set of performance criteria includes the Company's share price performance over a five year period benchmarked against the Singapore Straits Times Index and against the benchmark index of the Company's industry peers, return on assets, return on equity and profitability on capital employed ...' (Parkway Holdings Limited, p.92)
	Qualitative performance criteria in evaluating performance of the board **Example:** • 'The performance criteria for the Board evaluation are in respect of Board size and composition, Board independence, Board processes, Board information and accountability, management in adversity...' (Keppel Corporation, p.49)
Information about whether the board examines its size, with a view to determining the impact of the number upon its effectiveness **Example:** • 'The Board has reviewed its composition, ..., and is satisfied that the current size of the Board is appropriate and allows for effective decision making.' (City Developments Limited, p.37)	Factors in determining the size of the board **Example:** • 'The Board believes that the current size is appropriate based on the Company's circumstances and according to the guidelines for Government Linked Companies, where smaller Boards are encouraged.' (Telekom Malaysia Berhad, p.42)
Information about whether any further training is provided to directors, particularly on relevant new laws and regulations and changing commercial risks **Example:** • 'Apart from keeping the Board informed of all relevant new laws and regulations, ..., and also has an on-going training budget for existing Directors to attend any training programme in connection with their duties as Directors.' (Singapore Land Limited, p.11)	Details about the on-going training provided to directors **Example:** • 'In addition, seminars and conferences organised by the relevant regulatory authorities and professional bodies on, inter-alia, areas relevant to the Bank's operations; Directors' responsibilities, and corporate governance issues, as well as on changes to statutory requirements and regulatory guidelines, are informed to the Directors, for their participation in such seminars and conferences.' (Public Bank Berhad, p.56)

General items	Enhanced items

Information about whether the meaning of 'independence' is defined
Example:
• 'Three (3) directors are independent as defined under the Listing Requirements of Bursa Malaysia Securities Berhad.' (Commerce Asset-Holding Berhad, p.72)
	Meaning of 'independence'
	Example:
	• 'Qualifications of Independent Directors of the Company :
	  • They must not hold shares exceeding 2 percent, including shares held by a related person, of paid-up capital of the listed company or of an affiliated, an associated company or a related company.
	  • They must not be involved in the day-to-day management of the Company or an affiliated company, an associated company or a related company, or with the major shareholders of the Company…' (Precious Shipping Public Company Limited, p.58)

Information about whether there is a separation of the roles of CEO and chairman **Example:** • 'To ensure that there is a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are separated and clearly defined.' (Sarawak Enterprise Corporation Berhad, p.20)	Explanation for the decision to combine the roles of CEO and chairman **Example:** • 'The Board is mindful of the dual roles of Chairman and Chief Executive held by Tan Sri Lim Kok Thay but is of the view that there are sufficient experienced and independent - minded Directors on the Board to provide the assurance that there is sufficient check and balance.' (Genting Berhad, p.40)
	Relationship between the CEO and chairman where they are related to each other (i.e. members of the same immediate family) **Example:** • 'Even though Mr. Vichai Bencharongkul, one of the two Co-Chief Executive Officers, is a brother of Mr. Boonchai Bencharongkul, the Chairman of the Board of Directors, …' (Total Access Communication Public Company Limited, p.31)

Information contains in brackets shows the company name and the page number in the annual report of the year 2004.

Appendix 4-E: Examples of the separation of sentence into pieces of information

Full sentence	Separation of sentence	Reference to the items in the checklist
'The performance criteria for the Board evaluation are in respect of Board size and composition, Board independence, Board processes, Board information and accountability, management in adversity, …., and financial targets such as return on equity, debt/equity ratio, dividend pay-out ratio and earnings per share.' (Keppel Corporation, p.49)	• The performance criteria for the Board evaluation are in respect of Board size and composition, Board independence, Board processes, Board information and accountability, management in adversity, … • …, and financial targets such as return on equity, debt/equity ratio, dividend pay-out ratio and earnings per share.	• Qualitative performance criteria in evaluating performance of the board • Quantitative performance criteria in evaluating performance of the board
'The Board has reviewed its composition, taking into account the scope and nature of the operations of the Group, and is satisfied that the current size of the Board is appropriate and allows for effective decision making.' (City Developments Limited, p.37)	• The Board has reviewed its composition …, and is satisfied that the current size of the Board is appropriate and allows for effective decision making. • …, taking into account the scope and nature of the operations of the Group, …	• Information about whether the board examines its size, with a view to determining the impact of the number upon its effectiveness • Factors in determining the size of the board
'Apart from keeping the Board informed of all relevant new laws and regulations, the Company has an orientation programme for new Directors, ….' (Singapore Land Limited, p.11)	• Apart from keeping the Board informed of all relevant new laws and regulations, … • …, the Company has an orientation programme for new Directors, …	• Information about whether any further training is provided to directors, particularly on relevant new laws and regulations and changing commercial risks • Information about whether there is an orientation program for new recruits to the board
'The RC [Remuneration Committee] has held only one (1) meeting during the period which was attended by all members.' (IGB Corporation Berhad, p.38)	• The RC [Remuneration Committee] has held only one (1) meeting during the period … • …which was attended by all members.	• Frequency of remuneration committee meetings • Members' attendance at remuneration committee meetings

Information contains in brackets shows the company name and the page number in the annual report of the year 2004.

Appendix 4-F: Standardisation method

This study follows the method of standardising provided in Beretta and Bozzolan (2004). The equation is shown below:

$$INDEX_{ij}^{s} = \frac{INDEX_{ij} - \min(INDEX_{i})}{\max(INDEX_{i}) - \min(INDEX_{i})}$$

where

$INDEX_{ij}^{s}$	= standardised corporate governance disclosure index for component i for company j
$INDEX_{ij}$	= observed corporate governance disclosure index for component i for company j
min and max	= the minimum and maximum index, respectively, for component i

Appendix 4-G: Questions

Part One: General questions

	Questions	SRQs	Thesis section
1.	**Listed companies**		
a.	Who decides and what factors influence their decisions in relation to corporate governance disclosure?	7 and 8	8.4 and 8.5
b.	How important is corporate governance disclosure to the market value of your company and for what reasons?	9 and 10	8.2.1.1 and 9.2.1
c.	What types of corporate governance information do you think are important to investors in the market?	9	9.2.1.2
d.	Can you suggest any reasons for very high corporate governance disclosure for listed companies in Thailand, in comparison to Malaysia and Singapore, and the lower corporate governance disclosure in Singapore, in comparison to Malaysia and Thailand?	7 and 8	8.4.3
e.	What other channels, besides the annual report, does your company use in disclosing corporate governance information, and what motivations are there for providing those channels of information?	6	8.2.2
f.	Are there other user groups who use your corporate governance information? Please specify.	6	8.2.4
g.	Please place in order of importance to the investors in the market, the following types of corporate governance information (where 1 indicates the most important type of information):	9	9.2.1.2
	• Codes or principles of corporate governance		
	• Board of directors		
	• Audit and internal control		
	• Nomination of directors		
	• Remuneration of directors and executives		
	• Stakeholders information, please state the types of stakeholders		
	• Others (please specify)		
2.	**Investment analysts**		
a.	Does corporate governance matter when you make an investment decision?	9 and 10	8.2.1.1 and 9.2.1
b.	What areas of corporate governance information are of interest to you and affect your investment decision?	9	8.2.1.1
c.	How do you obtain corporate governance information of listed companies?	6	8.2.2
d.	How much importance do you place on corporate governance information disclosed in a company's annual report?	6	8.2.2
e.	How reliable and credible do you think is corporate governance information disclosed in the annual report?	6	8.2.3
f.	Why do you think some companies provide extensive corporate governance information, while others are more secretive, and what do you think are the influencing factors?	7 and 8	8.4 and 8.5
g.	Are there any areas of corporate governance information you would like to see improved in terms of a company's annual report disclosure?	6	8.2.1.1
h.	In relation to (g) above, do you think a development in the corporate governance disclosure regulations is required?	6	8.2.1.1
i.	Please place in order of importance to the investors in the market, the following types of corporate governance information (where 1 indicates the most important type of information):	9	8.2.1.1
	• Codes or principles of corporate governance		
	• Board of directors		

	Questions	SRQs	Thesis section
	• Audit and internal control		
	• Nomination of directors		
	• Remuneration of directors and executives		
	• Stakeholders information, please state the types of stakeholders		
	• Others (please specify)		
3.	**External auditors**		
a.	How reliable and credible do you think is corporate governance information disclosed in the annual report?	6	8.2.3
b.	Why do you think some companies provide extensive corporate governance information, while others are more secretive, and what do you think are the influencing factors?	7 and 8	8.4 and 8.5
c.	Are there any areas of corporate governance information you would like to see improved in terms of a company's annual report disclosure?	6	8.2.1.1
d.	In relation to (c) above, do you think a development in the corporate governance disclosure regulations is required?	6	8.2.1.1
4.	**Regulators**		
a.	Are you satisfied with the way listed companies disclose corporate governance practices in their annual reports?	6	8.2.1.1
b.	How reliable and credible do you think is corporate governance information disclosed in the annual report?	6	8.2.3
c.	Why do you think some listed companies provide extensive corporate governance information, while others are more secretive, and what do you think are the influencing factors?	7 and 8	8.4 and 8.5
d.	Do you think the current regulations with regard to corporate governance disclosure in the annual report satisfy the needs of users, for example, investors in the market? If not, in which areas should they be developed?	6	8.2.1.1

Part Two: Questions related to statistical findings

	Questions	SRQs	Thesis section
A.	Which of the following do you think are the factors influencing corporate governance disclosure in the annual report and what could be the direction of the impact?	7 and 8	8.4 and 8.5
	• Codes or principles of corporate governance		
	• Listing requirements		
	• International comparison		
	• Management accountability		
	• Quality of management		
	• Desire to boost a company's image		
	• Demand for information (please specify user groups)		
	• Proportion of independent non-executive directors on the board		
	• The separation of the roles of CEO and chairman		
	• Independence of the board chairman		
	• Board size		
	• Proportion of shares held by top ten shareholders		
	• Proportion of shares held by executive directors		
	• Need for capital in the market		
	• Listing age		
	• Whether or not the company has multiple listings		
	• Company size		

Questions	SRQs	Thesis section
• Company profitability		
• Company leverage		
• Industry sector		
B. Which of the following do you think are the factors influencing market value of the company and what could be the direction of the impact?	9 and 10	9.2.2 and 9.2.3
• Proportion of independent non-executive directors on the board		
• The separation of the roles of CEO and chairman		
• Independence of the board chairman		
• Board size		
• Proportion of shares held by top ten shareholders		
• Proportion of shares held by executive directors		
• Sales		
• Company leverage		
• Industry sector		
• Listing age		

SRQ stands for specific research question as shown in section 1.4.

CHAPTER 5: ANALYSIS OF THE EXTENT OF CORPORATE GOVERNANCE DISCLOSURE IN ANNUAL REPORTS

5.1 Introduction

This chapter provides answers for specific research question (SRQ) 1 (section 1.4):

SRQ 1: What is the extent of corporate governance disclosure in the annual reports of major companies included in the Kuala Lumpur Composite Index (KLCI), Straits Times Index (STI), and Stock Exchange of Thailand (SET) 50 Index, and do different scoring methods distinguish different aspects of corporate governance disclosure?

a) What is the extent of corporate governance disclosure, both mandatory and voluntary, in the annual reports?

b) Do different corporate governance disclosure scoring methods distinguish different aspects of corporate governance disclosure?

The extent of corporate governance disclosure is measured based on four scoring methods: 1) a dichotomous method, 2) a relative number of text units method, 3) a method adapted from Beattie *et al.* (2004), and 4) a method adapted from Beretta and Bozzolan (2004) (section 4.4.3)[45]. Section 5.2 applies each of the four scoring methods to determine the extent of corporate governance disclosure and discusses whether different methods distinguish different aspects of corporate governance disclosure. Section 5.3 discusses the differences in corporate governance disclosure across Malaysia, Singapore and Thailand based on different scoring methods. Section 5.4 reports and discusses the extent of corporate governance disclosure according to the topics specified in the disclosure checklist (Appendix 4-C). The summary and conclusions are shown in section 5.5.

[45] Beattie *et al.* (2004) and Beretta and Bozzolan (2004) claim that their methods measure quality of disclosure. However, in this thesis, they are regarded as quantity measures because they focus on various measures of the extent of disclosure (see sections 4.4.3.3 and 4.4.3.4 for detailed discussion about the two methods, respectively).

5.2 The extent of corporate governance disclosure in annual reports

5.2.1 A dichotomous method

The results of the scoring using the dichotomous method, based on items in the checklist shown in Appendix 4-C, are described as follows.

5.2.1.1 Total corporate governance disclosure

Table 5-1 shows the descriptive statistics and frequencies of corporate governance disclosure indices based on the dichotomous method.

Table 5-1: Descriptive statistics and frequencies of corporate governance disclosure indices – A dichotomous method

	Malaysia		Singapore		Thailand	
Min	0.30		0.10		0.17	
Max	0.57		0.56		0.58	
Mean	0.45		0.39		0.41	
Median	0.45		0.45		0.42	
Skewness	0.784		-0.988		-0.564	
Kurtosis	-0.290		-0.401		1.800	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	0	0.00	0	0.00	0	0.00
0.80-0.89	0	0.00	0	0.00	0	0.00
0.70-0.79	0	0.00	0	0.00	0	0.00
0.60-0.69	0	0.00	0	0.00	0	0.00
0.50-0.59	6	20.00	9	30.00	3	10.00
0.40-0.49	23	76.67	11	36.67	15	50.00
0.30-0.39	1	3.33	4	13.33	11	36.67
0.20-0.29	0	0.00	0	0.00	0	0.00
0.10-0.19	0	0.00	6	20.00	1	3.33
0.01-0.09	0	0.00	0	0.00	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

The results indicate that the breadth of coverage of corporate governance information is relatively low, despite an examination of the top thirty companies by market capitalisation for each country. The frequency results indicate that the indices are more clustered in Malaysia, where 23 companies scored in the range of 0.40-0.49. Only 6, 9 and 3 companies disclose 50% or more[46] of the applicable items included in the checklist for Malaysia, Singapore, and Thailand, respectively. These findings suggest that even

[46] Wallace (1988) suggests that indices higher than 50% are regarded as good, however the author acknowledges that it is judgemental.

among the highly traded stocks, the extent of corporate governance disclosure can be relatively poor.

5.2.1.2 The analysis of mandatory and voluntary corporate governance disclosure

When all the mandatory items are examined separately from the voluntary items based on the dichotomous method, the results show that listed companies in Singapore have the highest proportion of total voluntary disclosure (90.37%), when compared with Malaysia (76.26%) and Thailand (75.71%) (see Appendix 5-A). The low proportion of mandatory disclosure in Singapore (9.63%), when compared with that of voluntary disclosure, could result from the relatively low number of corporate governance disclosure items which is required to be disclosed (9 items). However, the Pearson product-moment correlations show that Singapore has a significant positive association between mandatory and voluntary disclosures (0.547 at the 1% level)[47]. This suggests that if companies disclose more mandatory items, it is likely that they will also have an incentive to disclose more voluntary items. This is consistent with the argument in Dye (1986) who suggests that there is a complement between mandatory and voluntary disclosures when the mandatory information is comprised of non-proprietary information.

The significant correlations between mandatory and voluntary disclosures seem to be unique only to Singapore. There does not seem to be any significant interaction between mandatory and voluntary disclosures in Malaysia and Thailand. This implies that factors affecting voluntary corporate governance disclosure in Malaysia and Thailand may be different from those of mandatory items. This justifies separate examination of the mandatory and voluntary disclosures relating to factors influencing corporate governance disclosure, as reported and discussed in section 6.4.3 in Chapter 6.

Table 5-2 shows the proportion of listed companies disclosing each mandatory item for Malaysia, Singapore and Thailand separately. There are a total of 26, 9 and 26 mandatory items for Malaysia, Singapore and Thailand, respectively. The significant findings are discussed as follows.

[47] Throughout this chapter, because of the non-normality of the disclosure scores, correlations shown are based on normal scores. However, the Pearson product-moment correlations and the Spearman's rank order correlations based on the actual scores are also tested and the results are similar.

Table 5-2: Proportion of listed companies in the sample disclosing each mandatory item

Items	Proportion of companies in the sample disclosing each corporate governance item (%)		
	Malaysia	Singapore	Thailand
A statement as to whether or not the company has complied with the codes/principles and a summary of situations and the reasons for not being able to apply some of the codes/principles at that moment. If company fully complies with the codes/principles, then disclosure of this fact	60.00	20.00	0.00
Names of directors	100.00	100.00	100.00
Key information regarding directors	100.00	96.67	100.00
Types of directors on the board	100.00	Non-mandatory item	Non-mandatory item
Frequency of board meetings	100.00	Non-mandatory item	100.00
Members' attendance at board meetings	100.00	Non-mandatory item	96.67
Information about whether an audit committee has been established	Non-mandatory item	Non-mandatory item	100.00
Names of audit committee members	100.00	Non-mandatory item	100.00
Responsibilities of the audit committee	Non-mandatory item	Non-mandatory item	100.00
Activities performed by the audit committee	100.00	Non-mandatory item	Non-mandatory item
Frequency of audit committee meetings	100.00	Non-mandatory item	Non-mandatory item
Members' attendance at audit committee meetings	100.00	Non-mandatory item	Non-mandatory item
A statement by the audit committee that it has undertaken the necessary review and that the provision of the non-audit services by the auditors would not, in its opinion, affect the independence of the auditors	Non-mandatory item	80.00	Non-mandatory item
Audit fees	80.00	Non-mandatory item	60.00
Non-audit service fees paid to external auditors	89.66	75.00	57.69
Narrative explanation of the nature of non-audit services	Non-mandatory item	Non-mandatory item	50.00
Information about whether audit fees and non-audit service fees paid to external auditors are disclosed separately	Non-mandatory item	Non-mandatory item	55.56
Information about whether an internal audit unit has been established	96.67	Non-mandatory item	Non-mandatory item
Responsibilities of the internal audit unit	75.86	Non-mandatory item	Non-mandatory item
Information about whether a separate internal control statement is presented	100.00	Non-mandatory item	Non-mandatory item
Comments on the adequacy and integrity of the system of internal control	40.00	Non-mandatory item	93.33
A summarised explanation on how the company has obtained assurances about the adequacy and integrity of its system of internal control, when there is an absence of an internal audit function	0.00*	Non-mandatory item	Non-mandatory item
The process the board has applied (where applicable, through its committees) in reviewing the adequacy and the integrity of the system of internal control	30.00	Non-mandatory item	Non-mandatory item
Explanation that a system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss	100.00	Non-mandatory item	Non-mandatory item

Items	Proportion of companies in the sample disclosing each corporate governance item (%)		
	Malaysia	**Singapore**	**Thailand**
An acknowledgement by the board that it is responsible for the system of internal control and for reviewing its adequacy and integrity	100.00	Non-mandatory item	Non-mandatory item
The process applied to deal with material internal control aspects of any significant problems	6.67	Non-mandatory item	Non-mandatory item
Information about whether a nomination committee has been established	Non-mandatory item	Non-mandatory item	90.00
Names of nomination committee members	Non-mandatory item	Non-mandatory item	87.50
Responsibilities of the nomination committee	Non-mandatory item	Non-mandatory item	79.17
Factors in determining the directors for nomination	Non-mandatory item	Non-mandatory item	46.67
Information about whether a remuneration committee has been established	Non-mandatory item	Non-mandatory item	93.33
Names of remuneration committee members	Non-mandatory item	79.31	91.67
Responsibilities of the remuneration committee	Non-mandatory item	Non-mandatory item	87.50
Information about total remuneration of directors	93.33	90.00	96.67
Details of the remuneration of each director	Non-mandatory item	Non-mandatory item	93.33
Details about directors' remuneration in bands	86.67	Non-mandatory item	Non-mandatory item
Details about directors' remuneration, categorised into executive and non-executive directors payments	86.67	Non-mandatory item	Non-mandatory item
The important details about the share options	85.71	96.43	39.29
Details about the procedures for handling conflict of interest	Non-mandatory item	Non-mandatory item	96.67
Information about whether the board members are required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation	100.00	80.00	30.00
Details about the guidelines on keeping and protecting inside information	Non-mandatory item	Non-mandatory item	86.67

The proportion of companies (%) shown in the table is the total number of companies disclosing each item, as a percentage of the total number of applicable companies.

* Only one listed company state that it does not have an internal audit function. Therefore, this item is applicable only to this company. The proportion of companies for this item is 0.00 because this company does not disclose any information related to the item.

Overall, Table 5-2 shows that most of the mandatory items are disclosed by at least 50% of companies in the sample. These results suggest that mandatory requirements could have a positive influence on the corporate governance disclosure of listed companies (see the views of both preparers and users of corporate governance information regarding this issue in section 8.5.2). For example, as shown in Table 5-3, for items which are mandatory in Thailand only, the proportion of Thai listed companies disclosing information is the highest, compared with those of Malaysia and Singapore (Appendix 5-B shows the proportion of listed companies disclosing each of the 191 items, both mandatory and voluntary, in the checklist across Malaysia, Singapore and Thailand).

Table 5-3: Examples of comparison of proportion of listed companies in the sample disclosing items which are only mandatory in Thailand

Items	Malaysia	Singapore	Thailand
Details of the remuneration of each director	23.33%	60%	93.33%
Details about the procedures for handling conflict of interest	3.33%	10%	96.67%

Table 5-2 also shows that in relation to the item about 'a statement as to whether or not the company has complied with the codes/principles and a summary of situations and the reasons for not being able to apply some of the codes/principles at that moment ...', 60%, 20% and 0% of listed companies in Malaysia, Singapore and Thailand disclose the information. These findings may suggest that companies only discuss their good governance in the annual reports, not the non-compliance with the codes or principles. This could lead to difficulties for the market participants when evaluating the suitability of the governance conduct of the listed companies. The researcher argues that if companies fully comply with the codes or principles, they should disclose this fact in their annual reports to distinguish themselves from the non-compliant companies. This is consistent with signalling theory (see section 2.3.5). The revised code of corporate governance issued in 2005 for Singapore has taken this issue into consideration. The code suggests the incorporation of positive confirmation at the start of the corporate governance section of the annual report if the company has complied with the guidelines (Ministry of Finance, 2005).

Another noteworthy item is that concerning the process the board has applied (where applicable, through its committees) in reviewing the adequacy and the integrity of the system of internal control. Although listed companies in Malaysia are required to disclose this information, only 30% of the listed companies do so. This implies that although the regulatory body sees this information as important, the company may not see the need to disclose the information. This could be because most of the companies (86.67%) in the Malaysian sample do already provide information about the key components of their internal control systems (see Appendix 5-B). This raises the question of whether or not this item needs to be mandated by the regulatory body. As seen in Table 5-2, Singapore and Thailand leaves judgement to the listed companies. Future researchers may decide to exclude this item from the checklist if the researcher decides that disclosure of the key components of the system of internal control can be regarded as either conveying a similar message or providing adequate information for market participants to assess the company's internal control system.

Table 5-2 also shows that regulatory body in Thailand also pay higher attention, when compared with Malaysia and Singapore, on information about committees who are delegated to deal with specific issues such as nomination and remuneration of directors. This suggests that it may be more important for a less developed country to raise stakeholder confidence about the efficiency and effectiveness of the management of listed companies, especially following the 1997 Asian economic crisis. Additionally, Thai regulatory body also focuses on information about procedures for handling conflict of interest and guidelines on keeping and protecting inside information. This implies that a country with a weaker institutional governance structure may have more desire to assure stakeholders about the ethical and moral conduct of management, consistent with the purpose of corporate governance disclosure in Thailand discussed in section 1.2. These findings can be related to environmental determinism theory (see section 2.3.7).

5.2.2 A relative number of text units method

5.2.2.1 Total corporate governance disclosure

Table 5-4 shows the descriptive statistics and frequencies of corporate governance disclosure indices based on the relative number of text units method. The relative number of text units is computed by dividing the total number of corporate governance text units by the total number of pages in the annual report (see section 4.4.3.2). The index reflects the significance of corporate governance information perceived by the listed companies in relation to other information disclosed in the annual report.

Table 5-4: Descriptive statistics and frequencies of corporate governance disclosure indices – A relative number of text units method

	Malaysia		Singapore		Thailand	
Min	0.34		0.16		0.21	
Max	1.12		0.85		1.31	
Mean	0.68		0.48		0.56	
Median	0.62		0.47		0.51	
Skewness	0.498		0.357		0.883	
Kurtosis	-0.716		-0.416		0.711	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
1.30-1.39	0	0.00	0	0.00	1	3.33
1.20.1.29	0	0.00	0	0.00	0	0.00
1.10-1.19	2	6.67	0	0.00	0	0.00
1.00-1.09	2	6.67	0	0.00	0	0.00
0.90-0.99	2	6.67	0	0.00	2	6.67
0.80-0.89	3	10.00	2	6.67	4	13.33
0.70-0.79	4	13.33	3	10.00	2	6.67
0.60-0.69	4	13.33	1	3.33	2	6.67
0.50-0.59	7	23.33	6	20.00	5	16.67
0.40-0.49	4	13.33	9	30.00	3	10.00
0.30-0.39	2	6.67	4	13.33	7	23.33
0.20-0.29	0	0.00	4	13.33	4	13.33
0.10-0.19	0	0.00	1	3.33	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

The relative number of text units reported in the table shows that the relative significance which companies place on the communication of corporate governance information varies across companies in each country. These findings are inconsistent with the breadth of corporate governance disclosure, measured by the dichotomous method, which seems to be clustered in the range of 0.30-0.59 (see Table 5-1). This suggests that different corporate governance disclosure scoring methods can lead to different findings in relation to the extent of disclosure, thereby justifying further investigation into the robustness of the association testing.

5.2.2.2 The analysis of mandatory and voluntary corporate governance disclosure

When the mandatory items are examined separately from the voluntary items, based on the actual number of text units, the results show that listed companies in Singapore have the highest proportion of total voluntary disclosure (93.21%), when compared with Malaysia (63.19%) and Thailand (70.80%)[48] (see Appendix 5-C). This is consistent with findings based on the dichotomous method. The Pearson product-moment correlations show that all three countries have a significant positive association between mandatory and voluntary disclosures (0.367 at the 5% level, 0.420 at the 5% level, and 0.526 at the 1% level for Malaysia, Singapore and Thailand, respectively). These findings suggest that the number of text units being voluntarily disclosed by listed companies in these three countries is partially related to the number of mandatory text units disclosed. The findings imply that the higher the disclosure requirement, the higher the possibility that companies will provide higher number of text units in their annual reports. This suggests that, in relation to number of text units, companies may have an incentive to disclose both mandatory and voluntary items, possibly to help stakeholders understand about their corporate governance or in an attempt to enhance management image.

5.2.3 A method adapted from Beattie et al. (2004)

5.2.3.1 Corporate governance disclosure components

Beattie *et al.* (2004) argue that in order to obtain a richer understanding of disclosure, all the components of disclosure should be considered (see detailed discussion about the method adapted from Beattie *et al.*, 2004 in section 4.4.3.3). Table 5-5 shows the descriptive statistics and frequencies of corporate governance disclosure scores with regard to the four disclosure components adapted from Beattie *et al.* (2004).

[48] The results reported are based on the assumption that all text units associated with mandatory items are considered mandatory. However, readers should be aware that the regulatory bodies do not specify exactly the wordings which companies have to use in relation to corporate governance disclosure. This provides flexibility in terms of the actual disclosure, hence these text units may not be entirely mandatory. This issue limits further investigation about mandatory and voluntary disclosures for the method adapted from Beattie *et al.* (2004) and Beretta and Bozzolan (2004).

Table 5-5: Descriptive statistics and frequencies of corporate governance disclosure scores - Components adapted from Beattie *et al*. (2004)

	Relative amount of disclosure *(RD)*					
	Malaysia		Singapore		Thailand	
Min	-0.60		-2.29		-1.46	
Max	1.65		1.51		2.23	
Mean	0.38		-0.74		0.36	
Median	0.35		-0.84		0.36	
Skewness	0.096		0.424		0 088	
Kurtosis	-0.634		0.187		-0.796	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
2 00 - 2.49	0	0.00	0	0.00	2	6.67
1.50 - 1.99	1	3.33	1	3.33	2	6.67
1.00 - 1.49	4	13.33	1	3.33	5	16.67
0.50 - 0.99	6	20.00	0	0.00	4	13.33
0.01 - 0.49	11	36.67	4	13.33	5	16.67
0	0	0.00	0	0.00	0	0.00
(0.01) - (0.49)	5	16.67	6	20.00	5	16 67
(0.50) - (0.99)	3	10.00	6	20.00	5	16.67
(1.00) - (1.49)	0	0.00	6	20.00	2	6.67
(1.50) - (1.99)	0	0.00	3	10.00	0	0.00
(2.00) - (2.49)	0	0.00	3	10.00	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

	Spread of disclosure across main topics *(1-MainH)*					
	Malaysia		Singapore		Thailand	
Min	0.59		0.58		0.63	
Max	0.77		0.80		0.80	
Mean	0.67		0.73		0.75	
Median	0.66		0.76		0.76	
Skewness	0.107		-1.295		-1.508	
Kurtosis	-0.714		0.467		2.674	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	0	0.00	0	0.00	0	0.00
0.80-0.89	0	0.00	1	3.33	2	6.67
0.70-0.79	9	30.00	22	73.33	25	83.33
0.60-0.69	19	63.33	5	16.67	3	10.00
0.50-0.59	2	6.67	2	6.67	0	0.00
0.40-0.49	0	0.00	0	0.00	0	0.00
0.30-0.39	0	0.00	0	0.00	0	0.00
0.20-0.29	0	0.00	0	0.00	0	0.00
0.10-0.19	0	0.00	0	0.00	0	0.00
0.01-0.09	0	0.00	0	0.00	0	0.00
0	0	0.00	0	0.00	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

	Spread of disclosure across sub-topics *(1-SubH)*					
	Malaysia		Singapore		Thailand	
Min	0.77		0.68		0.84	
Max	0.92		0.92		0.94	
Mean	0.85		0.86		0.90	
Median	0.86		0.90		0.90	
Skewness	-0.060		-1.456		-0.907	
Kurtosis	-0.383		0.488		1.459	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	5	16.67	18	60.00	22	73.33
0.80-0.89	23	76.67	6	20.00	8	26.67
0.70-0.79	2	6.67	4	13.33	0	0.00
0.60-0.69	0	0.00	2	6.67	0	0.00
0.50-0.59	0	0.00	0	0.00	0	0.00
0.40-0.49	0	0.00	0	0.00	0	0.00
0.30-0.39	0	0.00	0	0.00	0	0.00
0.20-0.29	0	0.00	0	0.00	0	0.00
0.10-0.19	0	0.00	0	0.00	0	0.00
0.01-0.09	0	0.00	0	0.00	0	0.00
0	0	0.00	0	0.00	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

	Relative number of non-empty sub-topics *(NE)*					
	Malaysia		Singapore		Thailand	
Min	0.69		0.28		0 41	
Max	0.93		0.90		0.93	
Mean	0.76		0.69		0.79	
Median	0.74		0.76		0.79	
Skewness	0.945		-1.204		-1.690	
Kurtosis	-0.086		-0.055		5.610	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	3	10.00	1	3.33	5	16.67
0.80-0.89	5	16.67	11	36.67	7	23.33
0.70-0.79	17	56.67	9	30.00	14	46.67
0.60-0.69	5	16.67	2	6.67	3	10.00
0.50-0.59	0	0.00	1	3.33	0	0.00
0.40-0.49	0	0.00	0	0.00	1	3.33
0.30-0.39	0	0.00	5	16 67	0	0.00
0.20-0.29	0	0.00	1	3.33	0	0.00
0.10-0.19	0	0.00	0	0.00	0	0.00
0.01-0.09	0	0 00	0	0.00	0	0.00
0	0	0.00	0	0.00	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

The relatively high scores for all three spread measures (i.e. *1-MainH*, *1-SubH*, and *NE*) across the three countries suggest that management have made an effort in covering a range of corporate governance topics when preparing their annual reports. This suggests that it may realise the significance and potential benefits for their companies in disclosing each corporate governance topic (see discussion about the views of preparers and users of corporate governance information on benefits of disclosure in section 8.5.9). Finally, the relative amount of disclosure (*RD*), measured by comparing the actual disclosure with the expected amount, is shown to be rather spread across companies in each country. This suggests that variations in disclosure can still occur even for companies which are large in size, implying differences in factors influencing corporate governance disclosure.

The Pearson product-moment correlations between the four components for the pooled data (incorporating Malaysia, Singapore and Thailand) are shown in Table 5-6[49]. The significant correlations between *1-MainH*, *1-SubH* and *NE* are expected because they are all the measures of spread. With regard to the sub-topics, the proportion of corporate governance disclosure could affect the main topics which are at the higher level of groupings. In terms of the correlations between relative amount of disclosure and the spread of disclosure, none of these are significant, suggesting that employing these two main dimensions in measuring corporate governance disclosure could help capture different aspects regarding the extent of disclosure, and could also help form an understanding of the ways each particular company discloses their corporate governance information. This justifies exploration of the robustness of association testing to these two main corporate governance disclosure dimensions.

Table 5-6: Pearson product-moment correlations between corporate governance disclosure components adapted from Beattie *et al.* (2004)

	RD	*1-MainH*	*1-SubH*
1-MainH	0.070		
1-SubH	0.259	0.765***	
NE	0.316	0.331***	0.577***

RD, *1-Main H*, *1-SubH*, and *NE* are the relative amount of disclosure, spread of disclosure across main topics, spread of disclosure across sub-topics, and relative number of non-empty sub-topics, respectively (see full discussion in section 4.4.3.3).
*** correlation is significant at the 1% level (2-tailed).

[49] The findings for individual countries are also similar but they are not reported for economy of space.

5.2.3.2 Composite corporate governance disclosure index

Beattie *et al.* (2004) argue that in order to obtain a richer understanding of disclosure, the way in which the components are combined should also be considered (see detailed discussion about the method adapted from Beattie *et al.*, 2004 in section 4.4.3.3). The descriptive statistics and frequencies of the composite corporate governance disclosure indices are reported in Table 5-7.

Table 5-7: Descriptive statistics and frequencies of composite corporate governance disclosure indices – A method adapted from Beattie *et al.* (2004)

	Malaysia		Singapore		Thailand	
Min	0.41		0.04		0.50	
Max	0.79		0.87		0.93	
Mean	0.60		0.60		0.75	
Median	0.59		0.73		0.75	
Skewness	0.120		-1.293		-0.145	
Kurtosis	-0.760		0.143		-0.405	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	0	0.00	0	0.00	3	10.00
0.80-0.89	0	0.00	4	13.33	8	26.67
0.70-0.79	6	20.00	12	40.00	9	30.00
0.60-0.69	7	23.33	6	20.00	9	30.00
0.50-0.59	12	40.00	2	6.67	1	3.33
0.40-0.49	5	16.67	0	0.00	0	0.00
0.30-0.39	0	0.00	0	0.00	0	0.00
0.20-0.29	0	0.00	0	0.00	0	0.00
0.10-0.19	0	0.00	4	13.33	0	0.00
0.01-0.09	0	0.00	2	6.67	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

The composite corporate governance disclosure index based on the method adapted from Beattie *et al.* (2004) shows the combined effect of disclosure components. In particular, the composite index is the arithmetic mean of the four disclosure components discussed in section 5.2.3.1, after the standardisation of each component[50]. The results in Table 5-7 show that, overall, the top thirty companies in each country, based on market capitalisation, which are likely to be the main focus of international investors, produce high levels of corporate governance disclosure (over 0.50 in most of the companies). This might not be surprising because of the relatively high indices for all the spread measures.

[50] The standardisation method is shown in Appendix 4-F.

5.2.4 A method adapted from Beretta and Bozzolan (2004)

5.2.4.1 Corporate governance disclosure components

Table 5-8 provides the descriptive statistics and frequencies of corporate governance disclosure indices with regard to the four disclosure components adapted from Beretta and Bozzolan (2004).

The results of the depth index (*DPT*) and the outlook profile index (*OPR*) are rather poor. This suggests that despite companies' efforts at covering a range of corporate governance topics, they have still not provided adequate detailed information which might help users gain a better understanding of corporate governance practices. Additionally, the results suggest a low level of disclosure with regard to the policies set to demonstrate how the company deals with the corporate governance issues it faces and how management intends to manage the company in the future. The findings of density index (*DEN*) are rather widely spread, suggesting that relative significance which companies place on the communication of corporate governance information varies across companies in each country. This is consistent with the findings of the relative number of text units index (see section 5.2.2.1) and implies that the attitude of company management on corporate governance may play a significant part on influencing disclosure. By construct, the relative quantity index (*RQT*) is the same as relative amount of disclosure (*RD*) discussed in section 5.2.3.1 (see section 4.4.3.4 for the discussion).

Table 5-8: Descriptive statistics and frequencies of corporate governance disclosure indices - Components adapted from Beretta and Bozzolan (2004)

	Relative quantity index *(RQT)*					
	Malaysia		Singapore		Thailand	
Min	-0.60		-2.29		-1.46	
Max	1.65		1.51		2.23	
Mean	0.38		-0.74		0.36	
Median	0.35		-0.84		0.36	
Skewness	0.096		0.424		0.088	
Kurtosis	-0.634		0.187		-0.796	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
2.00 - 2.49	0	0.00	0	0.00	2	6.67
1.50 - 1.99	1	3.33	1	3.33	2	6.67
1.00 - 1.49	4	13.33	1	3.33	5	16.67
0.50 - 0.99	6	20.00	0	0.00	4	13.33
0.01 - 0.49	11	36.67	4	13.33	5	16.67
0	0	0.00	0	0.00	0	0.00
(0.01) - (0.49)	5	16.67	6	20.00	5	16.67
(0.50) - (0.99)	3	10.00	6	20.00	5	16.67
(1.00) - (1.49)	0	0.00	6	20.00	2	6.67
(1.50) - (1.99)	0	0.00	3	10.00	0	0.00
(2.00) - (2.49)	0	0.00	3	10.00	0	0.00
Total	30	100.00	30	100.00	30	100.00

	Density index *(DEN)*					
	Malaysia		Singapore		Thailand	
Min	0.59		0.17		0.51	
Max	2.47		1.42		2.45	
Mean	1.16		0.78		1.26	
Median	1.10		0.81		1.22	
Skewness	1.243		0.155		0.522	
Kurtosis	2.073		-0.696		-0.087	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
2.25-2.49	1	3.33	0	0.00	1	3.33
2.00-2.24	0	0.00	0	0.00	2	6.67
1.75-1.99	1	3.33	0	0.00	2	6.67
1.50-1.74	2	6.67	0	0.00	4	13.33
1.25-1.49	6	20.00	3	10.00	4	13.33
1.00-1.24	6	20.00	4	13.33	8	26.67
0.75-0.99	10	33.33	10	33.33	3	10.00
0.50-0.74	4	13.33	5	16.67	6	20.00
0.25-0.49	0	0.00	7	23.33	0	0.00
0.01-0.24	0	0.00	1	3.33	0	0.00
0	0	0.00	0	0.00	0	0.00
Total	30	100.00	30	100.00	30	100.00

	Depth index *(DPT)*					
	Malaysia		Singapore		Thailand	
Min	0.31		0.08		0.15	
Max	0.59		0.55		0.59	
Mean	0.46		0.37		0.45	
Median	0.46		0.42		0.44	
Skewness	-0.180		-0.953		-1.465	
Kurtosis	1.023		-0.520		5.125	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	0	0.00	0	0.00	0	0.00
0.80-0.89	0	0.00	0	0.00	0	0.00
0.70-0.79	0	0.00	0	0.00	0	0.00
0.60-0.69	0	0.00	0	0.00	0	0.00
0.50-0.59	7	23.33	2	6.67	6	20.00
0.40-0.49	20	66.67	18	60.00	19	63.33
0.30-0.39	3	10.00	2	6.67	4	13.33
0.20-0.29	0	0.00	2	6.67	0	0.00
0.10-0.19	0	0.00	5	16.67	1	3.33
0.01-0.09	0	0.00	1	3.33	0	0.00
0	0	0.00	0	0.00	0	0.00
Total	30	100.00	30	100.00	30	100.00

	Outlook profile index *(OPR)*					
	Malaysia		Singapore		Thailand	
Min	0.01		0.00		0.09	
Max	0.34		0.31		0.48	
Mean	0.06		0.10		0.23	
Median	0.04		0.08		0.22	
Skewness	3.098		1.240		1.019	
Kurtosis	12.472		2.560		0.519	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	0	0.00	0	0.00	0	0.00
0.80-0.89	0	0.00	0	0.00	0	0.00
0.70-0.79	0	0.00	0	0.00	0	0.00
0.60-0.69	0	0.00	0	0.00	0	0.00
0.50-0.59	0	0.00	0	0.00	0	0.00
0.40-0.49	0	0.00	0	0.00	3	10.00
0.30-0.39	1	3.33	1	3.33	3	10.00
0.20-0.29	0	0.00	0	0.00	11	36.67
0.10-0.19	5	16.67	11	36.67	12	40.00
0.01-0.09	24	80.00	17	56.67	1	3.33
0	0	0.00	1	3.33	0	0.00
Total	30	100.00	30	100.00	30	100.00

The Pearson product-moment correlations between the four disclosure components are shown in Table 5-9[51].

Table 5-9: Pearson product-moment correlations between corporate governance disclosure components adapted from Beretta and Bozzolan (2004)

	RQT	*DEN*	*DPT*
DEN	0.446***		
DPT	0.404**	0.388	
OPR	0.199	0.146	0.044

RQT, *DEN*, *DPT*, and *OPR* are the relative quantity index, density index, depth index, and outlook profile index, respectively (see full discussion in section 4.4.3.4).
*** and ** correlations are significant at the 1%level and 5% level, respectively (2-tailed).

The findings show that there is a medium relationship[52] between *RQT* and *DEN* (0.446) and between *RQT* and *DPT* (0.404). Other correlations are not significant. These findings suggest that the disclosure components may help distinguish different aspects of corporate governance disclosure. Relative quantity index can capture the actual disclosure, when compared with the expected amount, thereby showing the relative quantity of disclosure. Density index can indicate management's perception of the relevance and importance of corporate governance information to their stakeholders, in comparison with other pieces of information disclosed in the annual report, while depth index may help capture the depth of corporate governance information provided by companies. Finally, the outlook profile index can capture a company's policies on corporate governance. These findings justify examination of the robustness of association testing to the scoring methods used.

5.2.4.2 Composite corporate governance disclosure index

The descriptive statistics and frequencies of the composite corporate governance disclosure indices are reported in Table 5-10.

[51] The findings for individual countries are also similar but they are not reported for economy of space.
[52] Cohen (1988) suggests that correlation from 0.30 to 0.49 or -0.30 to -0.49 can be regarded as medium relationship.

Table 5-10: Descriptive statistics and frequencies of composite corporate governance disclosure indices – A method adapted from Beretta and Bozzolan (2004)

	Malaysia		Singapore		Thailand	
Min	0.33		0.06		0.17	
Max	0.81		0.65		0.87	
Mean	0.47		0.35		0.57	
Median	0.47		0.39		0.54	
Skewness	1.544		-0.607		-0.339	
Kurtosis	4.419		-0.011		0.991	
Range	Number of Companies	%	Number of Companies	%	Number of Companies	%
0.90-0.99	0	0.00	0	0.00	0	0.00
0.80-0.89	1	3.33	0	0.00	1	3.33
0.70-0.79	0	0.00	0	0.00	4	13.33
0.60-0.69	0	0.00	1	3.33	8	26.67
0.50-0.59	7	23.33	1	3.33	6	20.00
0.40-0.49	16	53.33	12	40.00	9	30.00
0.30-0.39	6	20.00	9	30.00	1	3.33
0.20-0.29	0	0.00	1	3.33	0	0.00
0.10-0.19	0	0.00	3	10.00	1	3.33
0.01-0.09	0	0.00	3	10.00	0	0.00
Total	**30**	**100.00**	**30**	**100.00**	**30**	**100.00**

Like the composite corporate governance disclosure index based on the method adapted from Beattie *et al.* (2004), the composite index based on the method adapted from Beretta and Bozzolan (2004) also shows the combined effect of disclosure components. In particular, the composite index is the arithmetic mean of the four disclosure components discussed in section 5.2.4.1 after the standardisation of each component[53]. The frequencies show that when compared with Malaysia and Singapore, on average, listed companies in Thailand are likely to have higher extent of disclosure where the four components are taken into consideration.

5.2.5 Correlations between different composite corporate governance disclosure indices

This section examines the correlations between the four composite corporate governance disclosure indices measured by: 1) a dichotomous method, 2) a relative number of text units method, 3) a method adapted from Beattie *et al.* (2004), and 4) a method adapted from Beretta and Bozzolan (2004). The Pearson product-moment correlations for the pooled and each country data suggest that there is a low (below 0.40) relationship between each pair of composite corporate governance disclosure indices. This finding

[53] The standardisation method is shown in Appendix 4-F.

suggests that these indices provide different kind of information. Hence, employing different scoring methods may help identify different aspects of corporate governance disclosure. For example, dichotomous index represents breadth of disclosure, while relative number of text units index can reflect the relatively significance which listed companies placed on corporate governance information. While the depth index may help capture the depth of corporate governance information provided by companies, the outlook profile index can capture a company's policies on corporate governance. Hence, it may be worth examining these composite indices further in the association testing of factors influencing corporate governance disclosure (see findings in Chapter 6) and the influence of this disclosure on market perceptions of company performance (see findings in Chapter 7).

There is, however, scope for development of composite scoring methods in future research, where researchers may want to assign weightings to each item or category of corporate governance information. These weightings could be determined based on the average ranking scores obtained from market participants. Another avenue for future research could be an examination of different combinations of the composite corporate governance disclosure index.

5.3 Differences in corporate governance disclosure across Malaysia, Singapore and Thailand based on different scoring methods

To examine whether there are significant differences in the mean disclosure scores or the mean ranks across the three countries, two statistical tests were performed, i.e. one-way between-groups analysis of variance (ANOVA)[54] and non-parametric Kruskal-Wallis Test, respectively[55]. The full results are shown in Appendix 5-D, while a summary of the results is shown in Table 5-11.

[54] The post-hoc tests were employed to identify where the differences lie.
[55] The Sig. value < 0.05 suggests a statistically significant difference for both one-way between-groups analysis of variance and Kruskal-Wallis test (Pallant, 2005).

Table 5-11: Comparisons of the differences in corporate governance disclosure scores across Malaysia, Singapore and Thailand

Disclosure scoring methods	Comparisons of the findings*	Reference to Appendix 5-D
• Composite disclosure – A method adapted from Beretta and Bozzolan (2004)	T > M > S	• Panel D
• Composite disclosure – A method adapted from Beattie *et al.* (2004); • Spread of disclosure across sub-topics; and • Outlook profile index	T > (M = S)	• Panel C • Panel G • Panel K
• Relative amount of disclosure / Relative quantity index; • Density index; and • Depth index	(T = M) > S	• Panel E • Panel I • Panel J
• Relative number of non-empty sub-topics	T > S	• Panel H
• Relative number of text units index	M > S	• Panel B
• Spread of disclosure across main topics	(T = S) > M	• Panel F
• Dichotomous index	T = M = S	• Panel A

* This is a comparison between the mean corporate governance disclosure scores based on one-way between-groups analysis of variance (see Appendix 5-D).
M, S and T stand for the results of Malaysia, Singapore and Thailand, respectively.
= means that there is no significant differences in the mean disclosure scores.

Overall, the findings suggest the possibility of different findings based on different scoring methods used. This implies that different scoring methods should not be used in isolation because the approaches used in scoring corporate governance can affect corporate governance disclosure scores. Analyses based on different scoring methods may bring out different sets of factors which can influence corporate governance disclosure, thereby helping provide a clearer explanation/picture on the variation of corporate governance disclosure (see findings of multivariate analyses in section 6.4.3 in Chapter 6). Researchers who employ only one scoring method in their study should interpret the results in context specific to the scoring method used. For example, if an examination of the breadth of disclosure is the objective of the study, the dichotomous method should be adopted, and if depth of disclosure is the focus of the study, researchers could employ the depth index.

However, when composite corporate governance disclosure indices measured using the methods adapted from Beattie *et al.* (2004) and Beretta and Bozzolan (2004) are explored, Thai listed companies are likely to disclose more corporate governance information than Malaysia and Singapore. It might be expected that listed companies in Thailand, which are less developed in terms of their economic and capital market, and with relatively weaker institutional governance structures (see sections 3.2.2 and 3.3.5, respectively), will tend to provide a higher overall extent of corporate governance disclosure. This is because companies operating in a weaker environment may want to provide assurance to investors regarding their management and the credibility and quality of financial information. The findings may be interpreted as being consistent with environmental determinism theory (see section 2.3.7). The issue of the use of environmental determinism theory in explaining corporate governance disclosure is explored further in the multivariate analysis in Chapter 6, factors influencing corporate governance disclosure.

5.4 Corporate governance disclosure: categories of information

The investigation of the extent of corporate governance disclosure is further analysed by categories (or topics) of information. The distribution of text units based on both general and enhanced items across categories of information is shown in Table 5-12 (the evidence for each relevant sub-topic is shown in Appendix 5-E).

Table 5-12: Distribution of text units across categories of information

Categories	Malaysia		Singapore		Thailand	
	No. of text units	%	No. of text units	%	No. of text units	%
Codes or principles of corporate governance	117	2.45	78	2.50	216	4.28
Board matters	1,130	23.68	891	28.53	1,332	26.42
Audit and internal control matters	2,357	49.40	882	28.24	1,515	30.05
Nomination matters	279	5.85	320	10.25	252	5.00
Remuneration matters	446	9.35	540	17.29	580	11.51
Stakeholders	442	9.26	412	13.19	1,146	22.73
Total	**4,771**	**100.00**	**3,123**	**100.00**	**5,041**	**100.00**

% is the total number of text units for each category, as a percentage of the total number of text units for all categories.

The findings show that rather than focusing on an explanation of the codes or principles of corporate governance, listed companies in Malaysia, Singapore and Thailand tend to focus their attention on the disclosure of actual corporate governance practices, in particular, board matters and audit and internal control matters. The findings of the one-way between-groups analysis of variance and non-parametric Kruskal-Wallis Test suggest that disclosure relating to the audit and internal control is significantly different across the three countries. The highest level of this information disclosed is in Malaysia.

Further examination shows that listed companies in Malaysia focus on disclosing information about their audit committee and internal controls (see Appendix 5-E). The high percentage of text units under the internal controls sub-topic may be due to the issue of the document entitled 'Statement on Internal Control: Guidance For Directors of Public Listed Companies'. This document provides guidance to companies when making a statement of internal control in the annual report in accordance with the listing requirements.

The findings also show that Thai listed companies disclose the largest number of text units for the stakeholders category, when compared with Malaysia and Singapore which focus mainly on the disclosure relating to the annual general meeting (AGM) (see Appendix 5-E). The results of the one-way between-groups analysis of variance and non-parametric Kruskal-Wallis Test support the significant difference in the number of text units in Thailand. This suggests that a country with a weaker institutional governance structure may have more desire to assure stakeholders about its ethical and moral conduct, as well as to assure stakeholders about their roles and rights in the company. This is consistent with the purpose of corporate governance disclosure in Thailand discussed in section 1.2, and can be interpreted as being relevant to environmental determinism theory (see section 2.3.7).

The following sections discuss the items of interest for each category of corporate governance information. In particular, the proportion of companies disclosing the information is discussed (Appendix 5-B shows the proportion of listed companies disclosing each of the 191 items in the checklist across Malaysia, Singapore and Thailand). Where possible, the examination on the reasons why certain country discloses each particular item relatively more than the others is also provided.

5.4.1 Codes or principles of corporate governance

As discussed in section 5.2.1.2, the analysis of mandatory and voluntary disclosures, in relation to the item about 'a statement as to whether or not the company has complied with the codes/principles and a summary of situations and the reasons for not being able to apply some of the codes/principles at that moment ...', 60%, 20% and 0% of listed companies in Malaysia, Singapore and Thailand disclose the information. The relatively higher disclosure in Malaysia could be because disclosure about compliance with the

Malaysian code on corporate governance is one of the criteria considered when awarding a National Annual Corporate Report Awards (NACRA), in relation to the Industry Excellence Awards. For Singapore, the findings are consistent with those reported in Mak (2007) which show that disclosure and explanation of non-compliance is often non-existent. Hence, the researcher suggests that if companies fully comply with the codes or principles, they should disclose this fact in their annual reports to distinguish themselves from the non-compliant companies.

5.4.2 Board matters

The findings show that less than 25% of companies in the sample disclose information in the area of board performance across all three countries (Appendix 5-B). While the information about process for evaluating performance and the objective criteria are important to help stakeholders assess their appropriateness, the outcome of the evaluation may also be considered to be of interest and value by them. This is because they can use the information when making plans to change and/or motivate the board of directors to perform functions in the best interests of the shareholders. This, in turn, could have a positive impact on the company's performance.

Another item of interest is the information about the meaning of directors' independence. The findings show that 10% and 6.9% of the companies in Malaysia and Singapore, respectively, disclose this information, while 86.67% of Thai listed companies do provide it (Appendix 5-B). This is very encouraging for Thai listed companies even though there is no disclosure regulation for this item. Regulatory bodies in Malaysia and Singapore may want to adjust their requirements so that this item is covered under mandatory disclosure. This could help stakeholders assess whether directors can objectively serve their functions. Nonetheless, the users of such information should be aware that, although companies disclose the meaning of independence, there is a possibility that, in practice, independent directors may be appointed even though they are not truly independent (see opinions of preparers and users of corporate governance information in section 8.4.1.1)

5.4.3 Audit and internal control matters

In this category, the item of interest is the information about the process the board has applied (where applicable, through its committees) in reviewing the adequacy and the integrity of the system of internal control. Only 30% and 3.33% of the listed companies in Malaysia and Thailand disclose this information, while none of Singaporean listed companies do so (Appendix 5-B). Listed companies may consider disclosing key components on internal control as enough, resulting in low (or no) disclosure of this information. This raises question for regulatory body in Malaysia which requires the process applied by the board in reviewing the system of internal control to be disclosed.

5.4.4 Nomination matters

Here, the item of interest is that relating to the information about factors in determining the directors for nomination. Less than half of the sample companies in each country provide this information (see Appendix 5-B). The disclosure should benefit those majority shareholders who are not part of the management team, as well as minority shareholders, in assessing the suitability of directors and; if necessary, making adjustments to the criteria.

5.4.5 Remuneration matters

In this category, the finding shows that information about the total remuneration of directors is disclosed by a high proportion of listed companies in Malaysia, Singapore and Thailand (93.33%, 90%, and 96.67%, respectively). This is not surprising because this item is covered under mandatory disclosure. Furthermore, remuneration has to be compiled as part of the production of the financial statements. Hence, the cost of disclosing such information should be relatively low. This can be interpreted as consistent with cost savings. Additionally, it is suggested that corporate governance information does not generally involve commercially sensitive information (Labelle, 2002; Standard & Poor's and Corporate Governance and Financial Reporting Centre: S&P and CGFRC, 2004a, b, c, d, e). Hence, the proprietary costs of disclosing corporate governance information should be minimal.

None of the Malaysian or Thai samples disclose the procedures for setting remuneration, while only 3.33% of Singapore sample companies disclose this information (Appendix 5-B). This raises the question on how shareholders can evaluate whether the remuneration is set in an appropriate manner and in accordance with the suitable practices.

5.4.6 Stakeholders

Stakeholders' items incorporated in the checklist are based mainly on the international benchmark recommended by the OECD. The findings show that for Malaysia and Singapore, only a few companies disclose information in the areas of the rights of shareholders, equitable treatment, conflict of interest, and role of stakeholders in corporate governance (see Appendix 5-B). Hence, this may imply that listed companies in Malaysia and Singapore focus more on disclosing corporate governance information which is recommended by their codes of corporate governance. This is in contrast to Thailand, where these areas of information are, on average, disclosed by a larger number of companies (see Appendix 5-B). This could be because Thai principles of corporate governance are adapted from the OECD guidelines. In addition, due to lower enforcement of rules and regulations in the country (see section 3.3.5), Thai listed companies may have more desire to assure stakeholder about their rights and roles in the company, as well as to enhance confidence in the company. This is so to legitimise their actions.

5.5 Summary and conclusions

This chapter examines the extent of corporate governance disclosure in the annual reports across Malaysia, Singapore and Thailand, and evaluates whether different scoring methods distinguish different aspects of corporate governance disclosure.

The findings suggest that different scoring methods, both composite and components scoring methods, should not be used in isolation across Malaysia, Singapore and Thailand because they can capture different aspects of corporate governance disclosure (see section 5.2.5). For example, the relative number of text units can help capture the significance of corporate governance information as perceived by the preparer in relation to other information disclosed in the annual report. The dichotomous index can represent the breadth of disclosure and the depth index may help capture the depth of corporate governance information provided by companies to enhance basic disclosure for each item disclosed. Hence, examining other corporate governance scoring methods, besides the dichotomous method should add value to the understanding of corporate governance disclosure. Additionally, the analyses based on different scoring methods may bring out different sets of factors influencing corporate governance disclosure which can help provide a clearer explanation/picture and a richer understanding of the variation of corporate governance disclosure. Furthermore, it may help enhance the interpretation of the influence of corporate governance disclosure on market perceptions of company performance. This, therefore, justifies examination of the robustness of association testing to the scoring methods used.

In addition, the findings suggest a possibility that environmental determinism theory could be used in explaining the differences in disclosure across countries (see section 5.3 and 5.4). Examples are when there is higher level of disclosure for Thailand when composite corporate governance disclosure indices measured using the methods adapted from Beattie *et al.* (2004) and Beretta and Bozzolan (2004) are explored. It might be expected that listed companies in Thailand, which are less developed in terms of their economic and capital market, and with relatively weaker institutional governance structures, will tend to provide a higher overall extent of corporate governance disclosure in order to provide assurance to investors on the quality of management. Another example is the large number of text units disclosed by Thai listed companies for the stakeholders' category. Companies under a weaker institutional governance structure may have a higher desire to assure stakeholders regarding their rights and roles in the company, as well as to assure stakeholders about its ethical and moral conduct. The issue of the use of environmental determinism theory in explaining corporate governance disclosure is explored further in the multivariate analysis in Chapter 6, factors influencing corporate governance disclosure.

As discussed in section 5.4, the examination of each category of information reveals that, rather than focusing on an explanation of the codes or principles of corporate governance, listed companies in Malaysia, Singapore and Thailand tend to focus their attention on the disclosure of actual corporate governance practices. When each category of corporate governance information is explored, it shows that board matters and audit and internal control matters are the top two categories. However, the examination into items in each category of information suggests that some items have been disclosed by a small number of companies, such as the area of board performance and the information about factors in determining the directors for nomination. Disclosing the information may benefit stakeholders in many ways, such as help in assessing the suitability of directors and; if necessary, making adjustments to the criteria.

The next chapter reports the findings of factors influencing corporate governance disclosure based on the different corporate governance disclosure scoring methods discussed in this chapter.

APPENDICES

Appendix 5-A: Balance of mandatory and voluntary disclosures – Number of items disclosed

Mandatory or Voluntary disclosure	Malaysia	Singapore	Thailand
Mandatory disclosure			
Number of items	597	205	566
%	23.74	9.63	24.29
Voluntary disclosure			
Number of items	1,918	1,924	1,764
%	76.26	90.37	75.71
Total disclosure			
Number of items	2,515	2,129	2,330
%	100.00	100.00	100.00

% is the total number of items for mandatory, voluntary or total disclosure, as a percentage of the total number of items disclosed.

Appendix 5-B: Proportion of listed companies in the sample disclosing each corporate governance item

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
Codes or principles of corporate governance							
Codes or principles of corporate governance							
Explanation of the establishment of corporate governance codes/principles or whether the company applies the country's codes/principles	Brief details of the overall corporate governance codes/principles adopted	83.33	56.67	96.67	0.00	20.00	90.00
A statement as to whether or not the company has complied with the codes/principles and a summary of situations and the reasons for not being able to apply some of the codes/principles at that moment. If company fully complies with the codes/principles, then disclosure of this fact		60.00	20.00	0.00			
Board matters							
Board information							
Names of directors	Key information regarding directors	100.00	100.00	100.00	100.00	96.67	100.00
Principal responsibilities of the board							
Information about whether the responsibilities of the board are defined	Responsibilities of the board	30.00	63.33	56.67	100.00	86.67	90.00
Information about whether the responsibilities of the chairman are defined.	Responsibilities of the chairman	10.00	16.67	0.00	50.00	53.33	16.67
Access to information and advice							
Information about whether the board has separate and independent access to the company's senior management		30.00	76.67	3.33			
Information about whether the board can obtain independent professional advice, at the expense of the company		96.67	66.67	10.00			
Information about whether directors have access to the advice and services of a company secretary		93.33	66.67	3.33			
Board balance							
Information about whether the board includes a balance of executive and non-executive directors (including independent non-executives) such that no individual or small group of individuals can dominate the board's decision making	Types of directors on the board	53.33	26.67	53.33	100.00	80.00	100.00
	Proportion of independent non-executive directors				100.00	80.00	96.67
	Information about whether the board is chaired by an independent non-executive director				100.00	80.00	96.67
Board dialogue							
Information about whether the board provides an Investor Relations Unit to represent the company in communication	Information about whether the board provides adequate resources to help develop the knowledge and abilities of company personnel in relation to the communication and presentation of information	23.33	50.00	90.00	0.00	0.00	6.67
Information about whether the information is disclosed to		100.00	90.00	93.33			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
		General items			Enhanced items		
General items	Enhanced items	Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
shareholders and general investors correctly, in time, transparently and in compliance with rules and regulations							
Board performance							
Information about whether there is process for carrying out an annual evaluation of board performance	Details about the process to be carried out annually for evaluating performance of the board	16.67	16.67	16.67	3.45	20.69	6.67
	Statement of compliance with the process to be carried out annually for evaluating performance of the board				0.00	0.00	3.33
Information about whether there is process for carrying out an annual evaluation of each individual director's performance	Details about the process to be carried out annually for evaluating performance of each individual director	16.67	13.33	10.00	3.45	13.33	3.33
	Statement of compliance with the process to be carried out annually for evaluating performance of each individual director				0.00	3.33	0.00
Information about whether there are objective performance criteria for evaluating the performance of the board	Quantitative performance criteria in evaluating performance of the board	0.00	20.00	3.33	0.00	23.33	0.00
	Qualitative performance criteria in evaluating performance of the board				0.00	16.67	3.33
Information about whether there are objective performance criteria for evaluating the performance of each individual director	Details of the objective performance criteria for evaluating the performance of each individual director	0.00	20.00	0.00	0.00	16.67	0.00
Information about whether multiple board memberships by the same person are compatible with effective board performance		6.67	16.67	0.00			
The results of the board performance evaluation		0.00	13.33	13.33			
Board size							
Information about whether the board examines its size, with a view to determining the impact of the number upon its effectiveness	Factors in determining the size of the board	13.33	30.00	3.33	3.33	30.00	3.33
Board structures and procedures							
Information about whether meeting agendas, and sufficient background information, are distributed in advance to enable directors to prepare for meetings	Number of days before the meetings that the meeting agendas and sufficient background information are distributed	90.00	36.67	90.00	20.00	16.67	53.33
	Information about whether the board, when dealing with any item on the agenda, receives information which is not just historical or bottom line and financial-oriented, but which goes beyond assessing the quantitative performance of the enterprise and looks at other performance factors such as customer satisfaction				43.33	66.67	10.00
Information about whether meeting schedule is determined regularly in advance so that the directors and executives can arrange their time for the meeting efficiently		30.00	30.00	56.67			
Information about whether the chairman of the board, at the meetings, allocates appropriate time for the management to present adequate issues and enough for the directors to broadly discuss important matters with care		6.67	3.33	33.33			
Information about whether company's Articles of Association allow telephonic and videoconference meetings		0.00	60.00	10.00			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
		General items			Enhanced items		
General items	Enhanced items	Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
Information about whether results and resolutions from the meetings are recorded clearly for reference		26.67	16.67	73.33			
Information about whether non-executive directors meet among themselves as regularly as necessary, in order to discuss management problems that they are interested in without the presence of the management		0.00	6.67	13.33			
Types of material transactions that require board approval		53.33	46.67	23.33			
Frequency of board meetings		100.00	80.00	100.00			
Members' attendance at board meetings		100.00	73.33	96.67			
Business ethics							
Information about whether there is code of ethics or statement of business conduct	Details about code of ethics or statement of business conduct	36.67	30.00	93.33	23.33	26.67	60.00
	Statement of compliance with the code of ethics or statement of business conduct				0.00	0.00	0.00
Information about whether the code of ethics or statement of business conduct are regularly reviewed and updated		3.33	3.33	16.67			
Information about whether compliance to the code of ethics or statement of business conduct is monitored regularly		10.00	13.33	33.33			
Directors' training							
Information about whether there is an orientation program for new recruits to the board	Details about the orientation program	40.00	56.67	10.00	41.38	50.00	6.67
Information about whether any further training is provided to directors, particularly on relevant new laws and regulations and changing commercial risks	Details about the on-going training provided to directors	96.67	63.33	43.33	96.67	56.67	36.67
Independence of directors							
Information about whether the meaning of 'independence' is defined	Meaning of 'independence'	10.00	26.67	86.67	10.00	6.90	86.67
Information about whether independent directors submit a confirmation letter to the company verifying their independence (according to the company's definition) on the date which they accepted the appointment, and every year thereafter as required		0.00	3.33	6.67			
Separation of the roles of CEO and chairman of the board							
Information about whether there is a separation of the roles of CEO and chairman	Explanation for the decision to combine the roles of CEO and chairman	86.67	100.00	100.00	28.57	71.43	0.00
	Relationship between the CEO and chairman where they are related to each other (i.e. members of the same immediate family)				14.29	25.00	11.11
Use of board committees							
Information about whether meeting agendas, and sufficient background information, are distributed in advance to enable committee members to prepare for meetings	Number of days before the meetings that the meeting agendas and sufficient background information are distributed	10.00	10.00	0.00	13.33	0.00	6.67
Information about whether committees regularly report on their activities and results of their meetings to the board		100.00	23.33	86.67			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
Audit and internal control matters							
Audit committee							
Information about whether an audit committee has been established		100.00	100.00	100.00			
Names of audit committee members	Types of directors on the audit committee	100.00	96.67	100.00	100.00	90.00	100.00
	Proportion of independent non-executive directors				100.00	90.00	100.00
	Information about whether the audit committee is chaired by an independent non-executive director				100.00	90.00	100.00
Information about whether there are written terms of reference which describe audit committee responsibilities	Responsibilities of the audit committee	96.67	63.33	93.33	100.00	73.33	100.00
Information about whether there are written terms of reference which describe objectives of the audit committee	Objectives of the audit committee	56.67	0.00	3.33	56.67	0.00	3.33
Information about whether there are written terms of reference which describe membership of the audit committee	Membership of the audit committee	80.00	0.00	6.67	80.00	3.33	13.33
Information about whether there are written terms of reference which describe meetings of the audit committee	Meetings of the audit committee	83.33	0.00	3.33	80.00	13.33	13.33
Information about whether there are written terms of reference which describe the authority of the audit committee	Authority of the audit committee	83.33	6.67	13.33	90.00	53.33	26.67
Activities performed by the audit committee		100.00	83.33	100.00			
Information about whether the audit committee meets with the external auditors (and/or with the internal auditors) without the presence of the company's management		46.67	66.67	6.67			
Frequency of audit committee meetings		100.00	80.00	100.00			
Members' attendance at audit committee meetings		100.00	66 67	80.00			
Information about whether the audit committee has at least two members who have accounting or related financial management expertise or experience		30.00	60.00	26.67			
Information about whether the audit committee can obtain independent professional advice, at the expense of the company		83.33	6.67	36.67			
Information about whether a separate audit committee report is presented		100.00	3.33	100.00			
A statement by the audit committee that it has undertaken the necessary review and that the provision of the non-audit services by the auditors would not, in its opinion, affect the independence of the auditors		10.34	80.00	17.24			
Auditor remuneration							
Audit fees		80.00	53.33	60.00			
Non-audit service fees paid to external auditors	Narrative explanation of the nature of non-audit services	89.66	75.00	57.69	34.48	10.71	50.00
	Information about whether audit fees and non-audit service fees paid to external auditors are disclosed separately				86.21	100.00	55.56
Internal audit							
Information about whether an internal audit unit has been established		96.67	93.33	100.00			
Information about whether the responsibilities of the internal audit	Responsibilities of the internal audit unit	34.48	6.67	10.00	75.86	30.00	80.00

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
unit are defined							
Activities performed by the internal audit unit		65.52	13.33	16.67			
Information about whether internal auditors report to an independent audit committee, or an equivalent body, which is also responsible for managing the relationship with the external auditor		82.76	83.33	80.00			
Information about whether internal auditors meet or exceed the standards set by nationally or internationally recognised professional bodies		6.90	63.33	16.67			
Internal controls							
Information about whether a separate internal control statement is presented		100.00	0.00	10.00			
Information about whether a review of the adequacy and integrity of the system of internal control is conducted at least annually	Comments on the adequacy and integrity of the system of internal control	30.00	16.67	16.67	40.00	56.67	93.33
A summarised explanation on how the company has obtained assurances about the adequacy and integrity of its system of internal control, when there is an absence of an internal audit function	Information about the means of assessment (i.e. whether they provide sufficient and objective assurance of regular review and/or appraisal of the adequacy and integrity of the system of internal control)	0.00*	0.00	N/A	0.00*	0.00	N/A
Key components on internal control system		86.67	36.67	76.67			
The process the board has applied (where applicable, through its committees) in reviewing the adequacy and the integrity of the system of internal control		30.00	0.00	3.33			
Explanation that a system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss		100.00	36.67	6.67			
An acknowledgement by the board that it is responsible for the system of internal control and for reviewing its adequacy and integrity		100.00	26.67	26.67			
The process applied to deal with material internal control aspects of any significant problems		6.67	3.33	0.00			
Nomination matters							
Nomination committee							
Information about whether a nomination committee has been established		100.00	80.00	90.00			
Names of nomination committee members	Types of directors on the nomination committee	100.00	78.57	87.50	100.00	75.00	87.50
	Proportion of independent non-executive directors				100.00	71.43	87.50
	Information about whether the nomination committee is chaired by an independent non-executive director				100.00	75.00	87.50
Information about whether there are written terms of reference which describe the responsibilities of the nomination committee	Responsibilities of the nomination committee	76.00	64.29	75.00	100.00	71.43	79.17
	Factors in determining the directors for nomination				16.67	46.67	46.67
Information about whether the nomination committee makes		24.00	32.14	12.50			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
recommendations to the full board on all board appointments							
Information about whether the nomination committee reviews the required mix of skills and experience and other qualities, which non-executive directors should bring to the board		88.00	60.71	33.33			
Information about whether the nomination committee determines director independence		12.00	57.14	4.17			
Information about whether the nomination committee decides how the board's performance may be evaluated and proposes objective performance criteria		0.00	10.71	4.17			
Frequency of nomination committee meetings		68.00	67.86	66.67			
Members' attendance at nomination committee meetings		33.33	62.96	62.50			
Information about whether the nomination committee can obtain independent professional advice, at the expense of the company		8.00	0.00	16.67			
Re-nomination/Re-election of directors							
Information about whether all directors are required to submit themselves for re-nomination and re-election at regular intervals, and at least every three years		100.00	66.67	53.33			
Remuneration matters							
Development of remuneration policies and procedures							
Information about whether there is remuneration policy	Details about the remuneration policy	76.67	70.00	86.67	76.67	73.33	86.67
	Statement of compliance with the remuneration policy				0.00	6.67	3.33
Information about whether there are procedures for setting remuneration	Details about the procedures for setting remuneration	6.67	0.00	0.00	0.00	3.33	0.00
	Statement of compliance with the procedures for setting remuneration				0.00	6.67	0.00
Information about whether directors (executive or non-executive) participate in decisions on their own remuneration packages		73.33	40.00	0.00			
Remuneration committee							
Information about whether a remuneration committee has been established		100.00	80.00	93.33			
Names of remuneration committee members	Types of directors on the remuneration committee	100.00	79.31	91.67	100.00	75.86	91.67
	Proportion of independent non-executive directors				100.00	72.41	91.67
	Information about whether the remuneration committee is chaired by an independent non-executive director				100.00	75.86	91.67
Information about whether there are written terms of reference which describe the responsibilities of the remuneration committee	Responsibilities of the remuneration committee	60.00	51.72	79.17	76.00	62.07	87.50
Information about whether the remuneration committee recommends to the board a framework of remuneration for the board and/or key executives		20.00	13.79	16.67			
Frequency of remuneration committee meetings		72.00	75.86	75.00			
Members' attendance at remuneration committee meetings		36.00	72.41	62.50			
Information about whether the remuneration committee has at least		0.00	24.14	0.00			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
one member who is knowledgeable in the field of executive compensation							
Information about whether the remuneration committee can obtain independent professional advice, at the expense of the company		32.00	48.28	25.00			
Remuneration disclosure							
Information about total remuneration of directors	Details of the remuneration of each director	93.33	90.00	96.67	23.33	60.00	93.33
	Details about directors' remuneration in bands				86.67	36 67	0.00
	Details about directors' remuneration, categorised into executive and non-executive directors payments				86.67	3.33	0.00
The important details about the share options		85.71	96.43	39.29			
Information about the remuneration of at least the top five key executives (who are not also directors) of the company		0.00	72.41	96.67			
Details of the remuneration of employees who are immediate family members of a director or CEO		0.00	17.65	0.00			
Stakeholders							
Annual General Meeting (AGM)							
Information about whether shareholders are furnished with sufficient and timely information concerning the date, location and agenda of the AGM, as well as full and timely information regarding the issues to be decided at the meeting	Number of days before the AGM that the information is distributed	100.00	96.67	96.55	23.33	16.67	75.86
	A brief description about proposed issues given in the notice of AGM				100.00	100.00	100.00
	A brief description about directors standing for election or re-election				100.00	96.55	100.00
Information about whether shareholders are able to place items on the agenda of the AGM, and to propose resolutions, subject to reasonable limitations		83.33	66.67	0.00			
Information about whether shareholders are encouraged to express their opinions and raise any questions at the AGM, in accordance with the agenda and the issues presented to the AGM		86.67	53.33	100.00			
Information about whether shareholders are given, and have access to timely information pertaining to voting procedures in the AGM		100.00	93.33	51.72			
Information about whether shareholders are able to vote in person or in absentia (such as by mail, e-mail, fax, etc.)		0.00	13.33	0.00			
Information about whether voting by proxy is generally accepted		100.00	100.00	82.76			
Information about whether every director, particularly chairpersons of the committees, attends the AGM to respond to questions		43.33	53.33	68.97			
Information about whether the external auditors are presented at the AGM to assist the directors address any relevant queries by shareholders		20.00	53.33	20.69			
Information about whether the chairman, where appropriate, undertakes to provide the questioner with a written answer to any		13.33	0.00	3.45			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
significant question which cannot be answered on the spot							
Information about whether after the AGM, shareholders are given, and have access to information regarding results of the deliberation and the voting		0.00	6.67	72.41			
Conflict of interest							
Information about whether there are procedures for handling conflict of interest	Details about the procedures for handling conflict of interest	13.33	13.33	93.33	3.33	10.00	96.67
	Statement of compliance with the procedures for handling conflict of interest				0.00	0.00	0.00
Information about whether the board members are required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation	Where a material interest has been declared, an explanation of whether that person is involved in any decision involving the transaction or matter	100.00	80.00	30.00	13.79	13.33	70.00
Information about whether every conflict of interest is acknowledged and thoroughly considered by the board		0.00	0.00	43.33			
Equitable treatment							
Information about whether there is selective disclosure of data to certain analysts or big investors before the information is released to the public	Where there is inadvertent disclosure made to a selected group, whether the companies make the same disclosure publicly to all others as soon as practicable	13.33	30.00	3.33	0.00	10.34	3.33
Information about whether the corporate governance framework ensures the equitable treatment of all shareholders, including minority and foreign shareholders		0.00	0.00	63.33			
Information about whether all shareholders have the opportunity to obtain effective redress for any violation of their rights		0.00	0.00	0.00			
Information about whether any changes in voting rights are subject to approval by those classes of shares which are negatively affected		0.00	0.00	0.00			
Information about whether the board facilitates the AGM in such a way that they encourage equal treatment for all shareholders		0.00	0.00	34.48			
Inside information							
Information about whether there are guidelines on keeping and protecting inside information	Details about the guidelines on keeping and protecting inside information	6.67	76.67	90.00	0.00	73.33	86.67
	Statement of compliance with the guidelines on keeping and protecting inside information				0.00	3.33	3.33
Rights of shareholders							
Information about whether the corporate governance framework protects and facilitates the exercise of shareholders' rights	Examples of shareholders' rights	0.00	0.00	10.00	0.00	3.33	23.33
Information about whether shareholders have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes	Examples of related fundamental corporate changes	0.00	0.00	37.93	0.00	0.00	31.03
Information about whether shareholders, including institutional shareholders, are allowed to consult with each other on issues concerning their basic shareholder rights, subject to exceptions to		0.00	0.00	0.00			

Items		Proportion of companies in the sample disclosing each corporate governance item (%)					
General items	Enhanced items	General items			Enhanced items		
		Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
prevent abuse							
Information about the facilitation of the effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members		6.67	3.33	10.34			
Information about capital structures and arrangements enabling certain shareholders to obtain a degree of control disproportionate to their equity ownership		0.00	0.00	6.67			
Role of stakeholders in corporate governance							
Information about whether there is an establishment of a policy on stakeholders' rights	Details about the policy on stakeholders' rights	0.00	0.00	70.00	0.00	0.00	70.00
	Statement of compliance with the policy on stakeholders' rights				0.00	0.00	3.33
Information about whether stakeholders are able to freely communicate their concerns about illegal or unethical practices to the board and whether their rights are compromised by doing this	Information about whether there is a senior independent non-executive director of a board to whom concerns may be conveyed	3.33	6.67	16.67	83.33	0.00	6.67
Information about whether the board ensures that stakeholders' rights are protected and treated with care		0.00	0.00	26.67			
Where stakeholder interests are protected by law, an explanation of whether they have the opportunity to obtain effective redress for violation of their rights		0.00	0.00	0.00			
Where stakeholders participate in the corporate governance process, an explanation of whether they have access to relevant, sufficient and reliable information on a timely and regular basis		0.00	0.00	0.00			

The proportion of companies (%) shown in the table is the total number of companies disclosing each item, as a percentage of the total number of applicable companies.

* Only one listed company state that it does not have an internal audit function. Therefore, this item is applicable only to this company. The proportion of companies for this item is 0.00 because this company does not disclose any information related to the item.

N/A means the item is not applicable to any of the companies in the sample.

Appendix 5-C: Balance of mandatory and voluntary disclosures – Number of text units disclosed

Mandatory or Voluntary disclosure	Malaysia	Singapore	Thailand
Mandatory disclosure			
Number of text units	1,756	212	1,472
%	36.81	6.79	29.20
Voluntary disclosure			
Number of text units	3,015	2,911	3,569
%	63.19	93.21	70.80
Total disclosure			
Number of text units	4,771	3,123	5,041
%	100.00	100.00	100.00

% is the total number of text units for mandatory, voluntary or total disclosure, as a percentage of the total number of text units disclosed.

Appendix 5-D: A one-way between-groups analysis of variance (ANOVA) and Kruskal-Wallis Test on corporate governance disclosure scores: Untransformed data

	Malaysia	Singapore	Thailand	F	Sig.
Panel A: A dichotomous method (*DichInd*)					
Mean	0.45	0.39	0.41	2.956	0.061
Standard Deviation	0.05	0.16	0.80		
Tukey HSD: Mean Difference: N/A (the results are not significantly different in the overall ANOVA)					
Kruskal-Wallis Test: Chi-Square = 3.743; Asymp. Sig. = 0.154					
Panel B: A relative number of text units method (*TextInd*)					
Mean	0.68	0.48	0.56	5.851	0.004
Standard Deviation	0.22	0.18	0.26		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.003; Malaysia vs. Thailand: Sig. = 0.097; Singapore vs. Thailand: Sig. = 0.402					
Kruskal-Wallis Test: Chi-Square = 11.189; Asymp. Sig. = 0.004					
Panel C: Composite disclosure – A method adapted from Beattie *et al.* (2004) (*ComBea*)					
Mean	0.60	0.60	0.75	7.798	0.001
Standard Deviation	0.11	0.26	0.11		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.994; Malaysia vs. Thailand: Sig. = 0.003; Singapore vs. Thailand: Sig. = 0.002					
Kruskal-Wallis Test: Chi-Square = 18.985; Asymp. Sig. = 0.000					
Panel D: Composite disclosure – A method adapted from Beretta and Bozzolan (2004) (*ComBer*)					
Mean	0.47	0.35	0.57	21.547	0.000
Standard Deviation	0.09	0.15	0.14		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.001; Malaysia vs. Thailand: Sig. = 0.018; Singapore vs. Thailand: Sig. = 0.000					
Kruskal-Wallis Test: Chi-Square = 33.354; Asymp. Sig. = 0.000					
Panel E: Relative amount of disclosure (*RD*) / Relative quantity index (*RQT*)					
Mean	0.38	-0.74	0.36	17.181	0.000
Standard Deviation	0.59	0.90	0.99		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.000; Malaysia vs. Thailand: Sig. = 0.997; Singapore vs. Thailand: Sig. = 0.000					
Kruskal-Wallis Test: Chi-Square = 25.304; Asymp. Sig. = 0.000					
Panel F: Spread of disclosure across main topics (*1-MainH*)					
Mean	0.67	0.73	0.75	22.273	0.000
Standard Deviation	0.05	0.07	0.04		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.000; Malaysia vs. Thailand: Sig. = 0.000; Singapore vs. Thailand: Sig. = 0.503					
Kruskal-Wallis Test: Chi-Square = 31.752; Asymp. Sig. = 0.000					
Panel G: Spread of disclosure across sub-topics (*1-SubH*)					
Mean	0.85	0.86	0.90	7.102	0.002
Standard Deviation	0.04	0.08	0.02		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.769; Malaysia vs. Thailand: Sig. = 0.002; Singapore vs. Thailand: Sig. = 0.014					
Kruskal-Wallis Test: Chi-Square = 20.576; Asymp. Sig. = 0.000					
Panel H: Relative number of non-empty sub-topics (*NE*)					
Mean	0.76	0.69	0.79	4.058	0.023
Standard Deviation	0.07	0.20	0.10		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.102; Malaysia vs. Thailand: Sig. = 0.787; Singapore vs. Thailand: Sig. = 0.021					
Kruskal-Wallis Test: Chi-Square = 3.848; Asymp. Sig. = 0.146					

	Malaysia	Singapore	Thailand	F	Sig.
Panel I: Density index (*DEN*)					
Mean	1.16	0.78	1.26	11.421	0.000
Standard Deviation	0.42	0.33	0.48		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.002; Malaysia vs. Thailand: Sig. = 0.621; Singapore vs. Thailand: Sig. = 0.000					
Kruskal-Wallis Test: Chi-Square = 19.076; Asymp. Sig. = 0.000					
Panel J: Depth index (*DPT*)					
Mean	0.46	0.37	0.45	7.173	0.002
Standard Deviation	0.06	0.15	0.08		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.002; Malaysia vs. Thailand: Sig. = 0.878; Singapore vs. Thailand: Sig. = 0.009					
Kruskal-Wallis Test: Chi-Square = 6.762; Asymp. Sig. = 0.034					
Panel K: Outlook profile index (*OPR*)					
Mean	0.06	0.10	0.23	43.355	0.000
Standard Deviation	0.06	0.06	0.10		
Tukey HSD: Mean Difference: Malaysia vs. Singapore: Sig. = 0.112; Malaysia vs. Thailand: Sig. = 0.000; Singapore vs. Thailand: Sig. = 0.000					
Kruskal-Wallis Test: Chi-Square = 50.910; Asymp. Sig. = 0.000					

The significant results based on normal scores for the one-way between-groups analysis of variance are similar to those reported in the table.

Appendix 5-E: Distribution of text units across sub-topics

Sub-topics	Malaysia		Singapore		Thailand	
	No. of text units	%	No. of text units	%	No. of text units	%
Codes or principles of corporate governance						
Codes or principles of corporate governance	117	2.45	78	2.50	216	4.28
Total	**117**	**2.45**	**78**	**2.50**	**216**	**4.28**
Board matters						
Board information	60	1.26	59	1.89	60	1.19
Principal responsibilities of the board	153	3.21	112	3.59	252	5.00
Access to information and advice	76	1.59	74	2.37	5	0.10
Board balance	35	0.73	11	0.35	32	0.63
Board dialogue	233	4.88	224	7.17	198	3.93
Board performance	7	0.15	95	3.04	66	1.31
Board size	4	0.08	20	0.64	2	0.04
Board structures and procedures	255	5.34	188	6.02	234	4.64
Business ethics	112	2.35	19	0.61	181	3.59
Directors' training	99	2.08	53	1.70	35	0.69
Independence of directors	3	0.06	3	0.10	196	3.89
Separation of the roles of CEO and chairman of the board	7	0.15	25	0.80	2	0.04
Use of board committees	86	1.80	8	0.26	69	1.37
Total	**1,130**	**23.68**	**891**	**28.53**	**1,332**	**26.42**
Audit and internal control matters						
Audit committee	1,411	29.57	566	18.12	944	18.73
Auditor remuneration	112	2.35	78	2.50	77	1.53
Internal audit	176	3.69	107	3.43	127	2.52
Internal controls	658	13.79	131	4.19	367	7.28
Total	**2,357**	**49.40**	**882**	**28.24**	**1,515**	**30.05**
Nomination matters						
Nomination committee	209	4.38	265	8.49	200	3.97
Re-nomination/Re-election of directors	70	1.47	55	1.76	52	1.03
Total	**279**	**5.85**	**320**	**10.25**	**252**	**5.00**
Remuneration matters						
Development of remuneration policies and procedures	109	2.28	191	6.12	166	3.29
Remuneration committee	93	1.95	141	4.51	173	3.43
Remuneration disclosure	244	5.11	208	6.66	241	4.78
Total	**446**	**9.35**	**540**	**17.29**	**580**	**11.51**
Stakeholders						
Annual General Meeting (AGM)	306	6.41	279	8.93	223	4.42
Conflict of interest	91	1.91	56	1.79	282	5.59
Equitable treatment	5	0.10	16	0.51	64	1.27
Inside information	0	0.00	53	1.70	149	2.96
Rights of shareholders	2	0.04	3	0.10	103	2.04
Role of stakeholders in corporate governance	38	0.80	5	0.16	325	6.45
Total	**442**	**9.26**	**412**	**13.19**	**1,146**	**22.73**
Grand total	**4,771**	**100.00**	**3,123**	**100.00**	**5,041**	**100.00**

% is the total number of text units for each sub-topic, as a percentage of the total number of text units for all sub-topics (i.e. Grand total).

CHAPTER 6: ROBUSTNESS OF CORPORATE GOVERNANCE DISCLOSURE SCORING METHODS USED IN TESTING VARIABLES INFLUENCING CORPORATE GOVERNANCE DISCLOSURE: HYPOTHESES DEVELOPMENT, RESULTS AND ANALYSES

6.1 Introduction

This chapter answers specific research questions (SRQs) 2 and 3 in section 1.4:

SRQ 2: To what extent do the results of association testing depend on the choice of scoring methods for corporate governance disclosure in the annual reports of major listed companies in Malaysia, Singapore and Thailand?

a) Which factors are statistically significant in explaining variations in corporate governance disclosure in annual reports?

b) To what extent is the robustness of association testing sensitive to the corporate governance disclosure scoring methods used?

SRQ 3: How can variations in corporate governance disclosure in annual reports be explained by theories relevant to corporate governance and market-related theories, as well as by each country's own environment?

SRQ 2 is investigated by using the univariate and multivariate analyses discussed in sections 4.5.2 and 4.5.3, respectively. Different corporate governance disclosure scoring methods are employed to explore the sensitivity of association testing to the different scoring methods used. SRQ 3 is answered by analysing and interpreting the outputs of the statistical results within the context of corporate governance disclosure in Malaysia, Singapore and Thailand separately.

This chapter contains the development of the hypotheses (section 6.2), the univariate analyses (section 6.3), the multivariate analyses (section 6.4) and the summary and conclusions (section 6.5).

6.2 Hypotheses development for variables influencing corporate governance disclosure

The independent variables chosen can be categorised into: 1) corporate governance practice variables, 2) market-related variables, 3) country variables, and 4) company-specific/control variables (Table 6-1). The hypotheses are developed primarily from financial and non-financial disclosure theories, to test how well these theories are applicable to the area of corporate governance disclosure. The dependent variables are corporate governance disclosures measured according to different scoring methods used (see section 4.4.3 for the description and discussion of each scoring method). This is to test the robustness of association testing to the different scoring methods.

Table 6-1: Variables chosen for testing the hypotheses

Variables		Section
I.	**Corporate governance practice variables**	**6.2.1**
1.	Proportion of independent non-executive directors	6.2.1.1
2.	Separation of the roles of CEO and chairman / Independent chairman	6.2.1.2
3.	Board size	6.2.1.3
4.	Proportion of shares held by top ten shareholders	6.2.1.4
5.	Proportion of shares held by executive directors	6.2.1.5
II.	**Market-related variables**	**6.2.2**
6.	Capital need	6.2.2.1
7.	Listing age	6.2.2.2
8.	Listing status	6.2.2.3
III.	**Country variables**	**6.2.3**
9.	Country variables	6.2.3
IV.	**Company-specific/control variables**	**6.2.4**
10.	Company size	6.2.4.1
11.	Profitability	6.2.4.2
12.	Leverage	6.2.4.3
13.	Industry sector	6.2.4.4

The rest of this section explains and discusses the hypothesis development for each independent variable. The disclosure theories are discussed where they can be related to the area of corporate governance disclosure. Table 6-2 summarises the theoretical frameworks or explanations, predicted signs, operationalisations/proxies, and data sources for each independent variable.

Table 6-2: Summary of the independent variables: theoretical frameworks or explanations, predicted signs, operationalisations/proxies, and data sources

Independent variables	Theoretical framework or Explanation	Further explanation	Predicted signs	Operationalisations/Proxies	Data sources
Corporate governance practice variables					
H_1 Proportion of independent non-executive directors (*IndNED*)	• Agency theory	• Complementary effect • Substitutive effect	+ -	Proportion of independent non-executive directors to total number of directors on the board	Company annual report
H_2 Separation of the roles of CEO and chairman (*Separation*)	• Agency theory	• Complementary effect • Substitutive effect	+ -	1 when the positions of CEO and chairman of the board are separated, and 0 if they are combined	Company annual report
H_3 Independent chairman (*IndChair*)	• Agency theory	• Complementary effect • Substitutive effect	+ -	1 when the position of chairman of the board is independent, and 0 otherwise	Company annual report
H_4 Board size (*BSize*)	• Agency theory	• Efficiency and effective in monitoring functions	-	Total number of directors	Company annual report
H_5 Proportion of shares held by top ten shareholders (*Top10Shares*)	• Agency theory • Signalling theory	• Reduce monitoring cost • Alleviate moral hazard problem • Avoid the risk of creating an unfavourable impression through close ownership	- - +	Number of shares held by top ten shareholders as a percentage of total number of shares issued	• Company annual report • Directly from requesting companies
H_6 Proportion of shares held by executive directors (*ShareExe*)	• Agency theory • Accessibility to information	• To examine management and provide a monitoring function • Superior information of owner-managers	- -	Number of shares held by executive directors as a percentage of total number of shares issued	Company annual report
Market-related variables					
H_7 Capital need (*EquityIssued*)	• Capital need theory	• Creating or maintaining demand of shares • Attracting funds at a lower cost	+ +	1 if the company issued shares during the year 2005, and 0 otherwise	Datastream
H_8 Listing age (*ListAge*)	• Signalling theory	• Promote good impressions • Separate high versus low	- +	Number of years a company has been listed on the country's stock exchange	• Malaysia: Company annual report and website

Independent variables	Theoretical framework or Explanation	Further explanation	Predicted signs	Operationalisations/Proxies	Data sources
	• Capital need theory	corporate governance quality companies • Obtain funds at a lower cost	-		• Singapore: Company annual report and SGX website • Thailand: SETSMART (SET Market Analysis and Reporting Tool)
H_9 Listing status (*ListSta*)	• Agency theory • Signalling theory • Capital need theory	• Reduce monitoring cost • Reputational capital • Signal a company's image and reputation • Respond to the demand of information • Reduce the cost of capital	+ - + + +	1 for company which has multiple listings, and 0 otherwise	• Malaysia and Thailand: Company annual report and website • Singapore: Company annual report and SGX website
Country variables*					
H_{10} Singapore (*Sing*)	• Environmental determinism theory	• Effect of environmental factors (1997 crisis, economic and capital market developments, institutional governance structure, and legal system)	-	1 if the company is listed on the SGX, and 0 otherwise	SGX website
H_{11} Thailand (*Thai*)	• Environmental determinism theory	• Effect of environmental factors (1997 crisis, economic and capital market developments, institutional governance structure, and legal system)	+	1 if the company is listed on the SET, and 0 otherwise	SET website
Company-specific/control variables					
Company size (*MarketCap*)	• Agency theory • Signalling theory	• Reduce agency cost • Maintain and enhance a company's image and reputation	+ +	Share price multiplied by the number of ordinary shares in issue (US$)	Datastream

Independent variables	Theoretical framework or Explanation	Further explanation	Predicted signs	Operationalisations/Proxies	Data sources
	• Capital need theory • Political cost theory	• Separate high versus low corporate governance quality companies • Respond to the demand of information • Reduce pressure from the government • Have already been closely scrutinised by regulators	+/- + + -		
Profitability (*ROA*)	• Signalling theory	• Defending poor performance	-	Return on assets (ROA)	Datastream
Leverage (*Lev*)	• Agency theory	• Reduce agency cost • Increase in control through restrictive debt covenants	+ -	Total loan capital to equity	Datastream
Industry sector (*Industry*)	• Political cost theory	• Reduce political cost • Have already been highly scrutinised by regulators	+ -	1 if the company is in the financial sector, and 0 otherwise	Datastream

* Malaysia is the excluded group and for each country regression, the country variables (*Sing* and *Thai*) are excluded from the analyses.
SGX and SET stand for the Singapore Exchange and the Stock Exchange of Thailand, respectively.

6.2.1 Corporate governance practice variables

6.2.1.1 Proportion of independent non-executive directors

Leftwich *et al.* (1981) suggest that the proportion of independent non-executive directors variable could either increase or decrease disclosure, depending on whether the relationship is complementary or substitutive. They suggest that if it is complementary, one would expect a greater extent of disclosure due to a more intensive monitoring package. On the other hand, if the relationship is substitutive, one might expect that in the presence of independent non-executive directors, the company has less need to provide additional disclosure.

Consistent with agency theory (see section 2.3.1), Watson *et al.* (2002) suggest that managers, in the knowledge that shareholders will seek to control their behavior through bonding and monitoring activities, may have an incentive to try and convince shareholders they are acting optimally and disclosure may be a means of achieving this. The researcher argues that managers may attempt to do this through disclosing corporate governance information because, as suggested in the Stock Exchange of Thailand (SET) (2001), corporate governance disclosure allows stakeholders to examine the company more cautiously, specifically with regard to the monitoring process to ensure the ethical and moral conduct of the company. Furthermore, Stanwick and Stanwick (2005) suggest that improving corporate governance disclosure is related to promoting sound capital markets and regaining stakeholders' confidence.

Based on the arguments discussed, if there is a complementary effect, companies which have a high proportion of independent non-executive directors may disclose larger amounts of corporate governance information. Haniffa (1999) suggests that the dominance of non-executive directors could increase their power to force management to disclose information. On the other hand, if the relationship is substitutive, having a higher proportion of independent non-executive directors could lower corporate governance disclosure. This is because having independent directors can be regarded as a mechanism to lower agency costs (Labelle, 2002; Panasian, 2003). Specifically, they can help prevent the entrenchment of company resources (Chiang, 2005), and play a significant role in the protection of minority shareholders (Gill and Allen, 2005). This is significant for companies with concentrated levels of ownership, the main feature of many companies in Malaysia, Singapore and Thailand.

The proportion of independent non-executive directors in this study is measured by dividing the total number of independent non-executive directors on the board by the total number of directors (Table 6-2). Due to conflicting arguments and lack of evidence in prior corporate governance disclosure studies, no expectation is formed in relation to the direction of the relationship between corporate governance disclosure and the proportion of independent non-executive directors. The hypothesis in the null form is:

H_1: Ceteris paribus, there is no significant association between corporate governance disclosure and the proportion of independent non-executive directors on the board.

6.2.1.2 Separation of the roles of CEO and chairman / Independent chairman

Prior corporate governance disclosure studies and disclosure theory suggest that the direction of the relationship between the separation of the roles of CEO and chairman and corporate governance disclosure can either be positive or negative, reflecting a complementary or a substitutive effect as discussed in section 6.2.1.1, respectively.

In relation to agency theory (see section 2.3.1) and complementary effect, having a chairman whose role is separate from that of the CEO will encourage companies to disclose more corporate governance information[56]. This argument is supported by Forker (1992) who suggests that separation of the roles will help enhance monitoring quality, thereby leading to possible improvements in disclosure. This is consistent with Gandía and Andrés (2004) which discuss role duality with specific reference to corporate governance disclosure. They suggest that concentration of power based on role duality[57] may depress corporate governance disclosure on the part of the company. This could especially be the case when majority shareholders are also the management of the company and can gain access to the internal information.

If the association between separation of the roles of CEO and chairman and corporate governance disclosure is substitutive, then separating the roles might lower the disclosure. This is because separation of the roles can be regarded as a mechanism to

[56] As discussed in section 6.2.1.1, corporate governance disclosure may be used as a mechanism to reduce agency problem.
[57] Role duality occurs when the CEO and chairman of the board of directors are the same person.

help reduce agency costs (Labelle, 2002). In particular, Rhoades *et al.* (2000) suggest that separation of the roles can help ensure owner-interested action, while Vafeas and Theodorou (1998) and Panasian (2003) argue that it can provide a mechanism of checks and balances over management. Furthermore, role duality may motivate management to disclose more corporate governance information to assure the market about the efficiency and effectiveness of its corporate governance system and that the management is acting in the best interest of shareholders. Gandía and Andrés (2004), who examine corporate governance disclosure, suggest that board efficiency and effectiveness may be questioned if a role duality exists, consistent with Boyd (1995) who argues that it can contribute to ineffective corporate governance. This could then constitute a conflict of interest between management and shareholders.

Evidence from prior corporate governance disclosure studies suggests that the influence of the separation of the roles is mixed for developed countries, e.g. positive relationship for Bujaki and McConomy (2002), negative relationship for Evans and Christopher (1999), and no relationship for Labelle (2002) and Gandía and Andrés (2004). However, none of the prior corporate governance disclosure studies examine this variable for a developing country.

To test this variable, the sample companies are divided into two groups, i.e. those with the roles of the CEO and chairman separated and those with the roles combined (see Table 6-2). In view of the arguments and conflicting results in prior studies, no specific expectation is made for this variable. As such the hypothesis in null form is:

H_2: Ceteris paribus, there is no significant association between corporate governance disclosure and the separation of the roles of CEO and chairman.

Since a separation between the roles of CEO and chairman does not necessarily mean that the chairman is independent, this thesis also incorporates the independent chairman variable for the association test. Standard and Poor's and Corporate Governance and Financial Reporting Centre (S&P and CGFRC) (2004c, d, e) suggest that separation of the roles will be truly effective if only the chairman is independent from management. The theory behind the influence of an independent chairman on corporate governance disclosure is the same as discussed under the separation of the roles of CEO and chairman.

In order to examine this variable, the companies in the sample are separated into two groups, i.e. those with the presence of an independent chairman and those without (see Table 6-2 for data source). As with the separation of the roles of CEO and chairman variable, the specific direction for the association between corporate governance disclosure and having an independent chairman is not formed. The hypothesis in the null form is:

H_3: Ceteris paribus, there is no significant association between corporate governance disclosure and the presence of an independent chairman on the board.

6.2.1.3 Board size

Gandía and Andrés (2004) indicate that many codes or principles of corporate governance suggest that the board should comprise a reasonable number of directors. This is because size can have a significant influence on the efficiency and effectiveness of the board. In relation to agency theory (see section 2.3.1), because of the possibility that a small board will be more efficient and effective in monitoring a company's activities, there is a likelihood that it will positively affect company disclosure (Arcay and Vázquez, 2005). In particular, proponents of having a small board argue that it might be easier to monitor the CEO if there is a small board and that a small board could provide more effective co-ordination and communication (Jensen, 1993). The disclosure could be particularly relevant to the area of corporate governance of the company because the information can help assure investors about the company management, thereby lowering the monitoring costs by shareholders.

Board size is measured by the total number of directors on the board (see Table 6-2). In view of the arguments, it is likely that there will be a negative relationship between corporate governance disclosure and board size. The null hypothesis is:

H_4: Ceteris paribus, there is no significant association between corporate governance disclosure and board size.

6.2.1.4 Proportion of shares held by top ten shareholders

In relation to agency theory (see section 2.3.1), there will be a negative relationship between corporate governance disclosure and the proportion of shares held by top ten shareholders. In particular, dispersion of ownership could contribute to the agency problem because of the potential for conflicts between principals and agents (Hill and Jones, 1992). Hence, when there is dispersed ownership, shareholders may demand more information because they do not have first-hand access to the information required. Disclosure is regarded as a way of reducing monitoring costs, as well as help alleviate the moral hazard problem (Schipper, 1981; Raffournier, 1995; Depoers, 2000; Alsaeed, 2005). The disclosure of corporate governance information, in particular, can help achieve this purpose because investors can use the information to assess the appropriateness of companies' corporate governance practices (Corporate Governance Committee: CGC, 2001). In addition, the information can help reassure investors that companies are managed with the interest of shareholders in mind (Cheung *et al.*, 2007).

Where ownership is highly concentrated, there is likely to be no or little separation between principals and agents, thereby reducing agency costs. This is because the concentration of ownership could represent a mechanism for control (Panasian, 2003; Klein *et al.*, 2005). Under these circumstances, shareholders can have greater access to the information of the company, hence do not have to rely as much on public disclosure to monitor their investments (La Porta *et al.*, 1998; Arsalidou and Wang, 2005; Miles, 2005; Mohd Ghazali and Weetman, 2006). This is consistent with the situation in most Asian companies which have the insider system of corporate governance, i.e. the dominant controls are in the hand of large shareholders (see section 3.3.2). However, the problem of expropriation of minority shareholders' interests by majority shareholders is a major concern in these countries, especially those offering weak legal protection.

In relation to signalling theory (see section 2.3.5), corporate governance disclosure may have a positive relationship with the proportion of shares held by top ten shareholders. Management of concentrated ownership companies may be motivated to disclose more corporate governance information in order to avoid the risk of creating an unfavourable impression of inadequate governance quality through close ownership.

This study measures ownership structure by the percentage of total number of shares held by top ten shareholders (see Table 6-2). Because of the competing arguments, no expectation is formed for the relationship between corporate governance disclosure and the proportion of shares held by top ten shareholders. Thus, the null hypothesis is:

H_5: Ceteris paribus, there is no significant association between corporate governance disclosure and the proportion of shares held by top ten shareholders.

6.2.1.5 Proportion of shares held by executive directors

In relation to agency theory (see section 2.3.1), Eng and Mak (2003) suggest that if managers have small stakes in the company, outside shareholders may have to enhance the monitoring of managers. This is because under this circumstance, managers may apply less effort to maximising the company's profit (for example, Raffournier, 1995; and Eng and Mak, 2003), and be more motivated to consume perks (Eng and Mak, 2003). Hence, a potential conflict of interest could occur between shareholders and management who have a small amount of ownership (or indeed none) in the company. To reduce agency costs arising from such a conflict of interest, managers may volunteer to disclose more corporate governance information, suggesting a negative association between managerial ownership and corporate governance disclosure[58]. Increasing corporate governance disclosure should provide a source which would allow outside shareholders to examine the management and provide a monitoring function, if necessary. This negative relationship is also supported by Cheung *et al.* (2007). The argument proposed by them is based on the superior information of owner-managers.

In this study, managerial ownership is measured by the percentage of total number of shares held by executive directors (see Table 6-2). Based on the discussion, there should be a negative relationship between corporate governance disclosure and the proportion of shares held by executive directors. The hypothesis in null form is:

H_6: Ceteris paribus, there is no significant association between corporate governance disclosure and the proportion of shares held by executive directors.

6.2.2 Market-related variables

6.2.2.1 Capital need

In relation to capital need theory (see section 2.3.6), managers may be motivated to disclose corporate governance information to help create or maintain demand for a company's shares (Hossain *et al.*, 1994). Furthermore, Labelle (2002) suggests that

[58] Another alternative suggested by Himmelberg *et al.* (1999) is for a company to give stakes to its managers.

companies which offer securities are more likely to issue high quality corporate governance disclosure. Disclosure may help attract funds at a lower cost. It is argued by Gray *et al.* (1995) that when information risk is reduced, investors may accept a lower rate of return, hence leading to lower cost of capital. However, despite the possibility that the need for capital could have a positive effect on corporate governance disclosure, only a few corporate governance disclosure studies examine this variable (i.e. Labelle, 2002; Collett and Hrasky, 2005), providing an opportunity to the research on this variable.

Following the findings in Collett and Hrasky (2005), which show that intention to issue shares in the following financial year has a significant positive impact on corporate governance disclosure, capital need is measured by categorising companies into two groups. The first group contains companies which issue shares in the following financial year (i.e. 2005) and the second group comprises companies which do not (see Table 6-2). The issuance of shares in the following financial year is expected in this study to be positively associated with corporate governance disclosure. The hypothesis in the null form is:

H_7: Ceteris paribus, there is no significant association between corporate governance disclosure and the issuance of shares in the following financial year.

6.2.2.2 Listing age

Newly listed companies can be seen as a risky investment (Haniffa and Cooke, 2002). In relation to signalling theory (see section 2.3.5), companies may be motivated to disclose more corporate governance information in order to promote a good impression of the company to potential and existing investors. Gandía and Andrés (2004), who examine corporate governance disclosure, argue that disclosure could raise investors' confidence and combat scepticism. Furthermore, in relation to capital need theory (see section 2.3.6), disclosure could help recently listed companies to obtain funds at a lower cost (Choi, 1973). These arguments suggest a negative relationship between corporate governance disclosure and listing age.

On the contrary, the researcher argues that companies listed longer on the stock exchange may want to disclose more corporate governance practices information in order to separate themselves from recently listed companies, i.e. those with potentially lower corporate governance quality. This is consistent with signalling theory and suggests a positive association between corporate governance disclosure and listing age.

The listing age is measured by the number of years a company has been listed on the stock exchange (see Table 6-2). However, due to the conflicting arguments, no expectation is formed with regard to the association between corporate governance disclosure and listing age. The null hypothesis is:

H_8: Ceteris paribus, there is no significant association between corporate governance disclosure and listing age.

6.2.2.3 Listing status

In relation to agency theory (see section 2.3.1), a positive relationship between multiple listings[59] and disclosure could be expected. Cooke (1989) suggests that multiple listings companies tend to have larger numbers of shareholders, thereby making the cost of monitoring more significant. Prior studies suggest that disclosure is a way of reducing this cost (for example, Depoers, 2000; and Alsaeed, 2005). Additionally, according to signalling theory (see section 2.3.5), a company which has multiple listings may tend to disclose more information to the public in order to signal their image and reputation (Patton and Zelenka, 1997). In relation to capital need theory (see section 2.3.6), more disclosure could also be provided in order to respond to the demand for information by the public (Firth, 1979; Meek *et al.*, 1995; Gandía and Andrés, 2004; Portes and Rey, 2005), and to reduce the cost of capital (Cooke, 1991; Hope, 2003). These arguments can be applied, not only to the area of financial disclosure, but also to corporate governance disclosure. Ramsay and Hoad (1997) suggest that corporate governance disclosure can help shareholders and other stakeholders to monitor directors, while Bhat *et al.* (2006) show that corporate governance information is more significant when financial disclosure is less transparent.

On the other hand, the negative association between multiple listings and disclosure could also be expected. Consistent with agency theory (see section 2.3.1), Schipper (1981) suggests that listing on foreign stock exchanges could help reduce agency costs through an increase in company reputational capital. Hence, the need to show that the

[59] A multiple listings company is a company which is listed on more than one stock exchange.

agents are acting in the interests of the principals through voluntary corporate governance disclosure could be reduced. This could be because these companies are perceived to be relatively successful, and investors tend to have more confidence in them.

Companies examined in this study are categorised into two groups, i.e. those with multiple listings and those without (see Table 6-2). This listing status variable is only examined for Singapore because all the sample companies for Malaysia and Thailand are only listed on their domestic stock exchanges. Based on the discussion, it is more likely that there will be a positive association between corporate governance disclosure and multiple listings. The hypothesis in the null form is:

H_9: Ceteris paribus, there is no significant association between corporate governance disclosure and multiple listings.

6.2.3 Country variables

Country variables are included in the statistical models because national differences in disclosure are expected due to the differences in the environments under which companies operate, referred to as environmental determinism theory (see section 2.3.7 for a discussion of environmental determinism theory and Chapter 3 for a discussion of the environments in Malaysia, Singapore and Thailand).

Based on the environments in these countries, the researcher expects Singapore to have the lowest corporate governance disclosure level and Thailand the highest, with the level of corporate governance disclosure in Malaysia lying somewhere between the two extremes. Singaporean companies may be less motivated to make detailed disclosure of corporate governance information because Singapore was able to avoid serious damage to its economy during the 1997 Asian economic crisis (see section 3.3.4), in which inadequate corporate governance was suggested to be a factor which contributed to the severity of the crisis (for example, Mitton, 2002; and Chang Aik Leng and Abu Mansor, 2005). Hence the issue of investors' confidence does not pose much of a problem in the country. Thailand, however, may be more willing to disclose corporate governance information because it was one of the countries seriously affected by the crisis (see section 3.3.4). Managers of the companies listed on the SET may be more motivated to provide a large amount of corporate governance information in order to help boost their company image, restore investor confidence, and promote a sound capital market.

In addition, as discussed in section 3.2.2, Singapore is the most advanced in terms of its economic and capital market developments, while Thailand is the least advanced. These developments suggest the possibility that the management of listed companies in Singapore and Thailand may have the least and the highest desire to disclose corporate governance information in order to provide assurances about the efficiency and effectiveness of their company's management.

Furthermore, as shown in section 3.3.5, Singapore also has the highest scores overall in relation to measurements of institutional governance structure, while Thailand provides the lowest scores. For companies operating within a higher quality institutional governance structure, such as rules and regulations, their enforcement, and corporate governance culture, managers may be deemed more credible regardless of the amount of corporate governance disclosure. Hence, managers of companies listed on the SGX may be less motivated to disclose corporate governance information, and/or at the same time demand for such information by investors and other stakeholders is reduced, in contrast to those of Thailand. This argument is supported by Cheung *et al.* (2007) who find that the country with a weaker institutional governance structure, i.e. Thailand, has higher disclosure when compared with Hong Kong. In a country with a weaker institutional governance structure, higher corporate governance information may be disclosed in order to help assure shareholders that they are treated equally and that their rights are not violated.

Listed companies in Malaysia are likely to disclose less corporate governance information than Thai companies, but more than those in Singapore. The impact of the 1997 crisis on Malaysia has been less than that of Thailand but more than that of Singapore. Additionally, development of the country, and its institutional governance structure, are behind Singapore but more advanced than Thailand.

Finally, as discussed in section 3.2.1, both Malaysia and Singapore have common law as the basis for their legal system, while Thailand is influenced by both civil law and common law systems. Since under civil law, rules are normally set by national legislators, public expectations about disclosure of companies in Thailand may be higher than in Malaysia and Singapore, leading to increased motivation among management to disclose information.

Because the lowest level of corporate governance disclosure is expected for listed companies in Singapore, and the highest level of disclosure is expected in Thailand, the country variables are measured using dummy variables for Singapore and Thailand, with Malaysia the excluded group (see Table 6-2). The hypotheses in null forms are:

H_{10}: Ceteris paribus, there is no significant association between corporate governance disclosure and the listing in Singapore.

H_{11}: Ceteris paribus, there is no significant association between corporate governance disclosure and the listing in Thailand.

6.2.4 Company-specific/control variables

Hypotheses are not formed for these company-specific variables because they are regarded as being the controlling factors for the statistical models.

6.2.4.1 Company size

Large companies are expected to disclose more information. Firstly, in relation to agency theory (see section 2.3.1), large companies could have greater agency problems (Alsaeed, 2005). Companies may benefit from disclosing more information to the public in order to reduce agency costs (Chow and Wong-Boren, 1987). Secondly, in relation to signalling theory (see section 2.3.5), large companies may disclose more information in order to maintain and enhance their image and reputation (Firth, 1979; Akhtaruddin, 2005). Finally, with regard to capital need theory (see section 2.3.6), disclosure is made to respond to the demand for information by analysts and the public (for example, Depoers, 2000; and Jaggi and Low, 2000). The increased corporate governance disclosure could indicate to the public that the management is acting responsibly and accountable to the public at large.

According to signalling theory (see section 2.3.5), companies with higher corporate governance quality may want to distinguish themselves from lower quality companies by disclosing their corporate governance practices to the public. However, this could apply not only to large-sized companies, but also to small-sized companies. Hence, the effect on disclosure could be either positive or negative. In relation to political cost theory (see section 2.3.9), larger companies may be watched closely by the government, and could, therefore, be affected by additional political costs (Inchausti, 1997). These companies may be more willing then to increase disclosure in order to reduce the pressure from the government (Buzby, 1975). On the other hand, Bujaki and McConomy (2002), who examine corporate governance disclosure, suggest that companies may disclose less information because they have already been closely scrutinised by regulators.

Market capitalisation is chosen to represent the size variable for this study (see Table 6-2).

6.2.4.2 Profitability

Consistent with signalling theory (see section 2.3.5), managers may voluntarily disclose information to defend their poor performance, and this could help managers reduce the risk of them losing their jobs (Healy and Palepu, 2001). This could be particularly relevant to corporate governance disclosure because the disclosure could help with the impression that poor results are not due to bad governance (Labelle, 2002). In this thesis, profitability is measured by return on assets (ROA) (see Table 6-2)[60].

6.2.4.3 Leverage

There is a possibility that an increase in debt could lead to an increase in conflict of interest over the risk and return between shareholders and creditors (Joh, 2003) and between managers and creditors (Watson *et al.*, 2002). In this situation, managers may try to reduce agency costs through disclosure of more information, suggesting a positive relationship between leverage and disclosure. With particular relevance to corporate governance disclosure, Gandía and Andrés (2004) argue that disclosing more information can assure creditors that company can service the debt when the debt increases in relation to equity, and Bujaki and McConomy (2002) suggest that companies are likely to disclose information in order to assure creditors that they are effectively governed.

[60] Gill and Allen (2004; 2005) indicate that accounting standards in Malaysia, Singapore and Thailand for the year 2004 are relatively in line with international accounting standards. Hence, the findings based on the pooled data (i.e. incorporating the data for all three countries) for this variable should not be significantly affected by the difference in each country's accounting standard.

On the other hand, the negative association between leverage and disclosure could also be expected. Having debt could reduce disclosure of the company due to a decrease in agency costs, resulting from an increase in control through restrictive debt covenants (Jensen, 1986).

In this study, leverage is used as a proxy for creditor influence. It is measured by dividing the loan capital by shareholders' equity (see Table 6-2)[61].

6.2.4.4 Industry sector

In relation to political cost theory (see section 2.3.9), to avoid further regulations, companies which are under public scrutiny, e.g. regulated industries such as banks, may disclose more information (Ng and Koh, 1994; Craig and Diga, 1998). Arcay and Vázquez (2005) suggest that companies in the financial sector could provide larger amounts of information due to regulatory influences and that this is done in order to reduce the political cost. This is consistent with the findings in Ramsay and Hoad (1997) which show that bank and finance companies tend to disclose more corporate governance information. However, Bujaki and McConomy (2002), who also investigate corporate governance disclosure, suggest that companies may have already been highly scrutinised by regulatory bodies, hence the disclosure may not be as high as those who are not under pressure.

To test the industry sector variable, companies examined are categorised into those in the financial and non-financial sectors (see Table 6-2).

6.3 Univariate analyses

The descriptive statistics of the continuous independent variables for companies in each country are shown in Appendix 6-A. Appendix 6-B reports the number of companies which can be categorised into each categorical independent variable separately for Malaysia, Singapore and Thailand.

Pearson product-moment correlations were computed in order to examine the relationship between the dependent variables and continuous independent variables (see

[61] See previous footnote about the comment on the accounting standards in Malaysia, Singapore and Thailand in relation to international accounting standards.

Appendix 6-C). The statistical outputs were computed based on the normal scores[62]. Additionally, to determine whether there is a statistical difference in the mean of corporate governance disclosure scores for each categorical independent variable, the independent-samples t-tests were conducted based on the normal scores[63]. Only the findings from the Pearson correlations and t-tests which are deemed important are compared with the regression results in section 6.4.3 as follows.

6.4 Multivariate analyses

6.4.1 The regression model

The full regression model is shown as follows:

$$
\begin{aligned}
DISC = {} & \beta_0 + \beta_1 IndNED + \beta_2 Separation + \beta_3 IndChair + \beta_4 BSize + \beta_5 Top10Shares \\
& + \beta_6 ShareExe + \beta_7 EquityIssued + \beta_8 ListAge + \beta_9 ListSta \\
& + \beta_{10} Sing + \beta_{11} Thai + \beta_{12} MarketCap + \beta_{13} ROA + \beta_{14} Lev \\
& + \beta_{15} Industry + \varepsilon
\end{aligned}
$$

DISC = corporate governance disclosure scores based on each of the eleven scoring methods (see section 4.4.3 for a detailed discussion), as follows:

Composite corporate governance disclosure is based on either:

1. A dichotomous method, or
2. A relative number of text units method, or
3. A method adapted from Beattie *et al.* (2004), or
4. A method adapted from Beretta and Bozzolan (2004)

Corporate governance disclosure component is based on either:

5. Relative amount of disclosure / Relative quantity index, or
6. Spread of disclosure across main topics, or
7. Spread of disclosure across sub-topics, or
8. Relative number of non-empty sub-topics, or

[62] Section 4.5.1 describes the normal scores approach. The correlations are also tested using the untransformed data based on the Pearson product-moment correlation, as well as the non-parametric Spearman's rank order correlation. The results are similar.

[63] The statistically significant findings based on untransformed data using t-test and non-parametric Mann-Whitney U test are consistent with those of t-test using normal scores. The Sig. value of less than or equal to 0.05 suggests a statistically significant difference in the mean or median scores for the two groups of each categorical independent variable, for t-test and Mann-Whitney U test, respectively (Pallant, 2005).

9. Density index, or
10. Depth index, or
11. Outlook profile index

$\beta_0 - \beta_{15}$ = regression coefficients

ε = error term

The operationalisations/proxies and data sources of the independent variables are shown in Table 6-2. All the dependent and continuous independent variables are transformed to normal scores. The listing status (*ListSta*) is only included as an independent variable in the Singaporean regression because none of the Malaysian and Thai companies have multiple listings; and the country variables are only incorporated in the regression which is based on the pooled data (i.e. incorporating the data for Malaysia, Singapore and Thailand).

6.4.2 Multicollinearity

Pearson product-moment correlations between the continuous independent variables are shown in Appendix 6-D. The correlations are computed based on the normal scores because they are the data used in the regression models[64]. For the pooled and separate country data, although the significant correlations are well below the cut-off point of 0.70[65], the Variance Inflation Factor (VIF) values show that the proportion of shares held by executive directors in Singapore has VIF values above 10 in all regressions[66]. Hence, this variable is excluded from the Singaporean regressions, while all the independent variables are included in the Malaysian and Thai regression models.

6.4.3 Standard multiple regression results

The regressions were run using standard multiple regression. Eleven regressions were run for each set of data, i.e. for the pooled, Malaysia, Singapore, and Thailand data, resulting in a total of forty four regressions. There are eleven regressions for each set of data because there are eleven corporate governance disclosure scores to be tested (see section 6.4.1). All the results of the composite corporate governance disclosures for the

[64] Section 4.5.1 describes the normal scores approach.
[65] The discussion about the cut-off point for multicollinearity is in section 4.5.3. The results for the pooled and separate country data using the untransformed data based on Pearson product-moment correlation and the non-parametric Spearman's rank order correlation are similar.
[66] According to Pallant (2005), a VIF value above 10 is a cut-off point commonly used to determine multicollinearity.

pooled, Malaysia, Singapore and Thailand data are shown in Tables 6-3 – 6-6, respectively. Corporate governance disclosure scores, which are used as dependent variables for the findings reported in the tables, are computed based on both mandatory and voluntary items. The separate examination of mandatory and voluntary disclosures is tested but only using the dichotomous method, because the rest of the scoring methods cannot accurately distinguish between mandatory and voluntary disclosures. This is due to the fact that the regulatory bodies do not specify the contents or the wordings which companies have to use in relation to corporate governance disclosure (see section 5.2.2.2). For economy of space, the results of the regressions which have disclosure components as dependent variables, as well as for the additional regressions which were run to test the variables influencing mandatory disclosure and voluntary disclosure separately, are not reported in this thesis. They can be requested from the researcher. Only the significant findings for the variables influencing disclosure components, and for the variables influencing either mandatory or voluntary disclosure, are reported in the relevant sections.

In addition, the findings show that it does not matter whether only general items or both general and enhanced items are used to compute the disclosure based on a dichotomous method[67]. This is because the statistically significant findings are very similar for the pooled and separate country regressions. Hence, Tables 6-3 – 6-6 only show findings based on the general items.

[67] Scoring methods adapted from Beattie *et al.* (2004) and Beretta and Bozzolan (2004) are based on both general and enhanced items (see sections 4.4.3.3 and 4.4.3.4, respectively). The density index, a disclosure component for a composite index adapted from Beretta and Bozzolan (2004), is measured in the same way as a relative number of text units method, but is based on both general and enhanced items.

Table 6-3: Standard multiple regression results for determinants of composite corporate governance disclosure: using normal scores – Pooled data

Independent variables	Predicted signs	*DichInd*		*TextInd*		*ComBea*		*ComBer*	
		Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)
Corporate governance practices									
IndNED	+/-	0.454	3.769 (0.000)***	0.488	3.962 (0.000)***	0.372	2.963 (0.004)***	0.401	3.617 (0.001)***
Separation	+/-	0.000	0.002 (0.999)	-0.151	-1.397 (0.167)	0.040	0.365 (0.716)	-0.079	-0.815 (0.418)
IndChair	+/-	-0.036	-0.346 (0.731)	0.025	0.239 (0.812)	-0.184	-1.694 (0.095)*	-0.014	-0.148 (0.882)
Bsize	-	-0.123	-0.919 (0.362)	-0.052	-0.380 (0.705)	-0.033	-0.238 (0.813)	-0.086	-0.695 (0.490)
Top10Shares	+/-	0.307	2.260 (0.027)**	0.233	1.678 (0.098)*	0.153	1.079 (0.285)	0.164	1.312 (0.194)
ShareExe	-	-0.033	-0.275 (0.784)	-0.029	-0.231 (0.818)	-0.061	-0.479 (0.634)	-0.115	-1.026 (0.309)
Market-related									
EquityIssued	+	0.291	2.818 (0.006)***	-0.084	-0.797 (0.429)	0.204	1.891 (0.063)*	0.008	0.083 (0.934)
ListAge	+/-	0.249	2.383 (0.020)**	0.028	0.262 (0.794)	0.073	0.674 (0.503)	0.036	0.375 (0.709)
Country									
Sing	-	-0.554	-3.183 (0.002)***	-0.571	-3.204 (0.002)***	-0.082	-0.452 (0.653)	-0.543	-3.387 (0.001)***
Thai	+	-0.014	-0.087 (0.931)	-0.069	-0.430 (0.668)	0.629	3.839 (0.000)***	0.472	3.265 (0.002)***
Company-specific/control									
MarketCap	+/-	0.179	1.494 (0.140)	-0.085	-0.697 (0.489)	0.052	0.421 (0.676)	-0.018	-0.162 (0.872)
ROA	-	-0.047	-0.400 (0.690)	0.178	1.465 (0.148)	0.001	0.006 (0.995)	-0.005	-0.049 (0.961)
Lev	+/-	0.065	0.620 (0.538)	-0.129	-1.201 (0.234)	0.010	0.087 (0.931)	0.083	0.865 (0.391)
Industry	+/-	0.121	1.058 (0.294)	0.024	0.203 (0.839)	0.044	0.369 (0.713)	0.098	0.927 (0.357)
Constant			-0.054 (0.957)		2.419 (0.018)**		-1.687 (0.097)*		0.593 (0.556)
F value			3.768		3.394		3.091		5.241
Significance			0.000		0.000		0.001		0.000
Adjusted R^2			0.335		0.303		0.275		0.435

For operationalisations/proxies of the independent variables, see Table 6-2.
Sig. values are in parentheses. ***, ** and * statistically significant at the 1% level, 5% level, and 10% level, respectively.
DichInd, *TextInd*, *ComBea*, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.

Table 6-4: Standard multiple regression results for determinants of composite corporate governance disclosure: using normal scores – Malaysia

Independent variables	Predicted signs	*DichInd*		*TextInd*		*ComBea*		*ComBer*	
		Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)
Corporate governance practices									
IndNED	+/-	0.132	0.566 (0.581)	0.151	0.630 (0.539)	0.275	0.992 (0.339)	0.072	0.229 (0.822)
Separation	+/-	0.075	0.368 (0.719)	-0.169	-0.809 (0.433)	0.385	1.591 (0.136)	0.019	0.071 (0.945)
IndChair	+/-	0.073	0.356 (0.728)	0.004	0.019 (0.985)	-0.204	-0.836 (0.418)	-0.018	-0.065 (0.949)
Bsize	-	-0.280	-1.502 (0.157)	-0.158	-0.826 (0.424)	-0.100	-0.452 (0.659)	-0.040	-0.159 (0.876)
Top10Shares	+/-	0.379	1.061 (0.308)	-0.088	-0.240 (0.814)	0.555	1.310 (0.213)	-0.098	-0.204 (0.842)
ShareExe	-	-0.037	-0.117 (0.908)	-0.025	-0.077 (0.940)	0.279	0.753 (0.465)	-0.339	-0.806 (0.435)
Market-related									
EquityIssued	+	0.252	1.048 (0.314)	0.543	2.205 (0.046)**	0.295	1.038 (0.318)	-0.308	-0.956 (0.356)
ListAge	+/-	0.222	1.033 (0.320)	-0.082	-0.371 (0.717)	0.227	0.891 (0.389)	-0.169	-0.586 (0.568)
Company-specific/control									
MarketCap	-	0.606	2.762 (0.016)**	-0.135	-0.603 (0.557)	0.414	1.595 (0.135)	0.087	0.295 (0.773)
ROA	+/-	-0.136	-0.565 (0.581)	0.109	0.442 (0.666)	-0.169	-0.594 (0.563)	-0.021	-0.064 (0.950)
Lev	+/-	0.051	0.242 (0.813)	-0.015	-0.068 (0.947)	0.114	0.462 (0.652)	0.235	0.838 (0.417)
Industry	+/-	0.069	0.281 (0.783)	-0.185	-0.738 (0.473)	-0.312	-1.076 (0.302)	-0.034	-0.102 (0.920)
Constant			-0.838 (0.417)		1.685 (0.116)		-1.591 (0.136)		0.305 (0.765)
F value			1.510		1.384		0.765		0.352
Significance			0.236		0.284		0.676		0.960
Adjusted R^2			0.197		0.156		-0.127		-0.451

For operationalisations/proxies of the independent variables, see Table 6-2.
Sig. values are in parentheses. ** statistically significant at the 5% level.
DichInd, *TextInd*, *ComBea*, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.

Table 6-5: Standard multiple regression results for determinants of composite corporate governance disclosure: using normal scores – Singapore

Independent variables	Predicted signs	*DichInd*		*TextInd*		*ComBea*		*ComBer*	
		Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)
Corporate governance practices									
IndNED	+/-	0.258	1.004 (0.339)	0.190	0.840 (0.421)	0.503	1.925 (0.083)*	0.693	3.505 (0.006)***
Separation	+/-	0.115	0.636 (0.539)	-0.226	-1.416 (0.187)	0.143	0.774 (0.457)	-0.111	-0.798 (0.444)
IndChair	+/-	-0.111	-0.494 (0.632)	0.283	1.424 (0.185)	-0.414	-1.806 (0.101)	-0.077	-0.448 (0.664)
Bsize	-	-0.114	-0.560 (0.588)	-0.204	-1.141 (0.281)	-0.113	-0.548 (0.595)	-0.113	-0.726 (0.484)
Top10Shares	+/-	0.429	1.895 (0.087)*	0.541	2.713 (0.022)**	0.438	1.904 (0.086)*	0.699	4.016 (0.002)***
Market-related									
EquityIssued	+	0.150	0.626 (0.545)	0.177	0.840 (0.421)	0.217	0.893 (0.393)	0.118	0.643 (0.535)
ListAge	+/-	0.210	0.949 (0.365)	0.145	0.744 (0.474)	-0.110	-0.488 (0.636)	0.195	1.145 (0.279)
ListSta	+/-	-0.575	-2.980 (0.014)**	-0.395	-2.323 (0.043)**	-0.672	-3.422 (0.007)***	-0.480	-3.231 (0.009)***
Company-specific/control									
MarketCap	+/-	0.004	0.019 (0.985)	-0.093	-0.570 (0.581)	-0.031	-0.166 (0.871)	-0.046	-0.321 (0.755)
ROA	-	-0.395	-1.913 (0.085)*	0.030	0.163 (0.874)	-0.283	-1.350 (0.207)	-0.330	-2.076 (0.065)*
Lev	+/-	-0.171	-0.909 (0.385)	-0.317	-1.913 (0.085)*	-0.192	-1.006 (0.338)	-0.200	-1.387 (0.196)
Industry	+/-	0.217	1.156 (0.274)	0.351	2.126 (0.059)*	0.120	0.632 (0.542)	0.150	1.040 (0.323)
Constant			-0.436 (0.672)		-0.148 (0.886)		-0.331 (0.747)		0.340 (0.741)
F value			2.873		3.944		3.606		5.443
Significance			0.052		0.019		0.015		0.006
Adjusted R^2			0.505		0.616		0.489		0.708

For operationalisations/proxies of the independent variables, see Table 6-2.
Sig. values are in parentheses. ***, ** and * statistically significant at the 1% level, 5% level, and 10% level, respectively.
DichInd, TextInd, ComBea, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.

Table 6-6: Standard multiple regression results for determinants of composite corporate governance disclosure: using normal scores – Thailand

Independent variables	Predicted signs	*DichInd*		*TextInd*		*ComBea*		*ComBer*	
		Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)
Corporate governance practices									
IndNED	+/-	0.763	2.366 (0.034)**	1.072	3.200 (0.007)***	0.706	1.968 (0.071)*	1.191	3.048 (0.009)***
Separation	+/-	-0.091	-0.457 (0.655)	-0.160	-0.779 (0.450)	-0.112	-0.510 (0.619)	-0.139	-0.581 (0.571)
IndChair	+/-	-0.247	-1.353 (0.199)	-0.262	-1.383 (0.190)	-0.252	-1.242 (0.236)	-0.078	-0.355 (0.728)
Bsize	-	-0.037	-0.193 (0.850)	-0.021	-0.106 (0.917)	0.083	0.392 (0.702)	-0.049	-0.211 (0.836)
Top10Shares	+/-	-0.286	-1.540 (0.148)	-0.235	-1.219 (0.245)	-0.660	-3.199 (0.007)***	-0.145	-0.646 (0.529)
ShareExe	-	-0.302	-1.429 (0.176)	-0.649	-2.963 (0.011)**	-0.465	-1.982 (0.069)*	-0.460	-1.799 (0.095)*
Market-related									
EquityIssued	+	0.268	1.646 (0.124)	0.174	1.032 (0.321)	0.017	0.093 (0.927)	0.154	0.782 (0.448)
ListAge	+/-	-0.227	-1.260 (0.230)	-0.353	-1.887 (0.082)*	-0.487	-2.425 (0.031)**	-0.318	-1.454 (0.170)
Company-specific/control									
MarketCap	+/-	0.067	0.264 (0.796)	-0.303	-1.147 (0.272)	-0.001	-0.003 (0.998)	-0.447	-1.450 (0.171)
ROA	-	-0.331	-1.262 (0.229)	0.055	0.201 (0.844)	-0.502	-1.721 (0.109)	-0.353	-1.113 (0.286)
Lev	+/-	-0.064	-0.252 (0.805)	-0.648	-2.471 (0.028)**	-0.472	-1.680 (0.117)	-0.542	-1.772 (0.100)*
Industry	+/-	-0.358	-1.532 (0.149)	-0.315	-1.299 (0.216)	-0.543	-2.088 (0.057)*	-0.119	-0.422 (0.680)
Constant			0.552 (0.591)		0.942 (0.364)		0.991 (0.340)		0.515 (0.615)
F value			2.941		2.652		2.826		3.208
Significance			0.032		0.047		0.034		0.033
Adjusted R^2			0.482		0.442		0.359		0.241

For operationalisations/proxies of the independent variables, see Table 6-2.
Sig. values are in parentheses. ***, ** and * statistically significant at the 1% level, 5% level, and 10% level, respectively.
DichInd, *TextInd*, *ComBea*, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.

The adjusted R^2 shows how much of the variance in corporate governance disclosure is explained by the model suggested in section 6.4.1. With the exception of Malaysian regressions, the explanatory powers of the models for Singapore and Thailand, as shown in Tables 6-5 and 6-6 respectively, are quite respectable when compared with those of prior corporate governance disclosure studies in Asia, for example, 0.202 in Hossain and Taylor (2006) for India. Nonetheless, overall, the models in this study only succeed in explaining below or around 50% of the variations in corporate governance disclosure. This means that there are other factors which are not captured in the statistical model. Further analyses of the factors influencing corporate governance disclosure are reported and discussed in section 8.5. They are based on questionnaires and interviews with listed companies, investment analysts, external auditors, and regulators.

Table 6-7 shows the sections which report the results of the independent variables.

Table 6-7: Independent variables in the multiple regressions

Independent variables		Section
I.	**Corporate governance practice variables**	**6.4.3.1**
1.	Proportion of independent non-executive directors	6.4.3.1.1
2.	Separation of the roles of CEO and chairman / Independent chairman	6.4.3.1.2
3.	Board size	6.4.3.1.3
4.	Proportion of shares held by top ten shareholders	6.4.3.1.4
5.	Proportion of shares held by executive directors	6.4.3.1.5
II.	**Market-related variables**	**6.4.3.2**
6.	Capital need	6.4.3.2.1
7.	Listing age	6.4.3.2.2
8.	Listing status	6.4.3.2.3
III.	**Country variables**	**6.4.3.3**
9.	Country variables	6.4.3.3
IV.	**Company-specific/control variables**	**6.4.3.4**
10.	Company size	6.4.3.4.1
11.	Profitability	6.4.3.4.2
12.	Leverage	6.4.3.4.3
13.	Industry sector	6.4.3.4.4

6.4.3.1 Corporate governance practice variables

6.4.3.1.1 Proportion of independent non-executive directors

The results based on Thai data, for all corporate governance disclosure scores, reject the null hypothesis H_1 that there is no significant association between corporate governance disclosure and the proportion of independent non-executive directors (see Table 6-6). This suggests that the findings of association testing are robust to the different scoring methods employed for Thailand. The findings also suggest that independent directors consider corporate governance disclosure as important. This could be because of the desire to regain stakeholders' confidence and promote sound capital markets following the crisis in 1997, in which inadequate corporate governance was suggested as a factor contributing to the severity of the crisis, consistent with the argument made by Stanwick and Stanwick (2005). Additionally, Thailand has a weaker institutional governance structure, when compared to Malaysia and Singapore. Under this circumstance, independent directors may want to assure stakeholders that the company is operated effectively and efficiently. For Singapore, the variable pertaining to the proportion of independent non-executive directors is significant in only two composite corporate governance disclosure regressions (i.e. the disclosure measured based on methods adapted from Beattie *et al.*, 2004 and Beretta and Bozzolan, 2004) (see Table 6-5). Further investigation into the components of these two measures suggests that independent directors in Singapore focus only on the relative amount of disclosure, its density and the depth of disclosure.

All the signs for Thailand and Singapore are positive, confirming the complementary effect between the proportion of independent non-executive directors on the board and corporate governance disclosure. The findings can be explained by agency theory, whereby the disclosure of information can be considered one way of reducing bonding and monitoring costs (see section 6.2.1.1). When mandatory corporate governance disclosure was examined, based on the dichotomous method, the significant findings are similar to those when both mandatory and voluntary items are considered at the same time (and also when voluntary disclosure is examined alone). This suggests that independent directors in Singapore and Thailand also play a significant role in making companies comply with the regulations for corporate governance disclosure.

Despite the importance placed on independent directors as suggested in the Malaysian code on corporate governance, the proportion of independent non-executive directors has no impact on corporate governance disclosure in Malaysia (see Table 6-4). The insignificant result could partly be attributable to the possibility that there may be other factors which are more significant in influencing corporate governance disclosure in the country and are not incorporated in the statistical models. These issues are examined and discussed further, based on questionnaires and interviews, in section 8.5 in Chapter 8.

6.4.3.1.2 Separation of the roles of CEO and chairman / Independent chairman

The findings show that the variables capturing whether the roles of CEO and chairman are separated, and whether there is the presence of an independent chairman, are not statistically significant in influencing corporate governance disclosure in any countries (see Tables 6-4 – 6-6). This suggests that the chairman alone does not have power in determining the extent of corporate governance disclosure in the annual report.

Further investigation into corporate governance disclosure based on the actual number of text units (either based on general items or both general and enhanced items) shows that the independent chairman variable becomes significant at the 1% level for Singapore. The negative sign suggests that companies run by an independent chairman will disclose a lower number of text units, indicating a substitution effect between the presence of independent chairman and corporate governance disclosure. The finding implies efficiency and effectiveness of independent chairmen in Singapore, a country with the strongest institutional governance structure (see section 3.3.5). In particular, listed companies in Singapore provide less corporate governance information because the independent chairman can be used as a means in reducing agency cost, consistent with agency theory (see section 6.2.1.2).

6.4.3.1.3 Board size

Board size is not significant in any of the regressions (see Tables 6-4 – 6-6), hence the null hypothesis H_4 cannot be rejected. This suggests that size may not matter so much as composition of the board. This is especially the case for Singapore and Thailand, where the proportion of independent elements on the board can be regarded as the key corporate governance practice influencing corporate governance disclosure (see section 6.4.3.1.1).

6.4.3.1.4 Proportion of shares held by top ten shareholders

The results show that the proportion of shares held by the top ten shareholders is significant in all Singaporean regressions with positive signs (Table 6-5), inconsistent with the univariate findings which do not show any significant results (see Appendix 6-C). The significant findings in all regressions suggest the robustness of the association testing to different scoring methods employed for this variable. Although, on average, most of the companies in the sample have a relatively high concentration of ownership (see Appendix 6-A), the raw data show that the proportion of shares held by the top ten shareholders in Singapore is, on average, higher than that of Malaysia and Thailand. The positive relationship suggests that when companies have concentrated ownership, they will disclose more corporate governance information, consistent with signalling theory. In particular, managers may disclose more corporate governance information in order to avoid the risk of creating an unfavourable impression through close ownership (see section 6.2.1.4).

For listed companies in Thailand which have less ownership concentration (when compared with Singapore), the findings show that the association testing is less robust to the scoring methods used (see Table 6-6). The proportion of shares held by the top ten shareholders only has a significant impact on corporate governance disclosure, measured by a method adapted from Beattie *et al.* (2004). Further examination into the components of disclosure suggests that only the spread of disclosure show significant finding. Consistent with agency theory, concentrated ownership companies could represent a mechanism for control (see section 6.2.1.4), thereby reducing the need to disclose a variety of corporate governance information to help stakeholders assess and monitor management in Thailand.

6.4.3.1.5 Proportion of shares held by executive directors

The proportion of shares held by executive directors is significant in 3 out of 4 Thai regressions, at either 5% or 10% level with the negative signs (see Table 6-6), but not in the Malaysian regressions[68]. This suggests that the association tests are rather robust to the scoring methods employed in Thailand. The significant relationship could occur because Thailand has the weakest institutional governance structure. Managers of listed companies in Thailand with low shareholding (or none) in their hands might consider disclosing more corporate governance information as a way of enhancing the confidence of investors with regard to the management of a company, as well as to assure them that

[68] This variable is not included in Singaporean regressions because of the multicollinearity problems indicated by VIF values, as discussed in section 6.4.2.

their interests are well protected. This can be interpreted as consistent with legitimacy theory (see section 2.3.4). In addition, the negative relationship is consistent with agency theory (see section 6.2.1.5). Increasing corporate governance disclosure should provide a source for outside shareholders to examine the management conduct and provide a monitoring function, if necessary.

6.4.3.2 Market-related variables

6.4.3.2.1 Capital need

The pooled regression shows that the intention to issue shares in the following financial year has a highly positive influence on corporate governance disclosure, when measured using the dichotomous method (see Table 6-3). This shows the importance which companies place on breadth of coverage, i.e. perhaps pointing to a 'checklist' approach, when capital need is being considered. The finding rejects the null hypothesis H_7 and supports the capital need theory (see section 6.2.2.1).

When corporate governance disclosure is measured according to both mandatory and voluntary items, Thai regression does not show the capital need variable to be statistically significant in explaining corporate governance disclosure (see Table 6-6). However, when only the voluntary items are considered, the variable becomes significant at the 5% level based on the dichotomous method. This suggests that, in Thailand, managers focus more on the breadth of voluntary corporate governance disclosure, when they have plans to issue shares in the following financial year. The researcher argues that voluntarily disclosing corporate governance information can help improve a company's image, thereby maintaining existing investors and attracting the new ones. This is especially significant in Thailand which has the lowest capital market development (see section 3.2.2).

The capital need variable is significant in the Malaysian regression when considering a relative number of text units (see Table 6-4). This suggests that managers in Malaysia regard the relative extent of corporate governance disclosure (compared with other information disclosed in the annual report) as important, when they plan to issue shares in the following financial year. In addition, the finding implies that the relative number of text units disclosed is more important than the variety of the items disclosed (measured by the dichotomous method).

However, for Singapore, which has the highest capital market development, listed companies do not seem to perceive information on corporate governance as important for investment decisions (see Table 6-5).

6.4.3.2.2 Listing age

For the pooled regression (Table 6-3), a significant positive association between listing age and corporate governance disclosure, measured by either the dichotomous method or the relative number of non-empty sub-topics, is found at the 5% level. This rejects the null hypothesis H_8 and is supportive of signalling theory. In particular, companies which have been listed longer on the stock exchange may want to disclose more information on corporate governance practices in order to distinguish themselves from the recently listed companies, which possibly have lower quality corporate governance practices (see section 6.2.2.2). The findings also suggest that to distinguish themselves, companies focus on the breadth of information disclosed (measured by the dichotomous method or the relative number of non-empty sub-topics).

With particular relevance to Thailand, a significant negative association is found between listing age and corporate governance disclosure (see Table 6-6). Consistent with signalling theory, the lack of investor confidence following the 1997 crisis and the relatively low level of economic and capital market developments in Thailand (compared with Malaysia and Singapore) might motivate recently listed companies in Thailand to disclose more corporate governance information in order to promote a good impression of the company's management to potential and existing investors (see section 6.2.2.2). The emphasis is placed on the density of information (measured by the relative number of text units index), and depth of disclosure (measured by the depth index), to help stakeholders understand and feel assured about the management of companies.

6.4.3.2.3 Listing status

As discussed in section 6.4.1, listing status is only examined for the Singaporean regressions. Significant negative results between corporate governance disclosure and multiple listings are found for all corporate governance disclosure measures (see Table 6-5), indicating the robustness of association testing to the different scoring methods employed. It is significant at either the 1% or 5% level. The results are consistent with the univariate findings. This negative association can be explained by the reputational capital argument associated with agency theory. Companies which have multiple listings could help reduce agency costs through increase company reputational capital, thereby lowering the desire to disclose corporate governance information (see section 6.2.2.3).

6.4.3.3 Country variables

Country dummy variables are included in the pooled regressions only (see section 6.4.1). The main findings are that, on balance, there is likely to be a negative relationship between Singapore and corporate governance disclosure and a positive association for Thailand (see Table 6-3). In particular, they suggest that companies listed in Singapore disclose lower levels of corporate governance information and that companies listed in Thailand disclose more information, when compared with Malaysia (the excluded group). Only when both country dummy variables are significant in the same regression model can it be concluded that among the three countries, Singapore provides the lowest disclosure, and Thailand discloses the highest. These results are contradictory to the argument in Gray (1988) who suggests that accounting disclosure in Singapore (referred to as Asian-Colonial) is more transparent than that of Malaysia's and Thailand's (referred to as less developed Asian). This suggests that environmental factors may affect accounting and corporate governance disclosure differently, justifying studying corporate governance disclosure separately from accounting disclosure.

To exclude the effect of the different corporate governance disclosure requirements in Malaysia, Singapore and Thailand on the findings, the regression model for the pooled data is also run based on disclosure computed using voluntary items alone. However, only the dichotomous method is explored because, as discussed in the introduction of section 6.4.3, mandatory and voluntary disclosures cannot be distinguished accurately for other scoring methods. The findings for voluntary disclosure are similar to those reported in Table 6-3, the pooled regressions[69]. This suggests that the findings for country variables could be explained by other environmental factors, especially the impact of the 1997 crisis, the economic development, the capital market development, the advancement in institutional governance structure, and the legal system (for detailed discussion see section 6.2.3). In addition, consistent with the cultural aspect (see the full

[69] Based on the dichotomous method, the findings based on mandatory disclosure also suggest that Singapore discloses less than Malaysia, but the disclosure is not statistically different between Malaysia and Thailand.

discussion of the possible relationship between each of the cultural dimension and disclosure in section 2.3.7.1), listed companies in Thailand will disclose more information because they have the highest uncertainty avoidance score, when compared with Malaysia and Singapore (see section 3.2.1). They may wish to avoid possible conflicts with the market by providing the information that the market requires in order to make an informed decision. The disclosure could also be made to avoid conflicts with stakeholders, which may occur if they do not have the information necessary to examine and monitor management. With regard to power distance, Thailand has the lowest score (see section 3.2.1). This could lead to higher levels of information being disclosed because there may be less desire to maintain inequalities of power. Furthermore, the lowest uncertainty avoidance score in Singapore suggests that listed companies in the country are willing to absorb greater risk and may be less motivated to avoid possible conflicts with their stakeholders, thereby having the lowest level of corporate governance information. Furthermore, if the analysis is based on the intellectual and affective autonomy dimensions of Schwartz (1994), which are important for societies which view the person as an autonomous entity entitled to pursue his or her individual interests and desires, Thailand is expected to have the highest disclosure and Singapore the lowest. This is because Thailand has the highest scores for these values, while Singapore has the lowest. Jaggi and Low (2000) argue that in an individualistic society, people care for themselves and that it is more competitive, possibly leading to a less secretive environment.

Overall, the findings suggest that only certain cultural dimensions can be used when explaining differences in corporate governance disclosure across Malaysia, Singapore and Thailand. This indicates potential limitations for those cultural dimensions developed with particular relevance to corporate governance disclosure (see potential limitations of the study on cultural dimensions in section 2.3.7.1).

6.4.3.4 Company-specific/control variables

6.4.3.4.1 Company size

The size variable measured by market capitalisation is not significant in any of the Singaporean or Thai regressions (Tables 6-5 and 6-6, respectively), and is significant at the 5% level only in regression based on corporate governance disclosure using a dichotomous scoring method in Malaysia (see Table 6-4). All companies in the sample are large in size. Beyond a certain level, size might not have much of an impact on corporate governance disclosure because these companies are already well established.

6.4.3.4.2 Profitability

The results show that the profitability variable, measured by ROA, is only marginally significant and in only a few Singaporean regressions (Table 6-5), while regressions for Malaysia and Thailand show insignificant findings for ROA (Tables 6-4 and 6-6, respectively). This suggests that profitability is unlikely to be an important factor influencing corporate governance disclosure.

6.4.3.4.3 Leverage

There are only a few regressions which indicate that leverage is significant in influencing corporate governance disclosure. In particular, Table 6-5 shows that one Singaporean regression shows the leverage variable to have a negative impact on disclosure, based on a relative number of text units method, though only marginally significant (10% level). For Thailand, the findings show this variable to have a significant negative influence on disclosure when measured using a relatively number of text units method (5% level), and a method adapted from Beretta and Bozzolan (2004) (10% level) (see Table 6-6).

However, there is no significant relationship between leverage and corporate governance disclosure found in any of the Malaysian regressions (Table 6-4). This could partly be attributable to the fact that, on average, the level of leverage in Malaysia is lower that that of Singapore and Thailand (see Appendix 6-A). This could lessen the need to reduce agency cost through corporate governance disclosure.

6.4.3.4.4 Industry sector

The weak or insignificant influence of the industry sector variable on corporate governance disclosure is evidenced in this study (see Tables 6-3 – 6-6). This result suggests that it is not necessary for financial companies, regarded as politically sensitive, to disclose more corporate governance information to the public. Codes or principles, regulations, best practices and guidelines (with regard to corporate governance disclosure) in Malaysia, Singapore and Thailand are the same for both financial and non-financial companies. In addition, corporate governance disclosure should be regarded as a good practice in all industries.

6.4.4 Comments

Overall, based on the pooled data, relatively different findings are found for each disclosure scoring method, with the exception of the proportion of independent non-executive directors which was found to have a significant influence across all disclosure scoring methods (Table 6-3). For example, the capital need variable is only found to have a significant positive association with corporate governance disclosure based on the dichotomous method. This suggests that when listed companies are planning to obtain funds in the capital market, they will focus more on the breadth of corporate governance information disclosed. When the separate country regressions are considered (Tables 6-4 – 6-6), the significance of certain explanatory variables is more robust to corporate governance disclosure scoring methods than others, dependent on each country's environment. The detail has been discussed in sections 6.4.3.1, 6.4.3.2 and 6.4.3.4 for each variable. For example, in the case of Thailand, the proportion of shares held by executive directors is significant in almost all of the regressions. This could have occurred because Thailand has the weakest institutional governance structure (see section 6.4.3.1.5). Managers of listed companies in Thailand who have low shareholding (or none) in their hands might consider disclosing more corporate governance information as a means of enhancing the confidence of investors with regard to the management of a company, as well as a way of assuring them that their interests are well protected.

Based on the findings from pooled and separate country regressions, the researcher argues that different scoring methods should not be used in isolation because the regression results may bring out different sets of explanatory variables. This can help provide a clearer explanation or picture of those factors influencing corporate governance disclosure. Researchers who employ one scoring method in their study should interpret their results with particular relevance to the scoring method used. For example, researchers who want to determine the depth of disclosure may employ the depth index in their study. If the breadth of disclosure is the objective of the study, the dichotomous method may be adopted. Furthermore, because of the potential differences in variables influencing corporate governance disclosure across countries, the researcher argues that comparisons with prior studies with analyses based on groups of countries need to be made with caution. The findings also suggest that when examining corporate governance disclosure, separate country analyses might be preferred to analysis of the pooled data.

In addition, the findings suggest that financial and non-financial disclosure theories can be applied to the area of corporate governance disclosure (as shown in sections 6.4.3.1 – 6.4.3.4). However, it should be noted that any explanation of these theories should be interpreted with particular relevance to the context of corporate governance disclosure. Since none of prior studies examines factors influencing corporate governance disclosure in Malaysia, Singapore and Thailand, a comparison between the findings cannot be made. The study in these countries reflects the unique contribution of this thesis.

6.5 Summary and conclusions

This chapter is intended to explore the sensitivity of association testing to corporate governance disclosure scoring methods, in relation to variables influencing corporate governance disclosure in annual reports. Variations in the disclosure are discussed based on relevant disclosure theories and the environment of each country.

Overall, based on the pooled data, relatively different findings are found for each disclosure scoring method, while separate country regressions show that the significance of certain explanatory variables is more robust to the disclosure scoring methods used than others, depending on each country's environment. Thus, in order to help provide a clearer explanation or picture of those factors influencing corporate governance disclosure, the researcher argues that different scoring methods should not be used in isolation (see section 6.4.4). Furthermore, the findings support the argument that separate country analysis might be preferred to analysis of the pooled data due to the possible differences in factors influencing corporate governance disclosure across countries (see section 6.4.4).

With regard to the disclosure theories applicable in explaining corporate governance disclosure, the findings suggest that financial and non-financial disclosure theories can be applied to the area of corporate governance disclosure. The four main theories which can be used to explain variations in corporate governance disclosure are as follows.

Agency and signalling theories can be regarded as the dominant theories relating to corporate governance practice variables. For example, agency theory can be used to explain the positive influence of the proportion of independent non-executive directors on corporate governance disclosure for Thailand and Singapore. In particular, disclosure of corporate governance information can be deemed as one method of reducing bonding and monitoring costs (see section 6.4.3.1.1). Furthermore, agency theory can also help explain the negative influence of the proportion of shares held by executive directors on disclosure for Thailand. Increasing corporate governance disclosure should provide a source for outside shareholders to examine the management conduct and provide a monitoring function, if necessary. This should help avoid potential conflict of interest between shareholders and management. This explanation can be regarded as especially significant in a country which has weak institutional governance structure and high ownership concentration, because minority shareholders may need to oversee companies through corporate governance disclosure.

Signalling theory can be used to explain the positive relationship between the proportion of shares held by the top ten shareholders and corporate governance disclosure in Singapore. Managers may disclose more corporate governance information in order to avoid the risk of creating an unfavourable impression through close ownership (see section 6.4.3.1.4).

Capital need theory is the explanation for the significant influence of the capital need variable, i.e. whether or not companies issue shares in the following financial year (see section 6.4.3.2.1). Overall, the results indicate that companies tend to focus on the breadth of information disclosed (based on a dichotomous method), for both mandatory and voluntary disclosures, when they plan to issue shares. However, for Thailand, the focus tends to be more on the breadth of voluntary disclosure. This could help attract more investors by improving a company's image.

Environmental determinism theory, which suggests that the environment in which companies operate can have an influence on their disclosure, is the main explanation for the country differences (see section 6.4.3.3). On balance, when compared with Malaysia, listed companies in Singapore tend to provide less corporate governance information based on different scoring methods, while Thailand is likely to disclose more corporate governance information. Six environmental factors can be used to explain the differences of disclosure across countries: 1) the impact of the 1997 crisis, 2) economic development, 3) capital market development, 4) advancement in institutional governance structure, 5) the legal system, and 6) culture (see a detailed discussion in sections 6.2.3 and 6.4.3.3).

In almost all of the regressions, the models only succeed in explaining around 50% or less of the variations in corporate governance disclosure. This means that there could be factors which are not captured in the models. Hence, there might be a need to consider these additional factors which could potentially have an impact on the disclosure. This issue is explored in Chapter 8 by means of questionnaires and interviews.

The next chapter reports the findings of the impact of corporate governance disclosure on market perceptions of company performance, measured by Tobin's *Q*, when compared with corporate governance practices, to see whether market values corporate governance disclosure above the actual practices.

Appendix 6-A: Descriptive statistics of continuous independent variables

Continuous independent variables	Malaysia				Singapore				Thailand			
	Min	Max	Mean	Median	Min	Max	Mean	Median	Min	Max	Mean	Median
Corporate governance practice variables												
Proportion of independent non-executive directors (*IndNED*): %	28.57	66.67	40.53	40.00	22.22	80.00	51.72	50.00	15.38	73.33	35.68	33.00
Board size (*BSize*)	6	12	9	9	6	15	10	10.50	9	20	13	13
Proportion of shares held by top ten shareholders (*Top10Shares*): %	21.40	92.72	67.44	69.01	59.94	100.00	85.37	88.68	29.12	99.96	65.15	69.37
Proportion of shares held by executive directors (*ShareExe*): %	0.00	100.00	12.43	0.27	0.00	93.76	10.55	10.44	0.00	42.86	4.43	4.31
Market-related variable												
Listing age (*ListAge*): Years	2	43	23	22	1	94	29	13	1	29	14	11.50
Company-specific/control variables												
Size (*MarketCap*): Millions of US$	293.56	10,325.31	1,665.00	574.08	627.56	12,483.25	3,020.69	1,710.83	465.28	12,213.35	2,300.10	1,304.94
Profitability (*ROA*)	-0.0043	0.6520	0.1068	0.0800	-0.1972	0.5577	0.0990	0.1022	0.0040	0.3905	0.1407	0.1400
Leverage (*Lev*)	0.0000	1.9334	0.3345	0.1550	0.0000	1.1382	0.3976	0.4149	0.0000	3.4857	0.6112	0.4234

For operationalisations/proxies of the continuous independent variables, see Table 6-2.

Appendix 6-B: Number of companies in each categorical independent variable

Categorical independent variables	Malaysia	Singapore	Thailand
Separation of the roles of CEO and chairman (*Separation*)			
Roles separated	21	23	22
Roles combined	9	7	8
Independent chairman (*IndChair*)			
Independent	9	12	7
Not independent	21	18	23
Capital need (*EquityIssued*)			
Equity issued	16	23	14
No equity issued	14	7	16
Listing status (*ListSta*)			
Multiple listings	N/A	8	N/A
Listing on only one stock exchange	N/A	22	N/A
Industry sector (*Industry*)			
Financial sector	6	10	8
Non-financial sector	24	20	22

For operationalisations/proxies of the categorical independent variables, see Table 6-2.
N/A means not applicable, i.e. none of the listed companies in the sample for Malaysia and Thailand has multiple listings.

Appendix 6-C: Pearson product-moment correlations between continuous independent variables and corporate governance disclosure scores: using normal scores

Continuous independent variables	Pooled data				Malaysia				Singapore				Thailand			
	DichInd	*TextInd*	*ComBea*	*ComBer*	*DichInd*	*TextInd*	*ComBea*	*ComBer*	*DichInd*	*TextInd*	*ComBea*	*ComBer*	*DichInd*	*TextInd*	*ComBea*	*ComBer*
IndNED	0.431***	0.275**	0.156	0.054	0.082	0.245	0.014	0.129	0.181	0.181	0.297	0.459**	0.640***	-0.488***	0.318	0.573***
BSize	-0.114	-0.259**	0.309***	0.157	-0.224	-0.185	-0.035	-0.030	0.178	-0.157	0.019	0.052	0.026	-0.215	0.057	-0.280
Top10Shares	-0.034	0.028	-0.056	-0.229**	0.065	0.153	0.207	0.235	-0.070	0.178	0.022	0.129	-0.248	0.101	-0.437**	-0.100
ShareExe	-0.209	-0.161	-0.106	-0.270**	-0.258	-0.002	-0.170	-0.251	-0.454**	-0.197	-0.369	0.422**	-0.113	-0.172	-0.146	-0.122
ListAge	0.304***	0.026	0.014	-0.023	0.113	0.028	-0.032	-0.131	0.407**	0.057	0.182	0.207	0.057	-0.268	-0.084	-0.130
MarketCap	0.193	-0.174	0.245**	-0.008	0.596***	-0.196	0.358	0.136	-0.076	-0.246	-0.198	-0.121	0.527***	0.286	0.369**	0.134
ROA	-0.075	0.283***	0.068	0.093	-0.018	0.214	0.137	0.074	-0.295	0.150	-0.112	-0.078	-0.095	0.409**	-0.175	-0.021
Lev	0.072	-0.192	0.168	0.164	0.187	-0.117	0.179	0.209	-0.060	-0.350	-0.068	-0.004	0.404**	-0.003	0.117	0.167

For operationalisations/proxies of the continuous independent variables, see Table 6-2.
DichInd, *TextInd*, *ComBea*, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.
*** and ** correlations are significant at the 1% level and 5% level (2-tailed), respectively.

Appendix 6-D: Pearson product-moment correlations between continuous independent variables: using normal scores

Continuous independent variables	*IndNED*	*BSize*	*Top10Shares*	*ShareExe*	*ListAge*	*MarketCap*	*ROA*
Panel A: Pooled data							
BSize	-0.208						
Top10Shares	0.042	-0.039					
ShareExe	-0.021	-0.159	-0.121				
ListAge	0.117	-0.019	-0.183	-0.082			
MarketCap	0.297***	0.247**	-0.059	-0.007	0.012		
ROA	0.086	-0.013	0.163	0.029	-0.198	0.078	
Lev	0.109	0.286***	-0.046	0.001	-0.133	0.257**	-0.093
Panel B: Malaysia							
BSize	0.079						
Top10Shares	-0.258	0.070					
ShareExe	-0.110	-0.188	-0.547***				
ListAge	0.115	0.065	-0.230	-0.065			
MarketCap	0.147	-0.018	-0.186	-0.061	-0.011		
ROA	0.167	0.099	0.131	-0.104	-0.071	0.219	
Lev	-0.136	-0.058	-0.048	0.220	-0.164	0.290	-0.075
Panel C: Singapore							
BSize	0.016						
Top10Shares	-0.303	-0.005					
ShareExe	-0.368	-0.514**	0.125				
ListAge	0.017	0.378**	-0.342	-0.152			
MarketCap	0.167	0.235	-0.232	-0.286	0.083		
ROA	0.075	-0.219	0.388	0.265	-0.114	-0.212	
Lev	0.309	0.292	0.021	-0.241	-0.016	0.138	-0.229
Panel D: Thailand							
BSize	-0.170						
Top10Shares	-0.163	-0.051					
ShareExe	0.050	-0.298	-0.231				
ListAge	0.123	0.154	-0.357	-0.035			
MarketCap	0.503***	0.226	-0.181	-0.076	0.331		
ROA	0.147	-0.182	0.377**	0.195	-0.386**	0.019	
Lev	0.472**	0.188	-0.039	-0.280	-0.039	-0.004	-0.156

For operationalisations/proxies of the continuous independent variables, see Table 6-2.
*** and ** correlations are significant at the 1% level and 5% level (2-tailed), respectively.

CHAPTER 7: THE EFFECT OF CORPORATE GOVERNANCE DISCLOSURE AND PRACTICES ON MARKET PERCEPTIONS OF COMPANY PERFORMANCE: HYPOTHESES DEVELOPMENT, RESULTS AND ANALYSES

7.1 Introduction

This chapter answers specific research questions (SRQs) 4 and 5, as shown in section 1.4:

SRQ 4: What is the effect of corporate governance disclosure on market perceptions of company performance, when compared with corporate governance practices?

SRQ 5: How can variations in market perceptions of company performance be explained by theories relevant to corporate governance disclosure and practices?

SRQ 4 seeks to identify whether corporate governance disclosure can influence the variations in market perceptions of company performance when compared with corporate governance practices. To answer this question, Tobin's *Q* is used as a proxy for market perceptions of company performance (section 4.4.4) and univariate and multivariate analyses (sections 4.5.2 and 4.5.3, respectively) are employed. SRQ 5 is answered by analysing and interpreting the outputs of the statistical results within the context of Malaysia, Singapore and Thailand in relation to the applicable theories.

This chapter contains the development of the hypotheses (section 7.2), univariate analyses (section 7.3), multivariate analyses (section 7.4) and the summary and conclusions (section 7.5).

7.2 Hypotheses development for variables influencing market perceptions of company performance

The independent variables are: 1) corporate governance disclosures, 2) corporate governance practices, and 3) company-specific/control variables (Table 7-1). The corporate governance practice and company-specific/control variables are based on prior corporate governance studies which focus on examining the influence of corporate governance practices on Tobin's *Q*. The purpose of the inclusion of corporate governance practices in the models is to test whether the market sees value in corporate governance disclosure when compared with actual corporate governance practices, as well as to compare the findings with those of prior studies.

Table 7-1: Variables chosen for testing the hypotheses

Variables		Section
I.	**Corporate governance disclosure variables**	**7.2.1**
1.	Corporate governance disclosure	7.2.1
II.	**Corporate governance practice variables**	**7.2.2**
2.	Proportion of independent non-executive directors	7.2.2.1
3.	Separation of the roles of CEO and chairman / Independent chairman	7.2.2.2
4.	Board size	7.2.2.3
5.	Proportion of shares held by top ten shareholders	7.2.2.4
6.	Proportion of shares held by executive directors	7.2.2.5
III.	**Company-specific/control variables**	**7.2.3**
7.	Company size	7.2.3.1
8.	Leverage	7.2.3.2
9.	Industry sector	7.2.3.3
10.	Listing age	7.2.3.4

Table 7-2 summarises the theoretical frameworks or explanations for hypotheses development, predicted signs, operationalisations/proxies, and data sources for each independent variable. The rest of this section provides a detailed discussion of the hypothesis development for each independent variable.

7.2.1 Corporate governance disclosure variables

This thesis examines the association of corporate governance disclosure with market perceptions of company performance, measured by Tobin's *Q*, above the actual corporate governance practices of the company. It is expected that there should be a positive relationship between corporate governance disclosure and Tobin's *Q*. Three theories can be used to support this prediction: 1) signalling theory, 2) legitimacy theory, and 3) environmental determinism theory.

Table 7-2: Summary of the independent variables: theoretical frameworks or explanations, predicted signs, operationalisations/proxies, and data sources

Independent variables	Theoretical framework or Explanation	Further explanation	Predicted signs	Operationalisations/Proxies	Data sources
Corporate governance disclosure variables*					
H_{12} Corporate governance disclosure	• Signalling theory	• Separate high versus low corporate governance quality companies	+	Composite disclosure is based on either: 1. A dichotomous method (*DichInd*), or 2. A relative number of text units method (*TextInd*), or 3. A method adapted from Beattie *et al.* (2004) (*ComBea*), or 4. A method adapted from Beretta and Bozzolan (2004) (*ComBer*) Disclosure component is based on either: 5. Relative amount of disclosure (*RD*) / Relative quantity index (*RQT*), or 6. Spread of disclosure across main topics (*I-MainH*), or 7. Spread of disclosure across sub-topics (*I-SubH*), or 8. Relative number of non-empty sub-topics (*NE*), or 9. Density index (*DEN*), or 10. Depth index (*DPT*), or 11. Outlook profile index (*OPR*)	• Company annual report • Datastream (only data on market capitalisation and industry sector used in computing *RD*/*RQT* component)
		• Promote positive impression	+		
	• Legitimacy theory	• Assure investors about company's conduct	+		
		• Allow stakeholders to examine the company more cautiously	+		
	• Environmental determinism theory	• Institutional governance mechanism	+		
		• The perceptions of regulatory bodies on corporate governance disclosure	+		
Corporate governance practice variables					
H_{13} Proportion of independent non-executive directors (*IndNED*)	• Agency theory	• Resolving agency problem	+	Proportion of independent non-executive directors to total number of directors on the board	Company annual report
	• Signalling theory	• Signal that company plans to address business problems	+		
		• To enhance a company's image	+		
	• Advantages in having independent non-executive directors	• Linkage to the external environment	+		
	• Disadvantages in having independent non-executive directors	• Limited knowledge of company business	-		
		• Lower board unity	-		

Independent variables	Theoretical framework or Explanation	Further explanation	Predicted signs	Operationalisations/Proxies	Data sources
	• Including independent non-executive directors on the board for political reasons	• Stifle strategic actions • Excessive monitoring or not independent enough to provide a serious monitoring • Indirectly control and monitor activities and business policies to serve the country's agenda	- - -		
H_{14} Separation of the roles of CEO and chairman (*Separation*)	• Agency theory • Stewardship theory	• Resolving agency problem • Advantages in having a role duality, e.g. faster response to events	+ -	1 when the positions of CEO and chairman of the board are separated, and 0 if they are combined	Company annual report
H_{15} Independent chairman (*IndChair*)	• Agency theory • Stewardship theory	• Resolving agency problem • Advantages in having non-independent chairman, e.g. faster response to events	+ -	1 when the position of chairman of the board is independent, and 0 otherwise	Company annual report
H_{16} Board size (*BSize*)	• Cost-benefit theory	• Benefits in having large board, e.g. diversity in background and knowledge • Efficiency and effectiveness of small board in running and monitoring a company	+ -	Total number of directors	Company annual report
H_{17} Proportion of shares held by top ten shareholders (*Top10Shares*)	• Agency theory	• Improve monitoring process • Entrenchment effect	+ -	Number of shares held by top ten shareholders as a percentage of total number of shares issued	• Company annual report • Directly from requesting companies

Independent variables	Theoretical framework or Explanation	Further explanation	Predicted signs	Operationalisations/Proxies	Data sources
H_{18} Proportion of shares held by executive directors (*ShareExe*)	• Agency theory	• Alignment of interest between management and shareholders • Entrenchment effect	+ -	Number of shares held by executive directors as a percentage of total number of shares issued	Company annual report
Company-specific/control variables					
Company size (*Sales*)	• Market power, Economy of large-scale production, Cheap funds, and Access to new technology • Management involvement in empire-building, and Lack of expertise in running large companies	• Market power, Economy of large-scale production, Cheap funds, and Access to new technology • Empire-building, and Lack of expertise in running large companies	+ -	Sales (US$)	• Datastream • Company annual report
Leverage (*Debt*)	• Agency theory	• Lenders play a large part in the monitoring role • Conflicts of interest over risk and return between shareholders and creditors	+ -	Total debt to total assets	Datastream
Industry sector (*Industry*)	• Political cost theory	• Public criticism • Increase confidence of market participants	- +	1 if the company is in the financial sector, and 0 otherwise	Datastream
Listing age (*ListAge*)	• Company characteristic	• Recently listed companies are more risky	+	Number of years a company has been listed on the country's stock exchange	• Malaysia: Company annual report and website • Singapore: Company annual report and SGX website • Thailand: SETSMART (SET Market Analysis and Reporting Tool)

* See section 4.4.3 for the scoring methods for each corporate governance disclosure variable.
SGX and SET stand for the Singapore Exchange and the Stock Exchange of Thailand, respectively.

7.2.1.1 Signalling theory

In relation to signalling theory (see section 2.3.5), the researcher argues that companies which have better corporate governance disclosure can help to better signal the quality of their corporate governance practices, which in turn could result in better market perceptions of company performance. Therefore, managers of high corporate governance quality companies may wish to distinguish themselves from lower quality ones through the disclosure of corporate governance information. The disclosure may also help promote a positive impression of the company (Chiang, 2005) which could then reflect positively on market perceptions. Conversely, not disclosing, or providing a low level of corporate governance information (which does not involve commercially sensitive information, as suggested in Labelle, 2002; Standard and Poor's and Corporate Governance and Financial Reporting Centre: S&P and CGFRC, 2004a, b, c, d, e) could reflect negatively on market perceptions of companies. In particular, market participants may consider that companies have something to hide.

7.2.1.2 Legitimacy theory

Legitimacy theory (see section 2.3.4) could help explain the influence corporate governance information has in boosting market perceptions of company performance. Many prior studies, such as Mitton (2002) and Chang Aik Leng and Abu Mansor (2005), suggest that the 1997 Asian economic crisis raises questions about corporate governance structures in Asia (see section 3.3.4), especially in relation to the countries seriously affected by the crisis. Disclosing corporate governance information could help assure investors that the company's conduct is desirable and appropriate. It also allows stakeholders to examine the company more cautiously, specifically with regard to the monitoring process to ensure the ethical and moral conduct of the company's operations (the Stock Exchange of Thailand: SET, 2001). Hence, it could make them feel more confident about the company (Miles, 2005), and in this regard, corporate governance disclosure can have a positive effect on market perceptions of company performance.

7.2.1.3 Environmental determinism theory

In relation to environmental determinism theory (see section 2.3.7), the first explanation is related to the institutional governance mechanism, especially rules and regulations, their enforcement, and corporate governance culture. The researcher argues that if the mechanisms are strong, corporate governance disclosure may have a positive effect on market perceptions of company performance. This is because market participants may have more confidence in the disclosure of listed companies, hence disclosure via annual reports may be enough to assure market participants that the company has an appropriate corporate governance system able to deal with any issues which may arise in the company. Furthermore, it is suggested that corporate governance disclosure could improve a company's reputation (Cullen and Christopher, 2002; Bronn, 2004), help it develop a strong relationship with stakeholders (Bronn, 2004), and reassure its investors that the company is being managed with the interest of its shareholders in mind (Cheung *et al.*, 2007).

Regulatory bodies in Malaysia, Singapore and Thailand seem to be aware of the significance of corporate governance disclosure, as reflected in each country's listing requirements (see sections 3.4.1 – 3.4.3). In particular, they require listed companies to disclose in their annual reports how they apply the principles of corporate governance, as well as requiring them to provide explanations for any areas of non-compliance. Hence, the high level of corporate governance disclosure may affect the market perceptions of company performance in these countries positively, while a low level of disclosure could have a negative impact on the market perceptions.

Corporate governance disclosure may have a negative impact on market perceptions of company performance if the information disclosed is largely related to bad governance in the company. For example, the World Bank (1999) suggests that the sharp fall of KFC share prices of 48% for Malaysia was due to disclosure of a corporate governance irregularity in June 1998. However, the overall impression, based on the examination of companies' annual reports, is that companies normally disclose only their good practices of corporate governance, and rarely discuss whether they fail to comply with the principles of corporate governance (see detailed discussion in section 5.2.1.2).

To the best of the researcher's knowledge, there are only two prior studies which provide empirical evidence about the impact of corporate governance disclosure on market perceptions, measured by Tobin's Q, i.e. Bebczuk (2005) and Klein *et al.* (2005). They find a positive relationship between corporate governance disclosure and Tobin's Q.

This suggests that corporate governance disclosure is useful in improving market perceptions. However, Bebczuk (2005) only examines the disclosure of board structure and procedures, while Klein *et al.* (2005) examine the disclosure on corporate governance policies. This thesis extends these studies by covering six main areas of corporate governance: 1) codes or principles of corporate governance, 2) board matters, 3) audit and internal control matters, 4) nomination matters, 5) remuneration matters, and 6) stakeholders.

Corporate governance disclosure in this study is measured based on four composite corporate governance disclosure scores and seven disclosure component scores (Table 7-2). Based on the discussion, there should be a positive relationship between Tobin's Q and corporate governance disclosure. The hypothesis in the null form is:

H_{12}: Ceteris paribus, there is no significant association between Tobin's Q and corporate governance disclosure.

7.2.2 Corporate governance practice variables

This thesis incorporates corporate governance practices in the models to test whether the market sees value in corporate governance disclosure in annual reports above actual corporate governance practices. In an attempt to make comparisons, it concentrates only on those corporate governance practice variables suggested by prior studies on Tobin's Q. Although there are correlations between corporate governance disclosure and practices, the highest significant correlation is 0.526 as shown in Appendix 7-A[70]. To test the robustness of the results, corporate governance disclosure and corporate governance practice variables were also run in separate regressions (see section 7.4.3). The significant variables are the same as the regressions which incorporate both corporate governance disclosure and practices. This suggests that the multicollinearity should not be a concern.

7.2.2.1 Proportion of independent non-executive directors

Based on agency theory (see section 2.3.1), signalling theory (see section 2.3.5), and the advantages of having independent non-executive directors on the board of directors, the

[70] The correlation is based on corporate governance disclosure measured using the dichotomous method. Other corporate governance disclosure scores correlate with corporate governance practices around or below 0.526.

proportion of independent non-executive directors should have a positive influence on market perceptions of company performance, measured by Tobin's *Q*. In relation to agency theory, having independent non-executive directors on the board could help resolve the agency problem (Hermalin and Weisbach, 1991; Labelle, 2002). This is because non-executive directors can provide a mechanism of checks and balances which could help in improving boards' effectiveness (Haniffa and Cooke, 2002), and also playing a significant role in relation to protecting minority shareholders (Gill and Allen, 2005). They can also help prevent the entrenchment of a company's resources (Chiang, 2005).

With regard to signalling theory, a positive relationship between the proportion of independent non-executive directors and market perceptions of company performance may occur because the appointment of independent directors could indicate that the company plans to deal with business problems, even though these directors may not actually have an effect on the company's ability to deal with the problem (Bhagat and Black, 1999). Furthermore, Rhoades *et al.* (2000) suggest that independent directors may be appointed on the board in order to enhance company image. This is because having them can help executive directors appear accountable to outsiders.

In addition, Tricker (1984) suggests that having non-executive directors on the board can be seen as a means of providing additional windows on the world. Specifically, due to their expertise, prestige and contacts, the non-executive directors can help provide linkages to the external environment (Haniffa and Cooke, 2002).

On the other hand, a negative relationship between the proportion of independent non-executive directors and market perceptions of company performance could also be expected because of the disadvantages and political reasons in having independent directors on the board. The disadvantages of independent directors include their limited knowledge of company business (Nam and Nam, 2004), the lowering of board unity (Solomon and Solomon, 2004), and the stifling of strategic actions (Goodstein *et al.*, 1994). Furthermore, while Chang Aik Leng and Abu Manson (2005) argue that independent directors may not be independent enough to provide a serious monitoring role, Baysinger and Bulter (1985) suggest that independent directors could provide excessive monitoring. The political reasons for having independent directors on the board are suggested by Agrawal and Knoeber (1996) in the examination of US data.

They argue that a negative relationship between the proportion of non-employee directors and Tobin's Q could exist because they have been included on the board for political reasons, one of the reasons being to indirectly control and monitor activities and business policies in order to serve the country's agenda.

In this thesis, the proportion of independent non-executive directors is measured by dividing the total number of independent non-executive directors on the board by the total number of directors (see Table 7-2). Due to the conflicting arguments, no expectation is formed in relation to the direction of the relationship between Tobin's Q and the proportion of independent non-executive directors. The hypothesis in the null form is:

H_{13}: Ceteris paribus, there is no significant association between Tobin's Q and the proportion of independent non-executive directors on the board.

7.2.2.2 Separation of the roles of CEO and chairman / Independent chairman

Agency theory (see section 2.3.1) can be used to explain the positive relationship between the separation of the roles of CEO and chairman and market perceptions of company performance. In particular, this separation of roles can help ensure owner-interested action (Rhoades *et al.*, 2000) and provide a mechanism of checks and balances over management (Panasian, 2003), both of which could help to reduce agency costs (Labelle, 2002).

A negative association between the separation of the roles and market perceptions of company performance (or the positive relationship between role duality and market perceptions) may also occur due to the advantages in having role duality. The arguments are based on stewardship theory (see section 2.3.2), which assumes that management will act in the company's and shareholders' best interests because of the human motives involved, e.g. need for achievement, recognition, and respect for authority (Donaldson and Davis, 1991). The advantages include, for example, having a faster response to events during highly turbulent periods (for example, Boyd, 1995), and having a greater understanding and knowledge of the industry and company (Boyd, 1995; Weir *et al.*, 2002). However, Weir *et al.* (2002) suggest that when there is role duality, companies should also have sufficient independent directors on the board to counterbalance the situation.

Despite the explanations offered for these positive and negative relationships between the separation of the roles and market perceptions of company performance, many prior studies in Asia find insignificant or weak evidence for such relationships, for example, Mak and Li (2001) for Singapore, Mak and Kusnadi (2005) for Malaysia and Singapore, Abdul Rahman and Haniffa (2005) for Malaysia, and Haniffa and Hudaib (2006) for Malaysia. These suggest that corporate governance initiative, i.e. adopting the separation of the roles of CEO and chairman, cannot have an impact on the efficiency and effectiveness of company's operations as perceived by market participants.

To test this variable, the sample companies are divided into two groups, i.e. those with the roles of the CEO and chairman separated and those with the roles combined (see Table 7-2). Based on the above discussion, no specific expectation is formed for this variable. As such:

H_{14}: Ceteris paribus, there is no significant association between Tobin's Q and the separation of the roles of CEO and chairman.

As discussed in section 6.2.1.2 in Chapter 6, although there is separation between the roles of CEO and chairman, it does not necessarily mean that the chairman is independent. Therefore, this study also tests the association between the presence of an independent chairman and Tobin's *Q*. The theories behind the influence of an independent chairman on Tobin's *Q* are the same as those discussed under the separation of the roles of CEO and chairman.

To examine the variable, the companies in the sample are separated into two groups, i.e. those with an independent chairman and those without (see Table 7-2 for data source). As with the separation of the roles variable, a specific direction for the independent chairman variable is not formed and the hypothesis in the null form is:

H_{15}: Ceteris paribus, there is no significant association between Tobin's Q and the presence of an independent chairman on the board.

7.2.2.3 Board size

In relation to cost-benefit theory (see section 2.3.8), board size could have either a positive or a negative effect on market perceptions. Proponents of having a large number of directors on the board suggest that benefits come from the diverse background, knowledge and perspectives of the directors (Dweivedi and Jain, 2005). Such diversity may help secure critical resources and contacts (Haniffa and Hudaib, 2006). However, it is possible that small board may be more efficient and effective in running and monitoring a company (Jensen, 1993). Hence, a negative association between board size and market perceptions of company performance may be expected.

However, it is suggested by Lipton and Lorsch (1992) that board size should be between eight and nine people and if a company increases the number of its directors to more than that, any benefits which the company might receive by increasing its board size will be outweighed by the costs. The company may suffer from a diffusion of responsibility - with each director feeling less threatened if they do not provide contribution (Dweivedi and Jain, 2005). The codes of corporate governance in Malaysia and Singapore, however, do not recommend a specific range of board size, though they do consider having an appropriate board size to be important (Mak and Kusnadi, 2005). Thailand's principles of corporate governance also do not indicate an appropriate board size, but rather suggest that it is the board's duty, with approval from the shareholders, to determine board size.

Results from prior Asian studies are mixed. The positive association between board size and Tobin's Q is evidenced in, for example, Mak and Li (2001)[71] for Singapore and Dwivedi and Jain (2005) for India. A negative relationship between board size and Tobin's Q is found in, for example, Mak and Kusnadi (2005) for Malaysia and Singapore, and Haniffa and Hudaib (2006) for Malaysia.

Board size is measured in this study by the total number of directors on the board (see Table 7-2). In view of the conflicting arguments and results from prior studies, no specific expectation is formed in relation to the direction of the relationship between Tobin's Q and board size. As such, the null hypothesis is as follows:

H_{16}: Ceteris paribus, there is no significant association between Tobin's Q and board size.

[71] For Mak and Li (2001), the positive association is found when ordinary least squares regression is employed, and not when two-stage least squares regression is undertaken.

7.2.2.4 Proportion of shares held by top ten shareholders

In relation to agency theory (see section 2.3.1), having concentrated ownership could increase market perceptions of company performance. High ownership concentration could improve the monitoring process of the company since large shareholders may have power to provide better management control (Panasian, 2003; Chang Aik Leng and Abu Mansor, 2005; Klein *et al.*, 2005). Shleifer and Vishny (1997) suggest that having concentrated ownership is more beneficial for countries which are less developed in terms of property rights, and/or which have a judicial system that does not provide as good a protection.

On the other hand, a negative association between ownership concentration and market perceptions of company performance could also occur and can also be explained by agency theory, specifically the entrenchment effect (see section 2.3.1), and the cost of capital argument. Joh (2003) suggests that the owner-managed companies can limit voting rights, thereby lowering the protection of external shareholders. Furthermore, large shareholders could expropriate minority shareholders' interests (Hermalin and Weisbach, 1991; Chang Aik Leng and Abu Mansor, 2005). This could especially be the case when the country has poor legal protection.

This study measures ownership concentration by the percentage of shares held by top ten shareholders (see Table 7-2). Based on the conflicting arguments discussed, no expectation is formed for the relationship between Tobin's Q and the proportion of shares held by top ten shareholders:

H_{17}: Ceteris paribus, there is no significant association between Tobin's Q and the proportion of shares held by top ten shareholders.

7.2.2.5 Proportion of shares held by executive directors

In relation to agency theory (see section 2.3.1), there could be a positive association between the proportion of shares held by executive directors and market perceptions of company performance. Management with a high equity stake may positively affect market perceptions of company performance because there could be an increase in effort in order to maximise performance. Raffournier (1995) and Warfield *et al.* (1995) suggest that if managers have small stakes in the company, it is more likely that they will deviate from wealth-maximising behaviour, such as shirking and perquisite-taking. However, the consequences of managers having an increase in shareholdings could also have a negative impact on market perceptions of company performance if managers become more entrenched (Demsetz and Villalonga, 2001). This could also be interpreted as being related to agency theory, in particular, the entrenchment effect (see section 2.3.1). Morck *et al.* (1988) suggest that a manager who has control of a large fraction of equity may invest in non-value-maximising activities.

In this study, managerial ownership is measured by the percentage of shares held by executive directors (see Table 7-2). Based on the above discussion, no expectation is formed with regard to the relationship between Tobin's Q and the proportion of shares held by executive directors. As such, the null hypothesis is:

H_{18}: Ceteris paribus, there is no significant association between Tobin's Q and the proportion of shares held by executive directors.

7.2.3 Company-specific/control variables

Hypotheses are not formed for these company-specific variables because they are regarded as being the controlling factors for the statistical models.

7.2.3.1 Company size

Generally, larger companies perform better than smaller companies because of their market power (Klein *et al.*, 2005), economy of large-scale production (Chang Aik Leng and Abu Mansor, 2005; Klein *et al.*, 2005), cheap funds and access to new technology (Chang Aik Leng and Abu Mansor, 2005). However, according to Joh (2003), although the benefit based on the economy of scale may be present in large-sized companies, the benefit could be lower when companies reach a certain threshold.

A negative relationship between company size and market perceptions of company performance can also be expected. Chang Aik Leng and Abu Mansor (2005) suggest that beyond certain levels, companies may suffer because of the probability that managers will engage in empire-buildings without considering the effect on the company, or because of the lack of expertise in running large companies.

For company size, two main measures have been used in prior corporate governance studies, i.e. total assets (for example, Mehran, 1995; Agrawal and Knoeber, 1996; and Black *et al.*, 2006) and sales (for example, Himmelberg *et al.*, 1999; Addul Rahman and Haniffa, 2005; and Haniffa and Hudaib, 2006). Sales is chosen to represent the size variable in this study in order to avoid association by construction with Tobin's *Q* (see Table 7-2)[72].

7.2.3.2 Leverage

In relation to agency theory (see section 2.3.1), a positive association between leverage and market perceptions of company performance could be expected. For companies with greater debt, the lenders could play a large part in the monitoring role (Agrawal and Knoeber, 1996; Chang Aik Leng and Abu Mansor, 2005). A positive association between leverage and Tobin's *Q* is found in many Asian studies, i.e. Bai *et al.* (2004) for China, Addul Rahman and Haniffa (2005) for Malaysia, Mak and Kusnadi (2005) for Malaysia and Singapore, Black *et al.* (2006) for Korea, and Haniffa and Hudaib (2006) for Malaysia. This suggests that leverage is likely to be one factor which positively affect market perceptions of company performance in the context of Asian countries.

On the contrary, a negative relationship between leverage and market perceptions of company performance could also be expected. There is a possibility that increased debt could lead to an increase in conflicts of interest over risk and return between shareholders and creditors (Joh, 2003). If the shareholders are also managers of the company, this situation can be interpreted as related to agency theory (see section 2.3.1). A negative association between leverage and Tobin's *Q* is found only in relatively few Asian studies, i.e. Chen (2001) for China, and Wiwattanakantang (2001) for Thailand.

For this study, to be consistent with prior studies in Asia (for example, Mak and Kusnadi, 2005 for Malaysia and Singapore; Haniffa and Hudaib, 2006 for Malaysia; and

[72] Gill and Allen (2004; 2005) indicate that accounting standards in Malaysia, Singapore and Thailand for the year 2004 are relatively in line with international accounting standards. Hence, the findings based on the pooled data for sales variable should not be significantly affected by the difference in each country's accounting standard.

Wiwattanakantang, 2001 for Thailand), leverage is measured by dividing total debt by total assets (see Table 7-2)[73].

7.2.3.3 Industry sector

In relation to political cost theory (see section 2.3.9), it is expected that market perceptions of company performance will have a negative association with companies in an industry sector which is under public scrutiny. This is because intervention by the government and interest groups could incur public criticism (Raffournier, 1997), thereby having a negative effect on a company's reputation. On the other hand, a positive relationship could also be expected. In particular, market participants may have more confidence in these companies because they are closely scrutinised.

Industry sector is measured by separating the companies examined into financial and non-financial sectors (see Table 7-2). For a robustness test, companies are also categorised into high and low intangible asset sectors. This is because it is suggested that Tobin's *Q* also reflects the intangible assets value perceived by investors (Demsetz and Villalonga, 2001). In this study, financials, services (cyclical and non-cyclical) and information technology sectors are regarded as high intangible asset sectors.

Some prior studies also include capital expenditure factor as it can be regarded as a controlling factor for growth opportunities (Haniffa and Hudaib, 2006). However, because of the strong correlation with the industry sector variable in this thesis, the capital expenditure variable is omitted from the main statistical analyses but is tested to examine the robustness of the main results. The capital expenditure variable is measured as the proportion of capital expenditure to total assets of the company and the findings are discussed in section 7.4.3.3.3.

7.2.3.4 Listing age

The association between market perceptions of company performance and listing age could be based on characteristic of the company. Haniffa and Cooke (2002) suggest that newly listed companies can be seen as a risky investment. Hence, the researcher argues that when compared with longer listed companies, market participants may perceive the

[73] See previous footnote about the comment on the accounting standards in Malaysia, Singapore and Thailand in relation to international accounting standards.

performance of those newly listed more negatively, supporting the positive association between market perceptions and listing age.

Listing age is measured by the number of years a company has been listed on the country's stock exchange (see Table 7-2).

7.3 Univariate analyses

The descriptive statistics of Tobin's *Q* and the continuous independent variables, except those of corporate governance disclosure which are reported in Chapter 5, for companies in each country used in this study are shown in Appendix 7-B. Appendix 7-C reports the number of companies which can be categorised into each categorical independent variable separately for Malaysia, Singapore and Thailand.

Pearson product-moment correlations are computed in order to examine the relationship between the dependent variable and continuous independent variables (see Appendix 7-D). The statistical outputs are computed based on the normal scores because they are the data employed in the regression models[74]. Additionally, to determine whether there is a statistical difference in the mean of the Tobin's *Q* scores for the categorical variables included in this study, the independent-samples t-tests were conducted based on the normal scores[75]. Only findings from the Pearson correlations and t-tests which are deemed important are compared with the regression results in section 7.4.3 as follows.

7.4 Multivariate analyses

7.4.1 The regression model

The full regression model is as follows:

[74] Section 4.5.1 describes the normal scores approach. The correlations are also tested using the untransformed data based on the Pearson product-moment correlation, as well as the non-parametric Spearman's rank order correlation. The results are similar.
[75] All of the results conducted based on untransformed data using t-test and non-parametric Mann-Whitney U test are similar to the results of t-test using normal scores. The Sig. value of less than or equal to 0.05 suggests a statistically significant difference in the mean or median scores for the two groups of variables for t-test and Mann-Whitney U test, respectively (Pallant, 2005).

$$Tobin'sQ = \beta_0 + \beta_1 DISC + \beta_2 IndNED + \beta_3 Separation + \beta_4 IndChair + \beta_5 BSize + \beta_6 Top10Shares + \beta_7 ShareExe + \beta_8 Sales + \beta_9 Debt + \beta_{10} Industry + \beta_{11} ListAge + \varepsilon$$

Tobin's Q	= proportion of market value of common shares plus total debt to book value of total assets (see section 4.4.4)
DISC	= corporate governance disclosure variable, both composite and components (see Table 7-2). In each regression, only one disclosure variable is included
β_0 - β_{11}	= regression coefficients
ε	= error term

The operationalisations/proxies and data sources of the independent variables are shown in Table 7-2. All the dependent and continuous independent variables are based on normal scores.

7.4.2 Multicollinearity

Examples of the Pearson product-moment correlations between the continuous independent variables are shown in Appendix 7-A[76]. The correlations are computed based on normal scores, because these are the data employed in the regression models[77]. For the pooled and separate country data, the correlations are below the cut-off point of 0.70[78]. The highest significant correlation is 0.567. Variance Inflation Factor (VIF) tests were also conducted and the results show that all VIF values are well below 10[79]. Hence, all the independent variables are included in the regression models.

7.4.3 Standard multiple regression results

The regressions were run using standard multiple regression. Eleven regressions were run for each set of data, i.e. for the pooled, Malaysia, Singapore, and Thailand data,

[76] The corporate governance disclosure measured using the dichotomous method (*DichInd*) is shown in the correlations table.
[77] Section 4.5.1 describes the normal scores approach. The correlations are also tested using the untransformed data based on the Pearson product-moment correlation, as well as the non-parametric Spearman's rank order correlation. The results are similar.
[78] See the discussion about the cut-off point for multicollinearity in section 4.5.3.
[79] According to Pallant (2005), a VIF value above 10 is a cut-off point commonly used to determine multicollinearity.

resulting in the total of 44 regressions. There are eleven regressions for each set of data because there are eleven corporate governance disclosure scores to be tested.

Table 7-3 reports examples of the regression results based on the pooled and separate country data when all independent variables are included in the model. In the example, corporate governance disclosure measured using the dichotomous method (*DichInd*) is incorporated into the regression models[80]. For economy of space, the findings of the corporate governance disclosure scores based on other scoring methods, both composite and components, are summarised in Table 7-5. The significant corporate governance practice and control variables are the same in all regression models within the same country. Summaries of these findings are shown in Tables 7-6 and 7-7, respectively. All of the findings reported (i.e. Tables 7-3 and 7-5 - 7-7) are based on the corporate governance disclosure measured based on both mandatory and voluntary items. This is based on the assumption that when market participants use corporate governance information, they will focus on both mandatory and voluntary disclosures to form their perceptions of companies.

Appendix 7-A shows that although there are correlations between corporate governance disclosure and practices, the highest significant correlation is 0.526. To test the robustness of the results, corporate governance disclosure and corporate governance practice variables were also run in separate regressions. The findings show that the significant variables are the same as those summarised in Tables 7-5 – 7-7.

[80] The statistically significant findings of corporate governance disclosure computed using the dichotomous method, based on both general and enhanced items, are similar to those based on the general items alone. Therefore, only results based on general items are reported.

Table 7-3: Examples of standard multiple regression results for determinants of Tobin's Q: using normal scores

Independent variables	Predicted signs	Pooled data		Malaysia		Singapore		Thailand	
		Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)	Beta	t-statistics (Sig.)
Corporate governance disclosure									
DichInd[#]	+	0.040	0.407 (0.685)	0.036	0.235 (0.817)	0.583	1.963 (0.075)*	-0.076	-0.680 (0.508)
Corporate governance practices									
IndNED	+/-	-0.118	-1.178 (0.243)	-0.111	-0.891 (0.388)	-0.188	-0.726 (0.483)	-0.029	-0.272 (0.790)
Separation	+/-	0.075	0.818 (0.417)	0.010	0.082 (0.936)	0.197	0.816 (0.432)	0.060	0.682 (0.507)
IndChair	+/-	-0.074	-0.810 (0.421)	-0.037	-0.299 (0.769)	-0.009	-0.032 (0.975)	-0.526	-5.647 (0.000)***
Bsize	+/-	-0.009	-0.096 (0.924)	-0.264	-2.256 (0.041)**	0.247	1.055 (0.314)	-0.121	-1.405 (0.183)
Top10Shares	+/-	-0.131	-1.514 (0.135)	-0.207	-1.144 (0.272)	-0.260	-1.171 (0.266)	-0.315	-3.394 (0.005)***
ShareExe	+/-	-0.084	-0.857 (0.394)	-0.280	-1.473 (0.163)	0.278	0.744 (0.472)	-0.451	-4.869 (0.000)***
Company-specific/control									
Sales	+/-	0.397	4.500 (0.000)***	0.038	0.245 (0.810)	0.930	3.501 (0.005)***	-0.005	-0.052 (0.960)
Debt	+	0.329	3.612 (0.001)***	0.721	5.354 (0.000)***	0.224	1.201 (0.255)	0.622	6.031 (0.000)***
Industry	+/-	0.532	6.006 (0.000)***	0.541	4.510 (0.000)***	0.074	0.292 (0.776)	0.771	7.242 (0.000)***
ListAge	+	-0.074	-0.824 (0.413)	0.079	0.627 (0.541)	-0.272	-1.045 (0.318)	-0.024	-0.268 (0.793)
Constant			-1.815 (0.074)*		-0.679 (0.508)		-0.747 (0.471)		-1.173 (0.262)
F value			7.677		6.854		7.653		18.150
Significance			0.000		0.001		0.000		0.000
Adjusted R^2			0.488		0.495		0.329		0.521

For operationalisations/proxies of the independent variables, see Table 7-2.

[#] The results of the corporate governance disclosure measured by the dichotomous method (*DichInd*) are shown in the table. The findings of corporate governance disclosure scores based on other scoring methods are summarised in Table 7-5.

Corporate governance disclosure and corporate governance practice variables were also run in separate regressions, the significant variables are the same as those reported in the table.

Sig. values are in parentheses. *** , ** and * statistically significant at the 1% level, 5% level, and 10% level, respectively.

All of the models for Malaysia (11) and Thailand (11) succeed in explaining around or over half of the variations in the level of Tobin's *Q*. The adjusted R^2s are in the range of 0.495 – 0.582 for Malaysia and 0.501 – 0.683 for Thailand. This suggests that Tobin's *Q* for companies examined can be largely explained by the independent variables included in the models for Malaysia and Thailand. The findings for Singapore (11) suggest that the independent variables specified in the model have less power in explaining Tobin's *Q*. The adjusted R^2s are in the range of 0.268 – 0.517. However, they are still relatively higher when compared with the findings in prior studies of Singapore, i.e. Mak and Li (2001) (0.11 and 0.18), and 9 out of 11 models also have explanatory powers higher than that of Mak and Kusnadi (2005) (0.31).

Overall, the empirical results suggest that when corporate governance disclosure is significant, actual practices are insignificant in influencing market perceptions of company performance, and while actual practices are significant, the disclosure does not have an effect on market perceptions (see sections 7.4.3.1 and 7.4.3.2). The significance of corporate governance practice variables, however, varies across countries. The rest of this section discuss each independent variable in turn.

Table 7-4 shows the sections which report the results of the independent variables.

Table 7-4: Independent variables in the multiple regressions

Independent variables		Section
I.	**Corporate governance disclosure variables**	**7.4.3.1**
1.	Corporate governance disclosure	7.4.3.1
II.	**Corporate governance practice variables**	**7.4.3.2**
2.	Proportion of independent non-executive directors	7.4.3.2.1
3.	Separation of the roles of CEO and chairman / Independent chairman	7.4.3.2.2
4.	Board size	7.4.3.2.3
5.	Proportion of shares held by top ten shareholders	7.4.3.2.4
6.	Proportion of shares held by executive directors	7.4.3.2.5
III.	**Company-specific/control variables**	**7.4.3.3**
7.	Company size	7.4.3.3.1
8.	Leverage	7.4.3.3.2
9.	Industry sector	7.4.3.3.3
10.	Listing age	7.4.3.3.4

7.4.3.1 Corporate governance disclosure variables

A summary of the results for corporate governance disclosure variables is shown in Table 7-5. There are eleven corporate governance disclosure variables examined and each disclosure variable is included in a separate regression for each set of data (Malaysia, Singapore, or Thailand).

Table 7-5: Corporate governance disclosure and Tobin's *Q*

Independent variables	Malaysia	Singapore	Thailand
Composite disclosure			
DichInd	x	/* (+)	x
TextInd	x	x	x
ComBea	x	/** (+)	x
ComBer	x	/** (+)	x
Disclosure components			
RD/RQT	x	/** (+)	x
1-MainH	x	x	x
1-SubH	x	x	x
NE	x	/** (+)	x
DEN	x	x	x
DPT	x	/** (+)	x
OPR	x	x	x

For operationalisations/proxies of the independent variables, see Table 7-2.
/ statistically significant, x not statistically significant.
** and * statistically significant at the 5% and 10% level, respectively. Signs are reported in brackets.

Singapore

The findings shown in Table 7-5 suggest that corporate governance disclosure can have a significant positive influence on the variations in market perceptions, measured by Tobin's *Q*. This suggests that corporate governance disclosure plays a major role in influencing market perceptions of company performance in Singapore and that market participants see value in corporate governance disclosure above the actual corporate governance practices. However, when corporate governance disclosure is explored based on different scoring methods, different findings for each scoring method occur. For example, the findings for the composite corporate governance disclosure show that only the disclosure scores measured by a method adapted from Beattie *et al.* (2004) and a method adapted from Beretta and Bozzolan (2004) show a statistically significant impact on market perceptions of company performance. The disclosure based on the dichotomous method is only marginally significant, while the disclosure based on the relative number of text units method shows no significant impact on market perceptions.

Further analyses into the components suggest that listed companies may want to focus on relative amount of disclosure (*RD*), breadth of information (*NE*) and depth of disclosure (*DPT*) so that it can help investors understand and be able to examine the company more cautiously, leading to the increase in investor confidence and attracting investment. The outlook profile index (*OPR*), which measures disclosure of corporate governance policies, is not significant. This suggests that it is not the policies themselves which can affect market perceptions of company performance but the disclosure of the way in which companies apply these policies which matters to the market. The findings suggest that different scoring methods should not be used in isolation because there is a possibility that they will provide different findings. This can help provide a clearer picture of the influence of corporate governance disclosure on market perceptions of companies.

The significance of corporate governance disclosure in Singapore can be explained by environmental determinism theory (see section 7.2.1.3). Singapore has a stronger institutional governance structure, when compared with Malaysia and Thailand (see section 3.3.5), suggesting that the market may have more confidence in the system of corporate governance in Singapore. Hence, the researcher argues that the disclosure in annual reports should help assure market participants that the company has an appropriate corporate governance system to deal with any issues that may arise in the company. Additionally, the disclosure could improve a company's reputation (Cullen and Christopher, 2002; Bronn, 2004), help develop a strong relationship with stakeholders (Bronn, 2004), and reassure investors that companies are managed with the interest of shareholders in mind (Cheung *et al.*, 2007).

Additionally, most of the information in the annual reports of the listed companies in Singapore is voluntarily disclosed (182 out of 191 items in the checklist are voluntary items), suggesting that the disclosure may be more appreciated by market participants. This is consistent with the findings of the Tobin's *Q* model run using only voluntary items to measure corporate governance disclosure (based on the dichotomous method). That is the findings show that voluntary disclosure has a significant impact on Tobin's *Q* (at 5% level)[81].

[81] Only the dichotomous method is examined. The separation between mandatory and voluntary disclosures cannot be done accurately using other scoring methods (see section 5.2.2.2).

Malaysia and Thailand

For Malaysia and Thailand, the findings indicate that none of the corporate governance disclosure variables could have a significant impact on Tobin's *Q* (see Table 7-5). Hence, the null hypothesis H_{12} cannot be rejected at the 1%, 5% or 10% level for these countries. This suggests that the market does not see value in corporate governance disclosure in the annual reports above the actual corporate governance practices in the countries which were more affected by the 1997 Asian economic crisis, in which inadequate corporate governance is cited as one of the factors contributing to the severity of the crisis (for example, Mitton, 2002). The evidence that certain corporate governance practices are significant in explaining Tobin's *Q* in these countries (see section 7.4.3.2) suggests that market participants place great significant on the actual practices, while disclosure may be regarded as just the act of reporting and to keep up with others. Furthermore, it is possible that impact of disclosure on market perceptions may not be so considerable when compared with actual practices.

As shown in section 3.3.5, the institutional governance structures, e.g. rules and regulations, enforcement and culture of corporate governance, are relatively weaker in Malaysia and Thailand, when compared with those of Singapore. Under this weaker institutional environment, the findings suggest that market participants tend to regard corporate governance practices as important in affecting their perceptions of company performance, rather than relying on corporate governance disclosure in annual reports. This implies that other channels for corporate governance information, such as communication with the company, may be more efficient in informing market participants of corporate governance practices than the annual reports. The information received by users may be timelier, hence useful for them in making their investment decisions.

Although the empirical findings suggest that the extent of corporate governance disclosure does not affect market perceptions of company performance above the actual practices in Malaysia and Thailand, regulatory bodies still regard corporate governance disclosure in annual reports as important. This can be seen from corporate governance disclosure regulations in the listing requirements which stipulate that listed companies have to disclose in their annual reports how they apply the principles of corporate governance, as well as provide an explanation when there is non-compliance (see sections 3.4.1 and 3.4.3). The information disclosed could be used for fundamental analysis of the overall quality of a company's management[82], as well as for verifying the reliability of corporate governance information which the company receives from other sources, e.g. press releases. In addition, the disclosure may help reassure stakeholders that companies are being managed with their interests in mind.

7.4.3.2 *Corporate governance practice variables*

Table 7-6 shows a summary of the results for corporate governance practice variables. All regressions for each set of data (i.e. Malaysia, Singapore and Thailand) provide the same significant results.

Table 7-6: Corporate governance practices and Tobin's *Q*

Independent variables	Malaysia	Singapore	Thailand
IndNED	x	x	x
Separation	x	x	x
IndChair	x	x	/*** (-)
BSize	/** (-)	x	x
Top10Shares	x	x	/*** (-)
ShareExe	x	x	/*** (-)

For operationalisations/proxies of the independent variables, see Table 7-2.
/ statistically significant, x not statistically significant. *** and ** statistically significant at the 1% and 5% level, respectively. Signs are reported in brackets.

The results indicate that none of the corporate governance practices are significant in explaining Tobin's *Q* for Singapore, hence the null hypotheses $H_{13} - H_{18}$ cannot be rejected at the 1%, 5%, or 10% level. This suggests that market perceptions of company performance are affected more by disclosure of all corporate governance practices in the annual reports (see section 7.4.3.1) than by the specific corporate governance practices.

As for the results of Malaysia, only board size shows a significant negative relationship with Tobin's *Q* at the 5% significant level, suggesting that the null hypothesis H_{16} is rejected. When Thai data are considered, independent chairman, proportion of shares held by the top ten shareholders, and proportion of shares held by executive directors are shown to be significant. All three variables are statistically significant at the 1% level with negative signs, hence the null hypotheses H_{15}, H_{17}, and H_{18} are rejected. These findings could be explained by the environmental determinism theory. In other words, specific corporate governance practices matter more in Malaysia and Thailand which

[82] Leahy (2004) suggests that good governance reflects quality of management.

have lower economic and capital market developments (see section 3.2.2), were more affected by the 1997 crisis (see section 3.3.4), and have weaker institutional governance (see section 3.3.5). The results are consistent with Nam and Nam (2004) who suggest that corporate governance is more important in countries with weak legal and judicial systems for protecting investors. Durnev and Kim (2005) also show that corporate governance at company level matters more for countries which have weaker investor protection. According to the findings of Ting (2006), under poor economic conditions, corporate governance effect can perform better.

The rest of this section discusses each corporate governance practice variable in detail.

7.4.3.2.1 Proportion of independent non-executive directors

The insignificant results for the proportion of independent non-executive directors suggest that an independent board might not be perceived to be significant by market participants in Malaysia, Singapore and Thailand. The insignificant impact of the proportion of independent non-executive directors on Tobin's Q is consistent with Haniffa and Hudaib (2006) for Malaysia, Mak and Li (2001) for Singapore, and Mak and Kusnadi (2005) for both Malaysia and Singapore. One possible explanation is that the optimal board should contain a combination of inside, affiliated, and independent directors who could each bring different skills and knowledge to the board of directors[83]. Bhagat and Black (1999) suggest that, compared with the independent directors, affiliated directors would have more knowledge of the weaknesses and strengths of the companies because of their ongoing business with them. Furthermore, the market may also be aware of the possibility that independent directors have been chosen because a company just wants to signal that it has good corporate governance.

7.4.3.2.2 Separation of the roles of CEO and chairman / Independent chairman

The variable relating to separation of the roles of CEO and chairman is not found to be significant in any regressions. Corporate Governance Committee (CGC) (2001) argues that companies with role duality can be as well managed as the ones with separation of

[83] According to Bhagat and Black (1999), directors can be divided into: 1) inside/executive directors (persons who are also the officers in the company), 2) affiliated/grey directors (former officers of the company, relatives of the officers, persons who have business affiliation with the company, such as commercial banks, auditors, and lawyers), and 3) independent non-executive directors (persons who are outside directors and do not have such affiliations).

the roles. Hence, there is no guarantee that for the companies which have the roles separated, the market will perceive them as better than the companies with role duality. The findings are consistent with those in Abdul Rahman and Haniffa (2005) and Haniffa and Hudaib (2006) for Malaysia, Mak and Li (2001) for Singapore[84], and Mak and Kusnadi (2005) for both Malaysia and Singapore. Even after the suggestion to separate the roles of CEO and chairman in the codes of corporate governance (Finance Committee on Corporate Governance: FCCG, 2001 for Malaysia; CGC, 2001 for Singapore), the separation of the roles variable does not seem to have a positive impact on market perceptions of company performance.

With regard to whether a chairman is independent or not, the regression results indicate that this variable is significant for Thai regressions, consistent with the univariate findings based on t-test. Hence, the null hypothesis H_{15} can be rejected. It is significant at the 1% level with negative sign, suggesting that the market may not perceive having an independent chairman as providing benefit to the company performance. Thailand is less developed with regard to economic and capital market developments, when compared with Malaysia and Singapore. Under this circumstance, the market may perceive that Thai companies may need to have a non-independent chairman as an essential mechanism to help guide the company towards a higher level of performance.

7.4.3.2.3 Board size

Board size is significantly associated with Tobin's Q in the context of Malaysia, inconsistent with the univariate finding (see Appendix 7-D). The result indicates that the market places high value on companies with smaller board size, consistent with cost-benefit theory discussed in section 7.2.2.3. Studies examining Malaysia, and which include board size as an independent variable, also find a significant negative association between board size and Tobin's Q, i.e. Mak and Kusnadi (2005) and Haniffa and Hudaib (2006).

The insignificant results for Thailand could be due to the substitution effect with regard to board size and other corporate governance practice variables included in the model. Another explanation could be the characteristics of Thai people, who are group-oriented and where personal relationships are emphasised to get things done (see section 3.2.1).

[84] The finding is based on two-stage least squares regression.

Hence, this could result in the board of directors being perceived as a so-called 'rubber stamp' board, leading to the insignificant result of the board size variable. This is supported by the discussion in the Securities and Exchange Commission (SEC) (2004) that the working group for enhancing good corporate governance does not consider board size as an important factor.

7.4.3.2.4 Proportion of shares held by top ten shareholders

The ownership concentration variable is significant for Thai regressions, inconsistent with the univariate finding (see Appendix 7-D). This variable is significant at the 1% level and has a negative sign. Hence, the null hypothesis H_{17} can be rejected for Thailand. This suggests that companies with high ownership concentration may be perceived rather negatively by the market because of the entrenchment effect (see section 7.2.2.4). This argument could especially be used for Thailand because it has the lowest scores for shareholders' rights (La Porta *et al.*, 1998).

7.4.3.2.5 Proportion of shares held by executive directors

This variable is only significant for Thailand with negative sign in the regression models, consistent with the univariate findings (see Appendix 7-D). It is significant at the 1% level. The negative impact could be explained by agency theory, in particular, the entrenchment effect (see section 7.2.2.5). Managers may become more entrenched when they have higher stakes in the company. As discussed in section 7.4.3.2.4, this argument could especially be applied for Thailand as it has the lowest scores for shareholders' rights (La Porta *et al.*, 1998). The insignificant impact of this variable on Tobin's Q in Malaysia and Singapore is supported by prior studies, i.e. Haniffa and Hudaib (2006) for Malaysia, Mak and Li (2001) for Singapore, and Mak and Kusnadi (2005) for both Malaysia and Singapore.

Robustness tests are conducted using the square of the proportion of shares held by executive directors. The significant variables for all regressions remain the same for Malaysia and Singapore. However, as for Thailand, the only difference is that the squared variable is not significant. This suggests that there is no non-monotonic relationship between Tobin's Q and the proportion of shares held by executive directors in Thailand.

7.4.3.3 Company-specific/control variables

The results of company-specific/control variables are summarised in Table 7-7 and briefly discussed in this section. All regressions for each set of data (i.e. Malaysia, Singapore and Thailand) provide the same significant results.

Table 7-7: Company-specific/control variables and Tobin's *Q*

Independent variables	Malaysia	Singapore	Thailand
Sales	x	/*** (+)	x
Debt	/*** (+)	x	/*** (+)
Industry	/*** (+)	x	/*** (+)
ListAge	x	x	x

For operationalisations/proxies of the independent variables, see Table 7-2.
/ statistically significant, x not statistically significant. *** statistically significant at the 1% level
Signs are reported in brackets.

7.4.3.3.1 Company size

Company size is measured by sales. This variable is only significant for Singapore and the sign is positive at the 1% level, indicating that a large company can positively influence market perceptions of company performance[85]. This positive association could be due to the advantages in being large in size, such as having accessibility to new technology (see section 7.2.3.1).

7.4.3.3.2 Leverage

The findings suggest that for both Malaysia and Thailand, leverage is the significant variables, both at the 1% level with positive sign. It is suggested that debt financing through banking institutions is the dominant characteristic in Malaysia (for example, Jomo, 1995; and Suto, 2003), and also in Thailand where companies prefer debt financing from banks in order to avoid ownership dilution (Endo *et al.*, 2000). These reflect the significance of debt in these countries. The positive association with Tobin's *Q* could be explained by agency theory, in particular, lenders playing a large part in the monitoring role (see section 7.2.3.2).

[85] For a robustness test, ROA is also incorporated in the regression models. The findings show that the profitability can only have a positive effect on market perceptions of company performance in Malaysia (5% level). The statistically significant findings of corporate governance disclosure and practice variables remain the same.

7.4.3.3.3 Industry sector

The findings suggest that for both Malaysia and Thailand, industry sector is a significant variable, consistent with the univariate findings based on t-tests. The variable is significant at the 1% level with positive sign. The positive sign can be explained by political cost theory whereby the market may have more confidence in companies in the financial sector as they are more closely scrutinised (see section 7.2.3.3).

For a robustness test, companies are also categorised into high and low intangible asset sectors. The variable is significant at the 5% level with positive sign for only the pooled regressions, while the statistically significant findings of corporate governance disclosure and practice variables remain the same. Furthermore, when the industry sector variable is replaced by the capital expenditure variable[86], the statistically significant findings for the corporate governance disclosure variable and practices remain the same, while the capital expenditure is negatively significant at the 1% level for Malaysia and Thailand. The negative relationship between capital expenditure and Tobin's *Q* suggests that the market may feel negatively towards capital spending because there is no concrete outcome for them in the short term.

7.4.3.3.4 Listing age

Listing age is not significant in any of the regressions. This suggests that it does not matter how long companies have been listed on the stock exchange, market perceptions of company performance are not influenced by it.

7.5 Summary and conclusions

This chapter examines the effect of corporate governance disclosure on the market perceptions of company performance, when compared with corporate governance practices. It also examines the theories applicable in explaining the variations in market perceptions of company performance, in particular, the theories relevant to corporate governance disclosure.

[86] Industry sector and capital expenditure cannot be included in the same regression because of the multicollinearity problem.

In relation to corporate governance disclosure, for Singapore, the findings suggest that corporate governance disclosure plays a major role in influencing market perceptions of company performance and that market participants see value in corporate governance disclosure over specific corporate governance practices. This can be explained by environmental determinism theory (see section 7.4.3.1). The market may have more confidence in the country with the stronger institutional governance structure, i.e. Singapore. Hence, disclosure of corporate governance information in the annual report could help assure the market that the company has a good corporate governance system to deal with any issues that may arise in the company.

The findings of Singapore also show that when corporate governance disclosure is explored based on different scoring methods, different findings may occur (see section 7.4.3.1). Hence, the researcher argues that different scoring methods should not be used in isolation. Further analyses into the components suggest that listed companies may want to focus on relative amount of disclosure, the breadth of information and the depth of disclosure to help stakeholders understand and be able to assess the management more cautiously. The findings also suggest that it is not the policies themselves which can affect market perceptions but disclosure of the way in which companies apply the policies that matters to the market.

As for Malaysia and Thailand, the findings suggest that the market does not see value in corporate governance disclosure above that of actual corporate governance practices. In particular, the findings suggest that corporate governance practices matter more in Malaysia and Thailand which have lower economic and capital market developments, weaker institutional governance, weaker legal and judicial system to provide investors' protection, and have been more affected by the 1997 Asian economic crisis, when compared with Singapore. This can be regarded as being related to environmental determinism theory (see section 7.4.3.1). The importance of corporate governance practices implies that other channels for imparting corporate governance information, such as via communication with the company, may be more efficient in providing corporate governance information to market participants than the annual reports (see section 7.4.3.1). The information received by users may be timelier, hence useful for them when making investment decisions. Nonetheless, the analyses of the regulations and corporate annual reports in Malaysia and Thailand show that the regulators and listed companies still pay attention to corporate governance disclosure in annual reports (see section 9.2.1 for the views of respondents on the impact of disclosure on market perceptions). This suggests that corporate governance information disclosed in annual reports may still be useful for stakeholders of the company (see section 7.4.3.1).

The significance of corporate governance practice variable in Malaysia can be explained by cost-benefit theory (see section 7.4.3.2.3). In particular, the explanation is related to the possibility that small board may be more efficient and effective in running and monitoring a company. In relation to the significant corporate governance practices in Thailand, agency theory can be regarded as the dominant theory. Specifically, the argument can be related to the possibility of the expropriation of minority shareholders' interests by large shareholders, as well as executive directors who own a higher stakes of shares in the company.

Overall, the analyses of statistical findings suggest that there is a potential difference in the impact of corporate governance disclosure on market perceptions of company performance, when compared with corporate governance practices, across the countries examined. These findings lead to the suggestion that comparisons with prior studies which based the analyses on groups of countries need to be made with caution. Furthermore, the findings may suggest that when examining corporate governance disclosure, separate country analyses might be preferred to analysis of the pooled data.

The next chapter reports results obtained from the questionnaires and interviews with the preparers and various users of corporate governance information, i.e. investment analysts, external auditors, and regulatory bodies, in relation to issues related to corporate governance disclosure and factors influencing corporate governance disclosure.

Appendix 7-A: Pearson product-moment correlations between continuous independent variables: using normal scores

Continuous independent variables	*DichInd*	*IndNED*	*BSize*	*Top10Shares*	*ShareExe*	*Sales*	*Debt*
Panel A: Pooled data							
IndNED	0.431***						
BSize	-0.114	-0.208					
Top10Shares	-0.034	0.042	-0.039				
ShareExe	-0.209	-0.021	-0.159	-0.121			
Sales	0.107	0.254**	0.135	-0.010	-0.058		
Debt	-0.007	-0.014	0.239**	0.067	0.153	0.135	
ListAge	0.304***	0.117	-0.019	-0.183	-0.082	0.029	-0.146
Panel B: Malaysia							
IndNED	0.082						
BSize	-0.224	0.079					
Top10Shares	0.065	-0.258	0.070				
ShareExe	-0.258	-0.110	-0.188	-0.547***			
Sales	0.567***	-0.074	-0.152	-0.137	0.021		
Debt	-0.027	-0.154	0.066	0.007	0.369**	0.197	
ListAge	0.113	0.115	0.065	-0.230	-0.065	0.205	-0.218
Panel C: Singapore							
IndNED	0.181						
BSize	0.178	0.016					
Top10Shares	-0.070	-0.303	-0.005				
ShareExe	-0.454**	-0.368	-0.514**	0.125			
Sales	-0.262	0.325	0.079	0.022	-0.286		
Debt	-0.081	0.197	0.177	-0.070	-0.116	-0.010	
ListAge	0.407**	0.017	0.378**	-0.342	-0.152	-0.139	0.077
Panel D: Thailand							
IndNED	0.526***						
BSize	0.026	-0.170					
Top10Shares	-0.248	-0.163	-0.051				
ShareExe	-0.113	0.050	-0.298	-0.231			
Sales	0.431**	0.308	0.382**	-0.105	-0.248		
Debt	0.196	0.119	0.188	0.169	-0.044	0.129	
ListAge	0.057	0.123	0.154	-0.357	-0.035	0.327	-0.246

For operationalisations/proxies of the continuous independent variables, see Table 7-2. *** and ** correlations are significant at the 1% and 5% level (2-tailed), respectively.
The table uses the corporate governance disclosure measured based on the dichotomous method (*DichInd*). The rest of the corporate governance disclosure scores show similar findings.

Appendix 7-B: Descriptive statistics of Tobin's Q and continuous independent variables

Variables	Malaysia				Singapore				Thailand			
	Min	Max	Mean	Median	Min	Max	Mean	Median	Min	Max	Mean	Median
Tobin's Q	0.11	0.95	0.50	0.49	0.06	0.94	0.56	0.58	0.17	0.96	0.60	0.60
Corporate governance practice variables												
Proportion of independent non-executive directors (*IndNED*): %	28.57	66.67	40.53	40.00	22.22	80.00	51.72	50.00	15.38	73.33	35.68	33.00
Board size (*BSize*)	6	12	9	9	6	15	10	10.50	9	20	13	13
Proportion of shares held by top ten shareholders (*Top10Shares*): %	21.40	92.72	67.44	69.01	59.94	100.00	85.37	88.68	29.12	99.96	65.15	69.37
Proportion of shares held by executive directors (*ShareExe*): %	0.00	100.00	12.43	0.27	0.00	93.76	10.55	10.44	0.00	42.86	4.43	4.31
Company-specific/control variables												
Company size (*Sales*): Thousands of US$	58,105.26	3,487,079.00	836,393.94	551,231.18	66,760.29	8,999,080.30	1,908,566.30	975,194.90	80,215.41	16,270,377.00	1,427,328.50	645,996.59
Leverage (*Debt*)	0.0000	0.6593	0.1820	0.1610	0.0000	0.4789	0.2307	0.2250	0.0000	0.8247	0.2657	0.2436
Listing age (*ListAge*): Years	2	43	23	22	1	94	29	13	1	29	14	11.50

For operationalisations/proxies of the continuous independent variables, see Table 7-2.

Appendix 7-C: Number of companies in each categorical independent variable

Categorical independent variables	Malaysia	Singapore	Thailand
Separation of the roles of CEO and chairman (*Separation*)			
Roles separated	21	23	22
Roles combined	9	7	8
Independent chairman (*IndChair*)			
Independent	9	12	7
Not independent	21	18	23
Industry sector (*Industry*)			
Financial sector	6	10	8
Non-financial sector	24	20	22

For operationalisations/proxies of the categorical independent variables, see Table 7-2.

Appendix 7-D: Pearson product-moment correlations between continuous independent variables and Tobin's *Q*: using normal scores

Continuous independent variables	Pooled data	Malaysia	Singapore	Thailand
DichInd	0.131	0.262	0.202	0.202
TextInd	-0.293***	-0.287	-0.245	-0.293
ComBea	0.186	0.112	0.157	0.143
ComBer	0.179	0.086	0.160	0.063
RD/RQT	0.194	0.126	0.219	0.103
1-MainH	0.017	-0.018	-0.294	0.083
1-SubH	0.090	0.036	0.013	0.067
NE	0.167	0.193	0.135	0.134
DEN	-0.167	-0.284	-0.230	-0.164
DPT	0.203	0.246	0.193	0.272
OPR	0.218**	0.104	0.148	0.188
IndNED	0.017	-0.162	0.292	0.050
BSize	0.224**	-0.240	0.329	0.331
Top10Shares	-0.209	-0.177	-0.201	-0.378
ShareExe	-0.053	0.273	-0.415**	-0.426**
Sales	0.410***	0.293	0.614***	0.389**
Debt	0.288***	0.633***	0.227	-0.051
ListAge	0.061	-0.062	0.077	0.445**

For operationalisations/proxies of the continuous independent variables, see Table 7-2.
*** and ** correlations are significant at the 1% level and 5% level (2-tailed), respectively.

CHAPTER 8: ISSUES RELATED TO CORPORATE GOVERNANCE DISCLOSURE AND COMPARISON BETWEEN STATISTICAL FINDINGS AND RESPONDENTS' VIEWS ON FACTORS INFLUENCING CORPORATE GOVERNANCE DISCLOSURE

8.1 Introduction

This chapter answers specific research questions (SRQs) 6 - 8 as mentioned in section 1.4:

SRQ 6: What are the perceptions of preparers and users of corporate governance information as disclosed in the annual reports?

SRQ 7: How do the opinions of preparers and users of corporate governance information help validate and complement the statistical findings of factors influencing corporate governance disclosure?

SRQ 8: How do the opinions of preparers and users of corporate governance information help with an understanding of the theories relating to the factors influencing corporate governance disclosure?

The questions are answered by analysing the responses of the preparers and users of corporate governance information to the questions shown in Appendix 4-G. The respondents include persons responsible for preparing corporate governance information for listed companies, investment analysts, external auditors and regulators. Each response quotation is labelled with the respondent who made the comment. The labels used are shown in Appendix 4-B. There are more respondents from Thailand due to the relatively low response in Malaysia and Singapore (explained in section 4.3.2).

To answer SRQ 6, section 8.2 discusses the importance of corporate governance disclosure and practices, the importance of an annual report on corporate governance disclosure, the perceptions of the reliability of corporate governance information disclosed in the annual report, and the users of corporate governance information suggested by listed companies. Section 8.3 examines the relationship between respondents' opinions and corporate governance disclosure scores as discussed in Chapter 5. To answer SRQ 7, section 8.4 analyses responses to questions about factors influencing corporate governance disclosure across Malaysia, Singapore and Thailand.

Section 8.5 sheds further light on factors influencing corporate governance disclosure. In sections 8.4 and 8.5, each factor is linked to the theories in relation to corporate governance disclosure, hence providing answers to SRQ 8. The summary and conclusions are provided in section 8.6.

8.2 Perceptions of preparers and users of corporate governance information as disclosed in the annual report (Questions: Part One)

The analyses in this section are based on the responses to Part One of the questions shown in Appendix 4-G. Respondents include: 25 listed companies, 17 investment analysts, 13 external auditors and 1 regulator[87]. When the differences in the views of respondents across Malaysia, Singapore and Thailand are significant, they are discussed in the relevant sections.

8.2.1 Importance of corporate governance disclosure and practices

8.2.1.1 Importance of corporate governance disclosure – Respondents' views

To help investors and other stakeholders in assessing the appropriateness of companies' corporate governance practices, the information about corporate governance framework and practices have to be disclosed (for example, Corporate Governance Committee: CGC, 2001; the Stock Exchange of Thailand: SET, 2001; and Miles, 2005). This argument is consistent with the significance placed on corporate governance disclosure by the preparers and users of the information across Malaysia, Singapore and Thailand (23 listed companies, 15 investment analyst, and 10 external auditors). S-LI4 states that *'Corporate governance disclosure can enhance the visibility of the company to its stakeholders ... Transparency can increase public confidence in the company ...'*, while S-LI6 suggests that corporate governance disclosure *'... assures investors the reliability of the company's financial statements and that all decisions taken by the company are taken objectively in the interests of the company.'*. T-LI11 suggests that *'We believe that corporate governance disclosure helps our investment community understand our firm.'*. Furthermore, T-LI12 argues that *'... corporate governance disclosure provides an advantage in attracting potential investors, other things being equal ...'*.

[87] This is the regulatory body in Thailand.

However, the responses indicate that there is still room for improvement in relation to the actual corporate governance disclosure of the companies who want to raise funds in the capital market as pointed out by 9 out of 17 investment analysts in Malaysia, Singapore and Thailand. One regulator (in Thailand) also suggests that:

> '*... There is room for disclosure improvement. An observation from visiting companies is that they don't fully disclose what they practice. It may be Thai style or they don't realise the importance of disclosure. Listed companies think they have already practised the principles, but they don't think they have to disclose what they do...*' (T-RE2)

Table 8-1 provides categories of corporate governance information which investment analysts and external auditors suggest that companies should improve in the annual report. References to the respondents who provide recommendations are shown separately for Malaysia, Singapore and Thailand. Where possible, the recommendations are related to the findings from the examination of sample companies' annual reports.

Firstly, in relation to the disclosure of directors' remuneration, Table 8-1 shows that there are three main areas that need to be improved: 1) remuneration policy, 2) remuneration on an individual basis, and 3) linkage between remuneration and performance. Disclosure could help shareholders in controlling the excessive pay to the directors (S-IN3 and T-AU4). However, it should be made clear that disclosure of an individual director's remuneration may erode the director's privacy, thereby resulting in the directors' remuneration ratcheting upwards (S-IN4).

It is not surprising that none of the investment analysts and external auditors in Thailand recommends improvements in the disclosure of either: 1) remuneration policy, or 2) remuneration on an individual basis. The examination of the disclosure in the annual reports for Thailand reveals that respectively 86.67% and 93.33% of the sample companies disclose the information (see Appendix 5-B).

Table 8-1: Categories of corporate governance information suggested by investment analysts and external auditors that should be improved in the annual report

Categories	Investment analysts			External auditors		
	Malaysia	Singapore	Thailand	Malaysia	Singapore	Thailand
1. Directors' remuneration:						
1.1 Formal remuneration policy	M-IN3 and M-IN4	S-IN3 and S-IN4	-	-	S-AU1 and S-AU2	-
1.2 Remuneration on an individual basis	M-IN3 and M-IN4	S-IN3	-	-	S-AU1	-
1.3 Link with the performance	M-IN2	S-IN3 and S-IN4	-	-	S-AU1 and S-AU2	T-AU2 and T-AU4
2. Conflict of interest with stakeholders	M-IN3	S-IN3	T-IN3 and T-IN9	-	-	T-AU1 and T-AU3
3. Balance of power of non-executive directors	M-IN3 and M-IN4	S-IN3	T-IN9	-	S-AU2	T-AU4
4. Related party transactions	M-IN3	S-IN3 and S-IN4	-	-	-	T-AU2 and T-AU3
5. Management structure and personal/educational details and experiences of the executives	-	-	T-IN2	-	-	-

M, S and T stand for Malaysia, Singapore and Thailand, respectively.
IN stands for investment analysts and AU stands for external auditors.

With regard to the conflict of interest with stakeholders, this area is suggested as important by 4 investment analysts and 2 external auditors. This implies that disclosure could help stakeholders in determining the severity of the problem and whether there is an appropriate procedure in place for protecting their interests. The recommendation is consistent with the findings from the examination of the annual reports, which reveal that the information about the procedures for handling conflict of interests is disclosed by a small proportion of companies in Malaysia and Singapore (3.33% and 10%, respectively) (see Appendix 5-B). Even though, 96.67% of the sample companies in Thailand already disclose such information (see Appendix 5-B), few respondents still suggest that the information disclosure should be improved. This could be because the respondents comment particularly on companies which they have business dealings with.

In relation to the balance of power of non-executive directors, M-IN4 suggests that '*... the disclosure should help investors in determining the ability of non-executive directors in providing a monitoring function for the company which should then help assure investors that management is acting in the investors' best interests.*'. Again, this recommendation is consistent with the findings from the annual report that the information about 'a balance of executive and non-executive directors such that no individual or small group of individuals can dominate the board's decision making' is disclosed by less than or around half of the sample across the three countries (see Appendix 5-B).

In relation to related party transactions, it is suggested by 3 investment analysts and 2 external auditors that the disclosure is important to assure investors that the transactions will not lower their interest. The researcher argues that if the information is disclosed, it may provide an early warning sign for investors so that they can provide a corrective action if their interests are expropriated.

Finally, in relation to management structure and executives' information, only one investment analyst in Thailand recommends this item because he wants the information to be disclosed consistently across all companies. He comments that:

> *'Regarding the corporate governance, a good company when producing its annual report will publish both the management structure and personal/educational details and experiences of the executives. But this is not a general practice. Only good companies adopt this. I would like to see all*

companies adopt this practice, and would be happy if the authorities would regulate this as a requirement ...' (T-IN2)

7 out of 17 investment analysts suggest that not only should there be a development in the regulations, but also that enforcements on the regulations are necessary. For example, T-IN9 suggests that there should be a *'... continuous development according to situation changes'*, while T-IN7 comments that *'I'll be very appreciated, if corporate governance disclosure is to be regulated and I think that all investors may think the same ...'*.

Nonetheless, five respondents (i.e. M-IN3, M-AU1, S-IN3, S-AU1, and T-AU4) question the regulations of corporate governance disclosure. It is commented that mandatory disclosure could lower the flexibility of disclosure and may not give much value to the users of information. For example, one Malaysian auditor argues that:

> *'If corporate governance disclosure regulations are set, would it limit the flexibility of the disclosure? ..., having regulations is good in the sense that it reduces choice for the listed companies which should improve comparability in the same industry. But again, those standardised wordings would not give much value ...'* (M-AU1)

Two sell-side analysts in Thailand indicate that more corporate governance disclosure does not guarantee a better corporate governance system. Specifically, T-IN4 suggests that *'Quantity is not quality and ... I wait to see the actual results vs. what they have planned.'*, while T-IN3 suggests that it depends on presentation skill. Based on these responses, any researchers conducting studies on corporate governance which collect data from the disclosure should be aware when making any conclusions that the information disclosed might not represent the actual practices.

8.2.1.2 Importance of corporate governance practices – Respondents' views

15 out of 25 listed companies and 6 out of 17 investment analysts across Malaysia, Singapore and Thailand suggest that following the 1997 Asian economic crisis, corporate governance becomes very significant. It is suggested by one of the sell-side analysts that:

> *'Before the financial crisis in 1997, the corporate decisions were not well structured; meaning the issue of good corporate governance was ignored. After the crisis, almost all listed companies on the stock exchange have re-structured their corporate governance to a certain standard level.'* (T-IN2)

Another sell-side analyst suggests that *'Corporate governance is one of the most important parts for my analysis because this affects the company's long term prospect and prosperity.'* (T-IN4), and:

> *'Corporate governance matters greatly to institutional investors who primarily intend to be passive investors. They do not have the expertise to operate the company so must, above all, trust the management. They understand that competent, credible and careful management will deliver secure and rising profits ...'* (T-IN1)

Various benefits in having good corporate governance are suggested by the respondents. They include maintaining shareholders and attracting potential investors. For example, S-LI5 suggests that *'... trust and reliability bring about confidence in the company, hence investors and stakeholders are able to value the company and extend a relationship on a longer term basis.'*. Good corporate governance can also increase investor confidence about the financial figures provided. One of the sell-side analysts suggests that *'... Corporate governance can also increase our confidence in relation to the financial figures which we use in the analysis.'* (T-IN6). Other benefits include helping companies operate on a secure foundation, bringing added value to their business, encouraging company growth, and increasing potential competition with other operators (T-LI9 and T-LI10).

Finally, 20 out of 25 listed companies and 15 out of 17 investment analysts across Malaysia, Singapore and Thailand suggest that corporate governance practices could have an influence on a company's market value. The following are examples of the responses which clearly refer to the relationship between corporate governance practices and market value. One of the listed companies suggests that *'... Currently, analysts and investors place significant attention to the links between good corporate governance and a firm's market value by incorporating it as a part of their qualitative analysis.'* (T-LI15), while another listed company suggests that:

> *'... Corporate governance should encourage the company's competitiveness, our growth and long-term shareholders value while taking into account the interests of other stakeholders. That should reflect on the market value of the company.'* (T-LI9)

Nonetheless, six listed companies are not sure on how much a good system of corporate governance can add to their market values, for example, T-LI8 comments that *'... We firmly believe that corporate governance gives our company a price premium over the* *market, but there are difficulties in ascertaining as to how much ...'*. One of the listed companies suggests that corporate governance can only have an indirect influence on the market value, for example:

> *'The impact of good corporate governance practices and processes adopted by a company ... on the company's market value is indirect rather than direct. It assures investors the reliability of the company's financial statements and that all decisions taken by the company are taken objectively in the interests of the company.'* (S-LI6)

The issue of the possible association between corporate governance practices and market value is discussed in detail in Chapters 7 and 9. They deal directly with the issues of the influence of corporate governance disclosure and practices on market value based on statistical findings and the respondents' views, respectively.

According to the responses from the regulatory body in Thailand, the overall corporate governance implementation seems to be satisfactory[88]. However, there is still room for improvement:

> *'... the overall result of implementation based on the latest assessment from Thai IOD [Thai Institute of Directors Association] is satisfactory. The results show good sign of corporate governance development among listed companies. However, there is room for companies to improve to get better scores.'* (T-RE2)

8.2.1.3 Comments

Overall, the responses suggest that corporate governance disclosure is perceived as important by both preparers and users of information (23 listed companies, 15 investment analysts, and 10 external auditors). The importance placed on the disclosure could result from the importance and benefits of having good corporate governance practices following the 1997 crisis (see detailed discussion in section 3.3.4). The significance of corporate governance disclosure suggested by respondents, such as providing assurance about reliability of financial statements and attracting potential investors, justifies the research on corporate governance disclosure in Malaysia, Singapore and Thailand.

However, as shown in section 8.2.1.1, the current level of corporate governance disclosure does not seem to meet the demand for information by two main users, i.e.

[88] Unfortunately, the regulatory bodies in Malaysia and Singapore declined to respond to the question.

investment analysts and external auditors. The findings suggest that there should be an improvement in certain areas of corporate governance (see Table 8-1). Any changes, however, should be considered by comparing the cost and the benefit. Although mandatory disclosure could help improve comparability across companies, it could also lead to superficial changes in corporate governance disclosure. Companies may not actually follow the spirit of the codes or principles of corporate governance. In addition, companies may decide only to follow the requirements, hence lowering the disclosure of other corporate governance information which might help stakeholders evaluate their corporate governance system and make changes if necessary. The researcher argues that the development of the regulations should be conducted with care. It should be able to satisfy the users' needs, whilst maintaining certain flexibilities for companies in relation to the less important types of corporate governance information. Furthermore, regulatory bodies may want to raise awareness about corporate governance disclosure through education and training. To benefit users of corporate governance information, management should also be made aware which area of corporate governance, if disclosed, may benefit market participants. The education and training by the professional bodies in each country, i.e. Malaysian Institute of Directors, Singapore Institute of Directors, and Thai Institute of Directors Association, could be a way forward to help develop professional ethics and commitment to stakeholders.

Two sell-side analysts in Thailand suggest that the amount of corporate governance disclosure might not guarantee that companies will have a good system of corporate governance. Hence, just disclosing more corporate governance information might not guarantee investments in the company. Thai companies may need to have good actual corporate governance practices to attract the investors. Thailand was severely affected by the 1997 crisis, hence having good corporate governance may mean more to the investors, when compared to Malaysia and Singapore. Any researchers conducting studies on corporate governance which collect data from the disclosure should be aware about this issue when making any conclusions.

Respondents also suggest that good corporate governance practices become significant following the 1997 crisis (see section 8.2.1.2). The importance of the practices, including their benefits, and the possible impact on market value, supports the disclosure of corporate governance information. By disclosing information, it may help promote sound capital markets and regain stakeholders' confidence (Stanwick and Stanwick, 2005).

Overall, the importance of both corporate governance disclosure and practices to market participants justify the inclusion of both disclosure and practices variables in the statistical models in Chapter 7 which examine factors influencing market perceptions of company performance. The examination of both variables in the same model helps to determine their competing influences and understand the magnitude of their impacts on market perceptions of companies. This should partly help respond to the doubts of listed companies regarding the magnitude of the impact of corporate governance practices on market value.

8.2.2 Importance of annual report on corporate governance disclosure

8.2.2.1 Respondents' views

From the responses of the listed companies, the annual report is regarded as the most important form of communication across Malaysia, Singapore and Thailand (25 out of 25). This provides justification for examining annual reports for this thesis. However, the listed companies indicate that there are also other channels that they use for corporate governance disclosure. The motivations in disclosing the information in various sources are to gain credence, trust and recognition as a transparent company with no hidden agenda (for example, S-LI5). Table 8-2 shows the forms of corporate governance communication employed by the listed companies responding to the question.

Table 8-2: Number of listed companies employing different forms of corporate governance communication

Forms	Total (25)	Malaysia (4)	Singapore (6)	Thailand (15)
Annual report	25 (100%)	4 (100%)	6 (100%)	15 (100%)
Company's website	22 (88%)	3 (75%)	5 (83.33%)	14 (93.33%)
Communication with the company (through company visit or investor relations department)	20 (80%)	3 (75%)	4 (66.67%)	13 (86.67%)
Employee's manual/handbook/ code of conduct	6 (24%)	1 (25%)	0 (0%)	5 (33.33%)
Others documents issued such as company's newsletter and press release	9 (36%)	2 (50%)	3 (50%)	4 (26.67%)

Forms	Total (25)	Malaysia (4)	Singapore (6)	Thailand (15)
Regulatory announcements	16 (64%)	3 (75%)	4 (66.67%)	9 (60%)

Figures in brackets (in the headings) show the total number of listed companies that responded in relation to the question about the forms of corporate governance communication. Each listed company can answer on more than one form of communication.
% is the total number of companies indicating their use of that channel for corporate governance disclosure, as a percentage of the total number of companies who responded.

Besides the annual report, the company's website, communication with the company (either through the visit or requesting information via investor relations department), and regulatory announcements (websites and other announcements) are the three forms most frequently suggested by the listed companies for corporate governance disclosure, hence suggesting that they are preferred modes of communication across Malaysia, Singapore and Thailand. Providing corporate governance information to outsiders may give investors a good impression on the company (T-LI6). This could be interpreted as related to signalling theory (see section 2.3.5).

As well as the responses from the listed companies discussed above, 14 out of 17 investment analysts also suggest that the annual report is a very important mode of corporate governance communication. It is mainly suggested by the investment analysts that the annual report provides the most detailed information to stakeholders and that it is used as the primary information to understand the company's corporate governance system. Furthermore, communication with the company is also regarded by 12 out of 17 investment analysts as significant. It is suggested by one of the sell-side analysts that '*... investors do not seek information on corporate governance in a vacuum but constantly evaluate company executives in their normal interactions with the company.*' (T-IN1). Furthermore, it is suggested that:

> *'In practice, what is written in annual reports form only a part of the investors' view on a company's corporate governance. The information needs to be accurate and comprehensive ... To invest in a company, the fund manager must know the country, the industry and feel comfortable with the company. That requires the fund manager to trust the corporate governance of the company on an ongoing basis. Such trust is established not just by reading what is disclosed in the annual report but from dialogue and interaction with the company management on a regular basis.'* (T-IN1)

8.2.2.2 Comments

Overall, the responses show that the annual report seems to be the most important source of corporate governance information, supporting its use in this thesis. Nonetheless, other sources of corporate governance information such as communication with the company are also important for market participants. This could be because the annual report may not provide up-to-date information. Due to other forms of communication employed by listed companies, corporate governance disclosure scores measured based on the annual report should not be considered as conclusive scores for the extent of corporate governance disclosure. This is a limitation of research which relies on the annual report as a source for examining corporate governance disclosure. Future research may examine annual reports along with other channels of corporate governance disclosure, to see whether they add any value to the disclosure in annual reports.

Another implication from the responses is the importance of the primary source of corporate governance information. The dialogue and interaction with the company management on a regular basis may help establish trust on the company. Furthermore, stakeholders can obtain additional information which is not disclosed elsewhere through the primary source.

8.2.3 Perceptions of the reliability of corporate governance information disclosed in the annual report

8.2.3.1 Respondents' views

5 out of 8 investment analysts in Malaysia and Singapore who were asked about the reliability of corporate governance information disclosed in the annual report claim that generally the companies report reliable and credible information. Examples of the responses are as follows.

> *'For those companies we invest in, generally speaking they are companies with good track records and good corporate governance. Information provided in the annual reports of those companies is reliable.'* (S-IN1)

> *'The directors have the responsibilities to ensure that there is no misstatement of fact and inconsistency with the information disclosed in the annual report. An audited annual report is usually regarded with high assurance and reliable in the eyes of the public ...'* (M-IN2)

Contrary to the responses from the five investment analysts discussed above, 6 out of 9 investment analysts in Thailand question the reliability of corporate governance information disclosed in the annual report. One of the sell-side analysts suggests that *'... only 70%-80% of corporate governance information disclosed is reliable.'* (T-IN4), while an external auditor in Thailand even suggests that *'Based on my experience as listed companies' auditor, I would say that the information is there just to make the company looks good. They said only good things, not all facts.'* (T-AU3). These responses suggest that the information might not actually reflect actual corporate governance practices in Thailand.

The perceived reliability of corporate governance information disclosed is affected by the audit committee, the internal audit and internal control of the company (i.e. M-IN3, M-AU1, S-IN4, S-AU2, T-AU4, and T-AU7). For example, one of the external auditors suggest that *'Generally, I would say it [corporate governance disclosure] is quite reliable provided that the listed company has a proper structure such as having an establishment of internal auditor, audit committee, ...'* (M-AU1). Another external auditor also suggests that *'... If companies have good system of internal control, it is less likely that there will be an abuse of the use of information for the benefits of management.'* (S-AU2).

The penalty which can incur if management discloses inaccurate information is another factor affecting the perceived reliability of corporate governance disclosure. For example, a sell-side analyst suggests that *'Management has to be responsible for all the information disclosed, hence they may provide reliable information to avoid a potential penalty.'* (M-IN2). Furthermore, two external auditors in Thailand (T-AU1 and T-AU7) suggest that the reliability could also depend on the honesty and credibility of the company's management. However, these characteristics are rather difficult to assess, hence they might not be good measures for the reliability of information.

8.2.3.2 Comments

Overall, the responses seem to suggest that there is an issue regarding the perceived reliability of corporate governance disclosure in Thailand. This is consistent with Nam and Nam (2004) who suggest that the information disclosure in Thailand is incomplete and seriously flawed[89]. Investors might perceive companies disclosing more information in Thailand as doing so in order to try to win reporting awards (Deegan, 2002), which could raise the profile of that individual company. Because of the benefits associated with good publicity, this in turn could have a positive influence on a company's

[89] They examine the information disclosure before the crisis.

reputation. This could cast doubt on the reliability of the information disclosed, hence motivates users of information to verify information through other sources, such as a discussion with management of the company. The possibility of inaccurate information may also provide a warning sign to the research community not to conclude that corporate governance disclosure reflect actual corporate governance practices. It can be used as a possible explanation on why corporate governance disclosure in annual reports does not have an impact on market perceptions of company performance for Thailand, as shown in section 7.4.3.1 in Chapter 7.

The perceived reliability of corporate governance disclosure may be improved through a more stringent examination of disclosure by regulatory bodies, as well as increasing the penalty should information be found to be inaccurate, such as imposing fines on companies or publicising the fact that particular companies have disclosed inaccurate information. Companies themselves could also improve the perceived reliability through having a majority of independent members sitting on the audit committee, internal audit unit, and corporate governance committee (if applicable) for providing checks and monitoring on the company. Furthermore, the communication about their responsibilities and activities should also help assure stakeholders about the reliability of corporate governance disclosure.

8.2.4 Perceived users of corporate governance information by listed companies

The listed companies suggest that there are two main audiences of corporate governance information disclosed in the annual report: 1) shareholders, analysts, and prospective investors, and 2) internal officers. All of the respondents (25) cite shareholders, analysts, and prospective investors as the most important group of users of corporate governance information, while 13 out of 25 listed companies suggest that the internal officers such as employees and management are also significant users of information. The respondents mainly suggest that the latter use the information for the successful operation of the business, i.e. to learn what is expected of them in relation to controlling the company's direction and monitoring its operation. One of the listed companies suggests that '*For employees, our company also integrates corporate governance policy into the Code of Conduct, a book distributed to every employee, as working guidelines.*' (T-LI2). Since the investment decisions made by shareholders, analysts and potential investors can have an impact on the market value of the company, the company needs to satisfy their demand for corporate governance information. The discussion with these users about their needs may help achieve this objective.

8.3 Relationship between respondents' opinions and corporate governance disclosure scores (Questions: Part One)

The analyses in this section are based on the responses to Part One of the questions shown in Appendix 4-G, and the corporate governance disclosure scores discussed in Chapter 5. Table 8-3 shows composite corporate governance disclosure scores and the rankings for the listed companies examined in this thesis which responded to the questions in Part One.

Table 8-3: Composite corporate governance disclosure scores and the rankings for the listed companies examined in this thesis which responded to the questions in Part One

Respondents	*DichInd*		*TextInd*		*ComBea*		*ComBer*	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Malaysia								
M-LI1	0.50	16	0.41	64	0.76	25	0.49	30
M-LI3*	0.55	5	0.73	24	0.69	43	0.55	23
Singapore								
S-LI3*	0.35	76	0.40	66	0.60	62	0.36	74
S-LI4	0.10	89	0.16	90	0.16	85	0.10	85
S-LI6	0.56	3	0.68	28	0.87	6	0.65	10
Thailand								
T-LI1*	0.43	46	0.24	85	0.79	16	0.52	28
T-LI2	0.51	12	0.57	39	0.91	3	0.66	9
T-LI3	0.38	69	0.38	71	0.79	16	0.68	7
T-LI4*	0.31	82	0.70	26	0.71	40	0.63	13
T-LI8*	0.43	46	0.48	56	0.83	8	0.57	20
T-LI9*	0.42	52	0.50	51	0.74	29	0.54	24
T-LI10*	0.47	26	0.92	8	0.80	13	0.64	11
T-LI11*	0.49	19	0.83	14	0.89	4	0.76	3
T-LI12	0.48	22	0.78	19	0.88	5	0.59	16
T-LI13	0.54	9	1.31	1	0.85	7	0.76	3
T-LI14*	0.47	26	0.95	7	0.83	8	0.61	14
T-LI15	0.44	41	0.80	17	0.81	11	0.64	11

The rankings shown in the table are based on the scores for all 90 companies in the sample.
* indicating 9 listed companies which state that corporate governance disclosure is very important.
DichInd = A dichotomous method
TextInd = A relative number of text units method
ComBea = A method adapted from Beattie *et al.* (2004)
ComBer = A method adapted from Beretta and Bozzolan (2004)

Although all 17 listed companies in Malaysia, Singapore and Thailand shown in Table 8-3 suggest that corporate governance disclosure is important or very important, their corporate governance disclosure scores still indicate variations in disclosure level. For listed companies which state that corporate governance disclosure is very important (9 out of 17), only 5 out of 9 show that the rankings based on their corporate governance disclosure scores are in the top 10 based on at least one of the disclosure measures, i.e. M-LI3, T-LI8, T-LI10, T-LI11, and T-LI14. This suggests that there should be other factors influencing corporate governance disclosure, besides the attitude of the management towards the disclosure. The rest of the listed companies (4 out of 9) have relatively lower disclosure, and are not even in the top 10, for example, S-LI3 and T-LI1. This suggests that even in large listed companies where management has a good attitude towards corporate governance disclosure, there can still be a wide range of disclosure levels across listed companies. Overall, the variations in disclosure for these companies suggest that there are other factors, besides company size and management attitude, which can have an impact on corporate governance disclosure (see sections 8.4 and 8.5 for the discussion of other potential factors).

7 out of 17 listed companies (i.e. M-LI3, T-LI2, T-LI3, T-LI8, T-LI10, T-LI11, and T-LI14) suggest that although corporate governance disclosure is important, there are difficulties in ascertaining how much the disclosure will affect the company's market value. These listed companies seem to provide a high level of corporate governance disclosure (i.e. in top 10) for at least one of the corporate governance disclosure scores. This implies that because of the uncertainty of the benefits in disclosing the information, listed companies tend to play it safe by providing high disclosure, in comparison with other companies.

8.4 Linking the survey findings to statistical results and relevant disclosure theories - Factors influencing corporate governance disclosure (Questions: Parts One and Two)

Table 8-4 shows factors discussed with the respondents which are included in the statistical models in Chapter 6 with regard to variables influencing corporate governance disclosure. The researcher allows respondents to answer freely relating to the possible factors influencing corporate governance disclosure. However, if the responses do not cover all the factors incorporated in the statistical models, the missing factors are specified to the respondents so that the findings can be compared to the statistical results[90].

Table 8-4: Factors potentially influencing corporate governance disclosure included in the statistical models

Factors		Section
I.	**Corporate governance practices**	**8.4.1**
1.	Proportion of independent non-executive directors	8.4.1.1
2.	Separation of the roles of CEO and chairman / Independent chairman	8.4.1.2
3.	Board size	8.4.1.3
4.	Proportion of shares held by top ten shareholders	8.4.1.4
5.	Proportion of shares held by executive directors	8.4.1.5
II.	**Market-related factors**	**8.4.2**
6.	Capital need	8.4.2.1
7.	Listing age	8.4.2.2
8.	Listing status	8.4.2.3
III.	**Country factors**	**8.4.3**
9.	Country factors	8.4.3
IV.	**Company-specific/control factors**	**8.4.4**
10.	Company size	8.4.4.1
11.	Profitability	8.4.4.2
12.	Leverage	8.4.4.3
13.	Industry sector	8.4.4.4

Table 8-5 is used throughout this entire section. It shows the comparison of the overall results between those of the statistical analyses and the survey responses in relation to factors influencing corporate governance disclosure for Malaysia, Singapore and Thailand separately.

[90] Specifying the factors could possibly bias the findings. This is because respondents may have a tendency to reply that the factors will have an influence on corporate governance disclosure. However, for comparability with the statistical findings, it was decided to specify the factors to respondents.

Table 8-5: Comparison between the findings from statistical analyses and survey responses - Factors influencing corporate governance disclosure

Factors	Statistical analyses: No.of regressions where the factor is significant (out of 4)[1]				Statistical analyses: Possible theoretical framework or Explanation (see Table 6-2)	Survey responses: Number of respondents suggesting a positive or a negative effect[2]				Survey responses: Reasons given	Survey responses: Theoretical interpretations
	Pool	Malaysia	Singapore	Thailand		Total (out of 41)	Malaysia (out of 9)	Singapore (out of 8)	Thailand (out of 24)		
Corporate governance practices Proportion of independent non-executive directors	4 (+)	N/S	2 (+)	4 (+)	Positive • Agency theory (complementary effect)	Positive (30) (73.17%)	Positive (3) (33.33%)	Positive (5) (62.5%)	Positive (22) (91.67%)	• Involve in the disclosure decisions • Communicate important corporate governance practices to minority shareholders*	• Agency theory • Agency theory
					Negative • Agency theory (substitutive effect)						
Separtion of the roles of CEO and chairman	N/S	N/S	N/S	N/S	Positive • Agency theory (complementary effect)	Positive (16) (39.02%)	Positive (4) (44.44%)	Positive (3) (37.5%)	Positive (9) (37.5%)	• Balance of power • Monitoring effect	• Agency theory • Agency theory
					Negative • Agency theory (substitutive effect)						
Independent chairman	1 (-)	N/S	N/S	N/S	Positive • Agency theory (complementary effect)	Positive (16) (39.02%)	Positive (4) (44.44%)	Positive (2) (25%)	Positive (10) (41.67%)	• Balance of power • Monitoring effect	• Agency theory • Agency theory
					Negative • Agency theory (substitutive effect)						
Board size	N/S	N/S	N/S	N/S		Positive (7) (17.07%)	Positive (1) (11.11%)	Positive (2) (25%)	Positive (4) (16.67%)	• Having diversification of background, knowledge and experience*	• N/A
					Negative • Agency theory	Negative (5) (12.20%)	Negative (1) (11.11%)	Negative (1) (12.5%)	Negative (3) (12.5%)	• Small board is more efficient and effective	• Agency theory
Proportion of shares held by top ten shareholders	2 (+)	N/S	4 (+)	1 (-)	Positive • Signalling theory	Positive (10) (2.44%)	None	Positive (4) (50%)	Positive (6) (25%)	• Benefits of disclosure and the ability to influence board of directors*	• Signalling theory
					Negative • Agency theory	Negative (7) (17.07%)	None	Negative (1) (12.5%)	Negative (6) (25%)	• Separation between management and shareholders	• Agency theory
Proportion of shares held by executive directors	N/S	N/S	N/A	3 (-)		Positive (9) (21.95%)	Positive (1) (11.11%)	Positive (1) (12.5%)	Positive (7) (29.17%)	• Communicate that executive directors who hold large number of shares in the company act suitably and in the stakeholders' best interests*	• Legitimacy theory
					Negative • Agency theory • Accessibilty to information	Negative (18) (43.90%)	Negative (1) (11.11%)	Negative (3) (37.5%)	Negative (14) (58.33%)	• Less pressure and demand from outside shareholders due to the cost incurred* • Involvement in corporate governance system* • Accessibility to information	• Cost-benefit theory • Agency theory • N/A

Factors	Statistical analyses: No. of regressions where the factor is significant (out of 4)[1]				Possible theoretical framework or Explanation (see Table 6-2)	Survey responses: Number of respondents suggesting a positive or a negative effect[2]				Reasons given	Theoretical interpretations
	Pool	Malaysia	Singapore	Thailand		Total (out of 41)	Malaysia (out of 9)	Singapore (out of 8)	Thailand (out of 24)		
Market-related factors											
Capital need	2 (+)	1 (+)	N/S	N/S	Positive • Capital need theory	Positive (22) (53.66%)	Positive (6) (66.67%)	Positive (4) (50%)	Positive (12) (50%)	• Reliance on the finance from the capital market	• Capital need theory
Listing age	1 (+)	N/S	N/S	2 (-)	Positive • Signalling theory (better governed companies distinguish themselves)	Positive (4) (9.76%)	Positive (1) (11.11%)	Positive (1) (12.5%)	Positive (2) (8.33%)	• Show competency to maximise shareholders' interests	• Signalling theory
					Negative • Signalling theory (recently listed companies promote good impressions) • Capital need theory	Negative (3) (7.32%)	None	None	Negative (3) (12.5%)	• The effect of the 1997 Asian economic crisis* • Attracting new investors and maintaining existing shareholders	• Environmental determinism theory • Capital need theory
Listing status	N/A	N/A	4 (-)	N/A	Positive • Agency theory (reduce monitoring cost) • Signalling theory • Capital need theory	Positive (10) (2.44%)	None	Positive (6) (75%)	Positive (4) (16.67%)	• Comply with all the disclosure rules and regulations promulgated in all the stock markets companies listed on*	• Environmental determinism theory
					Negative • Agency theory (reputational capital)	Negative (6) (14.63%)	Negative (1) (11.11%)	Negative (2) (25%)	Negative (3) (12.5%)	• Companies primarily listed in Singapore may want to restore investors' confidence following the 1997 Asian economic crisis*	• Environmental determinism theory
Country factors											
Singapore	3 (-)	N/A	N/A	N/A	Negative • Environmental determinism theory	Negative (12) (29.27%)	Negative (2) (22.22%)	Negative (3) (37.5%)	Negative (7) (29.17%)	• The effect of the 1997 Asian economic crisis	• Environmental determinism theory
Thailand	2 (+)	N/A	N/A	N/A	Positive • Environmental determinism theory	Positive (17) (41.46%)	Positive (2) (22.22%)	Positive (1) (12.5%)	Positive (14) (58.33%)	• The effect of the 1997 Asian economic crisis • Encouragement by the regulatory bodies* • Cultural and social values in Thailand*	• Environmental determinism theory • Environmental determinism theory • Environmental determinism theory
Company-specific/control factors											
Company size	N/S	1 (+)	N/S	N/S	Positive • Agency theory • Signalling theory[#] • Capital need theory • Political cost theory (reduce pressure)	Positive (13) (31.71%)	Positive (2) (22.22%)	Positive (3) (37.5%)	Positive (8) (33.33%)	• Attract provider of fund • Demand for information by existing shareholders and potential investors • Better corporate governance structure by large companies	• Capital need theory • Capital need theory/ Agency theory • Signalling theory

Factors	Statistical analyses					Survey responses					
	No.of regressions where the factor is significant (out of 4)[1]				Possible theoretical framework or Explanation (see Table 6-2)	Number of respondents suggesting a positive or a negative effect[2]				Reasons given	Theoretical interpretations
	Pool	Malaysia	Singapore	Thailand		Total (out of 41)	Malaysia (out of 9)	Singapore (out of 8)	Thailand (out of 24)		
					Negative • Signalling theory[#] • Political cost theory (already been closely scrutised)						
Profitability	N/S	N/S	2 (-)	N/S		Positive (7) (17.07%)	Positive (1) (11.11%)	Positive (2) (25%)	Positive (4) (16.67%)	• Enough resources for high profitable company to implement good corporate governance principles*	• Signalling theory
					Negative • Signalling theory	Negative (3) (7.32%)	None	Negative (1) (12.5%)	Negative (2) (8.33%)	• Assure investors that poor performance is not due to bad corporate governance	• Signalling theory
Leverage	N/S	N/S	1 (-)	2 (-)	Positive • Agency theory (reduce agency cost)	Positive (15) (36.59%)	Positive (3) (33.33%)	Positive (3) (37.5%)	Positive (9) (37.5%)	• Justify that large amount of debt is not due to bad corporate governance* • Demand for information by public creditors*	• Legitimacy theory • Capital need theory
					Negative • Agency theory (increase in control through restrictive debt covenants)						
Industry sector	N/S	N/S	1 (+)	1 (-)	Positive • Political cost theory (reduce political cost)	Positive (5) (12.20%)	None	Positive (2) (25%)	Positive (3) (12.5%)	• The desire to alleviate the pressure and scrutiny from the regulatory bodies by financial companies which normally have high profile and are the significant source of funds for listed companies	• Political cost theory
					Negative • Political cost theory (already been closely scrutised)						

[1] 1. Four regressions were run for each set of data (Pool, Malaysia, Singapore or Thailand). Each regression incorporates the composite corporate governance disclosure score which is measured using different methods as shown below:
1) The dichotomous method 3) The method adapted from Beattie *et al*. (2004)
2) The relative number of text units method 4) The method adapted from Beretta and Bozzolan (2004)
2. Regressions based on disclosure components are not compared with the survey responses. This is because the respondents were asked to evaluate overall corporate governance disclosure, rather than the components.
3. Observed signs are in brackets, i.e. these are the signs when the factor is significant. For the predicted signs, see Table 6-2.

[2] The columns show the number of responses which supports either the positive or the negative impact of each factor on corporate governance disclosure. The rest of the respondents do not indicate that the factor can have an impact on corporate governance disclosure. % is the total number of companies indicating the impact, as a percentage of the total number of companies who responded.

N/S means not significant in any statistical models.

N/A means not applicable.

* Indicates additional explanations given which complement or contradict the theories and explanations given in section 6.4.3, standard multiple regression results.

[#] It is mainly about the desire on the part of higher corporate governance quality companies to distinguish themselves from lower quality companies by disclosing their corporate governance practices to the public. This could happen not only to large-sized companies, but also small-sized companies.

In Table 8-5, the number of responses is reported only for the respondents who suggest either a positive or negative influence of the factor on corporate governance disclosure. The rest of the respondents do not indicate an impact on the disclosure. Reasons given for the possible effect (positive or negative) of each factor on corporate governance disclosure are summarised along with the possible related theories. Additional explanations given which complement or contradict the theories and explanations given in section 6.4.3, standard multiple regression results, are marked by asterisks. Out of 58 respondents, 41 (19 listed companies, 13 investment analysts, 7 external auditors and 2 regulators) answered the questions about factors influencing corporate governance disclosure in Parts One and Two[91] (questions are shown in Appendix 4-G).

Each factor is discussed separately below. Only the significant findings with regard to the comparison between statistical findings and survey responses across Malaysia, Singapore and Thailand and the applicable theories are discussed.

8.4.1 Corporate governance practice factors

8.4.1.1 Proportion of independent non-executive directors

The majority of the responses in Singapore and Thailand (5 out of 8 and 22 out of 24, respectively) support the positive impact of the proportion of independent non-executive directors on corporate governance disclosure, supporting the statistical findings in Thailand, and partly supporting those of Singapore. The reasons given for the positive association are consistent with agency theory (see section 2.3.1). In particular, the respondents suggest that independent directors normally will be involved in the disclosure decision of the company and they will consider the adequacy and suitability of the information disclosed so that investors can understand the ways company operates and feel more assured about the management. Furthermore, they also suggest that since independent directors normally have to look after the minority shareholders' interests, having independent directors could lead to more corporate governance disclosure so that they can communicate important governance practices to those minority shareholders.

[91] When the questions were sent out via e-mail for the first time, only the questions in Part One were sent because it was felt that if too many questions were asked, potential respondents would not respond. When the researcher received responses based on questions in Part One, then questions in Part Two were sent out (see section 4.4.5.2).

Based on these responses, it implies that disclosing corporate governance information should help reduce the monitoring cost of both majority and minority shareholders.

For Malaysia, the responses lean towards the idea that the proportion of independent directors should have no impact on corporate governance disclosure (6 out of 9), consistent with the insignificant findings in the statistical analyses for Malaysia. The explanation given is consistent with signalling theory (see section 2.3.5). In particular, respondents suggest that there is a possibility that companies may only appoint independent non-executive directors to signal to the public that they follow the codes or principles of corporate governance, hence employing good corporate governance practice. These responses imply the possibility that the opinions of independent directors may not be taken seriously during the board meetings and/or the directors may not really understand the company's business. Furthermore, their independence is continuously questioned. One of the external auditors comments that '*... the extent of independence is unknown to me.*' (M-AU1). This raises the question of whether the independent directors can perform in the best interest of the company and all their stakeholders. Their independence depends on who appoints the directors to the board, whether they receive share options as remuneration, and whether they are drawn from a small pool of people (M-IN3). The period that the directors have served on the board and whether the directors are also the major shareholders are also suggested to be factors determining directors' independence (M-IN4). The researcher argues that when there is a clear separation of ownership and control, i.e. in the widely-held companies, the independent directors are not normally tied to major shareholders. Hence, the independent directors should be able to operate and express their concerns and opinions freely. However, widely-held ownership is the characteristic for only a small number of companies in the sample in this thesis (Appendix 6-A in Chapter 6).

8.4.1.2 Separation of the roles of CEO and chairman / Independent chairman

Most of the respondents across Malaysia, Singapore and Thailand (see Table 8-5) do not consider either the separation of the roles and the presence of an independent chairman as important in influencing corporate governance disclosure. This is consistent with the statistical findings across the three countries. The respondents mainly suggest that although it is indicated in the annual report that there is a separation of the roles of CEO and chairman and/or that the chairman is independent, the chairman may not actually have an independent mind. This is because companies are closely-held and the chairman could be elected by the major shareholders (i.e. M-LI2, S-IN4, and T-AU1).

Only 16 out of 41 respondents across Malaysia, Singapore and Thailand support the positive influence of the separation of the roles of CEO and chairman and the independence of the chairman on corporate governance disclosure. The explanations can be interpreted as related to agency theory (see section 2.3.1). The respondents suggest that CEO should not be the same person as the chairman and, if possible, the chairman should be independent, so that there will be a balance of power (i.e. M-LI1, S-IN3, T-IN9, and T-AU3) and a monitoring mechanism within the board when it has to make decisions on corporate governance disclosure to meet the demand of information by both majority and minority shareholders (i.e. M-IN2, S-IN3, and T-LI6).

8.4.1.3 Board size

15 out of 19 listed companies in Malaysia, Singapore and Thailand which responded to the questions suggest that the board of directors is responsible for the disclosure of corporate governance information. For example, S-LI6 indicates that '*... the details as to the company's corporate governance practices and processes ... are approved by the board before publication.*'. However, the majority of the respondents across Malaysia, Singapore and Thailand (in total 29 out of 41) do not indicate that the size of the board can have an influence on corporate governance disclosure. This is consistent with the statistical findings across the three countries. Most of them (21 out of 29) suggest that it is the composition of the board that matters, i.e. whether the directors are independent, whether they are experienced and knowledgeable, and whether they have a positive attitude towards disclosing corporate governance practices. The composition ultimately will define the extent and quality of corporate governance disclosure, rather than the size of the board alone.

Nonetheless, 7 out of 41 respondents across Malaysia, Singapore and Thailand suggest that there might be a positive impact of board size on corporate governance disclosure. These respondents prefer a large board size when it comes to dealing with corporate governance disclosure. The main reasons given are the diversification of background, knowledge and experience of directors towards corporate governance disclosure following the issue of the codes or principles of corporate governance in the country. For example, one of the external auditors argues that:

> *'...when there is a large number of directors, the board would have more diversified (in terms of the background and knowledge) and experienced people to run the company which would then have a positive influence on the ways the company discloses corporate governance information. The diversification of the background might motivate the company to increase its corporate governance disclosure to make it comparable with their rivals, as well as other international companies.'* (T-AU4)

5 out of 41 respondents across Malaysia, Singapore and Thailand suggest that there could also be a negative influence of board size on corporate governance disclosure. A small board might disclose more corporate governance information. The respondents mainly suggest that a small board can be more efficient and effective in relation to the disclosure. This can be interpreted as related to agency theory (see section 6.2.1.3). For example, one of the external auditors suggests that when the board size is too large, *'It cannot make good decision, the board may not be able to perform their monitoring functions effectively, and the directors may not be able to fully involve in decisions on corporate governance disclosure.'* (T-AU4). One of the buy-side analysts further suggests that *'There might be a problem of communication and co-ordination among board members if the board is too large.'* (S-IN4).

8.4.1.4 Proportion of shares held by top ten shareholders

The responses with regard to this factor are mixed, though they are leaning towards an insignificant influence on corporate governance disclosure (24 out of 41 respondents across Malaysia, Singapore and Thailand). All of the respondents from Malaysia suggest insignificant influence, consistent with the statistical findings. Half of the respondents from Singapore suggest that the factor should have a positive influence on corporate governance disclosure, consistent with all statistical findings which show that this factor is significant. Consistent with signalling theory (see section 2.3.5), respondents mainly suggest that the benefits of corporate governance disclosure, i.e. promoting a good impression and enhancing investors' trust, together with the ability of the top ten shareholders to influence the board of directors, are possible explanations for the positive influence. As for Thailand, the responses show equal positive and negative responses. This can be interpreted as consistent with the significance of the factor in only one regression.

The negative influence of the factor on corporate governance disclosure suggested mainly by Thai respondents can be interpreted as consistent with agency theory (see section 2.3.1). The respondents mainly suggest that the company will disclose more corporate governance information if there is a separation between management and shareholders. For example, as suggested by one of the sell-side analysts:

> *'This has to do with the separation theorem. In Thailand, if management and shareholders are the same group, this company will provide less information on the management structure and on how the company is transparently governed. But if the company management is hired by the shareholders, or there is a separation between management and shareholders, such company will be more transparent in providing the corporate governance information. This is still much true for companies in Thailand today.'* (T-IN2)

The researcher argues that the lower the proportion of shares held by top ten shareholders, the more likely that the two parties are separated. Hence, based on the above argument, the company will have a higher disclosure of corporate governance practices. This argument can be used to explain the negative relationship for the statistical finding based on Thai data.

8.4.1.5 Proportion of shares held by executive directors

Statistical findings for Thailand indicate that there is a strong negative relationship between the proportion of shares held by executive directors and corporate governance disclosure. This direction of impact is a characteristic in only Thailand and is supported by a majority of respondents in the country (14 out of 24). The main reason is related to cost-benefit theory (see section 2.3.8). In particular, when executive directors own a large proportion of shares in the company, there might be less pressure and demand from outside shareholders to disclose corporate governance information due to the cost incurred, for example:

> *'When executive directors own a large part in the company, proportion of outside shareholders becomes smaller, hence there might be no real need to disclose corporate governance information in the annual reports. This is because external shareholders cannot or are not willing to put pressure on the company which could be because of the cost in doing so.'* (T-IN7)

Furthermore, executive directors who own shares in the company will already be involved in the company's corporate governance system (which can be interpreted as being related to agency theory), and will also have access to the information (i.e. T-LI6, T-IN7 and T-AU4). For example, an external auditor suggests that:

> *'..., companies whose ownership and management coincide will disclose less corporate governance information. This is because executive directors are also the owners of the company. They are already involved in the corporate governance system and should normally be able to obtain the information privately, hence there is less desire to disclose information in the annual reports.'* (T-AU4)

However, the survey responses seem to weaken the theories used to explain the negative impact of the proportion of shares held by executive directors on corporate governance disclosure. In particular, the responses suggest that it is possible that the executive directors, who hold large number of shares, may want to communicate to stakeholders that they act suitably and in their best interests, consistent with legitimacy theory (see section 2.3.4).

For Malaysia, the insignificant statistical findings are supported by 7 out of 9 respondents from the country. Two external auditors in Malaysia (M-AU2 and M-AU3) suggest that corporate governance disclosure depend on executive directors' attitude towards corporate governance. This implies that if executive directors regard disclosure of corporate governance information as having benefits to the company, e.g. signalling their accountability and increasing investor confidence, they may decide to disclose corporate governance information anyway, regardless of the number of shares they own (see section 8.5.4 for detailed discussion on attitude towards corporate governance).

8.4.2 Market-related factors

8.4.2.1 Capital need

The reliance on finance from the capital market, both local and international, is another factor which is believed by the respondents to drive corporate governance disclosure. This factor is supported by 22 out of 41 respondents across Malaysia, Singapore and Thailand and can be interpreted using capital need theory (see section 2.3.6). One listed company even suggests that *'Without capital from the public, the company does not need to disclose such [corporate governance] information to the public ...'* (T-LI7). The rest of the respondents (19 out of 41) who do not indicate an association between capital need and corporate governance disclosure argue that regardless of the need for capital, corporate governance disclosure and practices should always be of high quality. They suggest that this is really important if companies want to be able to stay ahead in the business and achieve sustainable growth.

The mixed responses are consistent with the significance of the factor in only two of the pooled regressions.

8.4.2.2 Listing age

The insignificant findings from the statistical analyses in Malaysia and Singapore are consistent with the responses from respondents in these countries. The respondents mainly suggest that companies should disclose all corporate governance information perceived to be useful to the market when they are first listed on the stock exchange, and regularly update the information. However, for Thailand, surprisingly although most of the respondents (19 out of 24) do not indicate that listing age should have influence on corporate governance disclosure, this factor is shown to have a significantly negative impact on corporate governance disclosure in two models. This could occur because most of the listed companies which agreed to respond to the questions are well established and have been listed in the stock exchange for quite some time. Therefore, their responses might not fully reflect those of recently listed companies in the sample.

8.4.2.3 Listing status

The analysis in this section focuses on Singapore because none of the Malaysian or Thai listed companies in the sample is listed abroad. 6 out of 8 respondents from Singapore suggest that there should be a positive relationship between multiple listings and corporate governance disclosure. The reason given can be related to environmental determinism theory (see section 2.3.7), in particular the need to comply with the rules and regulations in all the relevant stock markets. In contrast to the responses, the statistical findings indicate a significant negative relationship between multiple listings and all corporate governance disclosure scores examined. Two respondents in Singapore (S-IN3 and S-AU1) offer possible explanations for the negative association in which they can be related to environmental determinism theory. In particular, they suggest that companies which are primarily listed in Singapore may be more motivated to improve their corporate governance disclosure to restore investors' confidence following the 1997 crisis.

8.4.3 Country factors

In relation to the statistical findings, the respondents were asked whether listed companies in Singapore provide less corporate governance information in the annual reports when compared with those in Malaysia and Thailand. 12 out of 41 responses across Malaysia, Singapore and Thailand agree. Furthermore, when asked whether there is a possibility that Thai listed companies may provide a higher level of corporate governance disclosure, when compared to Malaysia and Singapore, 17 out of 41 responses agree, in which the responses are mainly from Thai respondents (14 out of 17). This is consistent with the findings for Thai companies for 2 out of 4 pooled regressions.

The explanations given by the respondents for the relatively high disclosure in Thailand and relatively less disclosure in Singapore can be used to complement the interpretation of the statistical findings. There are three explanations offered and they can all be related to environmental determinism theory (see section 2.3.7). The first explanation is suggested by nine respondents and it is related to the impact of the 1997 crisis. The Thai economy was seriously affected by the crisis, while Singapore was able to avoid serious damage to its economy. For example, one listed company suggests that:

> *'The 1997 crisis is one of the factors contributing to Thailand disclosing more corporate governance information, compared with Malaysia and Singapore. This could result in enhancing the confidence of market participants.'* (T-LI14)

The second explanation offered by seven respondents in Thailand is the encouragement given by the regulatory bodies, including the benefits offered to companies having high corporate governance disclosure (see section 8.5.9 for examples of the benefits given to listed companies in Thailand). Examples of the comments are as follows. One listed company suggests that *'... The Stock Exchange of Thailand encourages Thai listed company to have good corporate governance disclosure.'* (T-LI9), while another listed company argues that *'We have a strong SEC [Securities and Exchange Commission] who wants to set standard for the list companies.'* (T-LI1).

The final explanation is the cultural and social values in Thailand as suggested by three respondents in Thailand. They suggest that Thai people are normally caring and sympathising towards others. Hence, management is likely to disclose more corporate governance information for the benefits of their stakeholders.

8.4.4 Company-specific/control factors

8.4.4.1 Company size

28 out of 41 respondents across Malaysia, Singapore and Thailand do not indicate that size of the company should have an impact on corporate governance disclosure. These responses are consistent with the statistical findings across the three countries, with the exception of only one regression in Malaysia. Ten respondents suggest that all companies listed on the stock exchange, regardless of their size, should be able to provide corporate governance information beneficial to their stakeholders. They argue that this is due to the relatively low cost incurred for providing corporate governance information, consistent with cost-benefit theory (see section 2.3.8).

8.4.4.2 Profitability

With regard to the profitability, most of the responses (31 out of 41) across Malaysia, Singapore and Thailand do not indicate any association between profitability and corporate governance disclosure. These responses are consistent with all of the statistical findings in Malaysia and Thailand and two regressions in Singapore.

The respondents who support a positive relation between profitability and corporate governance disclosure provide an explanation related to signalling theory (see section 2.3.5). This contradicts the hypothesis developed in section 6.4.2.4, where only negative relationship is expected. For example, a regulatory body in Thailand suggests that '... *A firm [with high profitable] has enough resources to implement corporate governance principles.*' (T-RE2). The researcher argues that if a company has resources to comply with good corporate governance principles, it is likely that it may be more motivated to disclose corporate governance information to signal its corporate governance quality. The main reason given by three respondents for the negative relationship between profitability and corporate governance disclosure is also related to signalling theory. There may be a need to assure investors that poor performance is not due to bad corporate governance to avoid negative effects on management reputation, remuneration, or job security.

8.4.4.3 Leverage

The negative association between leverage and corporate governance disclosure shown in only a small number of regressions for Singapore and Thailand and insignificant findings for Malaysia are consistent with the responses from the respondents in these countries which mainly indicate no impact of leverage on corporate governance disclosure.

8.4.4.4 Industry sector

Most of the responses across Malaysia, Singapore and Thailand (36 out of 41) do not indicate that industry sector (i.e. whether companies are in financial sector or not) could have an influence on corporate governance disclosure. These are relatively consistent with the statistical findings which also show mainly insignificant results for industry sector factor across the three countries (i.e. with the exception of one regression each for Singapore and Thailand).

8.5 Other factors potentially influencing corporate governance disclosure

This section discusses additional factors which respondents suggest could have an influence on corporate governance disclosure but are not captured in the statistical models in Chapter 6. The inclusion of these factors in the models, if possible, might increase the explanatory power of the findings. Only 41 out of 58 respondents (19 listed companies, 13 investment analysts, 7 external auditors and 2 regulators) responded. The summary of the factors is shown in Table 8-6.

Table 8-6: Other factors suggested by respondents to potentially influence corporate governance disclosure

Factors	Qualitative/ Quantifiable	Section
1. Codes or principles of corporate governance	Qualitative	8.5.1
2. Listing requirements	Qualitative	8.5.2
3. International comparison	Qualitative	8.5.3
4. Attitude towards corporate governance	Qualitative	8.5.4
5. Management accountability	Qualitative	8.5.5
6. Quality of management	Qualitative	8.5.6
7. Desire to boost a company's image and reputation	Qualitative	8.5.7
8. Demand for information	Qualitative	8.5.8

Factors	Qualitative/ Quantifiable	Section
9. Benefits from corporate governance disclosure	Qualitative	8.5.9
10. Committees	Quantifiable	8.5.10

The factors can be categorised into: 1) qualitative factors which are difficult to measure accurately, and 2) quantifiable factor (there is only one quantifiable factor suggested by the respondents, i.e. the existence of committees). These indicate that factors influencing corporate governance disclosure are more complicated than that assumed by the quantitative approach alone.

Table 8-7 provides a summary of the responses with regard to these factors and it is used throughout this section. The number of respondents which supports each factor is given for each country, along with the reasons suggested and theoretical interpretation made by the researcher.

8.5.1 Codes or principles of corporate governance

The factor most frequently cited by the respondents (39 out of 41) across the three countries as determining corporate governance disclosure in the annual report is the existence of codes or principles of corporate governance in each country. The researcher argues that having a set of codes or principles of corporate governance can provide guidance for companies on how to disclose the information. Consistent with political cost theory (see section 2.3.9), ten respondents suggest that companies follow the guidelines to avoid potential pressure, scrutiny or further regulations by the regulatory bodies.

Table 8-7: Views from respondents about additional factors influencing corporate governance disclosure

Factors	Sign	Number of respondents*				Reasons given	Theoretical interpretations
		Total (out of 41)	Malaysia (out of 5)	Singapore (out of 7)	Thailand (out of 29)		
Codes or principles of corporate governance	Positive	39 (95.12%)	4 (80%)	7 (100%)	28 (96.55%)	• Avoid potential pressure, scrutiny or further regulations by the regulatory bodies	• Political cost theory
Listing requirements	Positive	34 (82.93%)	3 (60%)	4 (57.14%)	27 (93.10%)	• Avoid penalising by the regulators	• Political cost theory
International comparison	Positive	19 (46.34%)	1 (20%)	1 (14.29%)	17 (58.62%)	• Provide a good impression: compare to the rivals • International financing	• Signalling theory • Capital need theory
Attitude towards corporate governance	Positive/ Negative	29 (70.73%)	3 (60%)	6 (85.71%)	20 (68.97%)	• Importance of corporate governance placed by management and shareholders • Believe that corporate governance disclosure can benefit company	• N/A • Cost-benefit theory
Management accountability	Positive	15 (36.59%)	2 (40%)	2 (28.57%)	11 (37.93%)	• Accountability towards existing shareholders, potential investors and other stakeholders	• Agency theory
Quality of management	Positive	26 (63.41%)	3 (60%)	4 (57.14%)	19 (65.52%)	• Signal to investors on how well the company is being managed	• Signalling theory
Desire to boost a company's image and reputation	Positive	22 (53.66%)	3 (60%)	4 (57.14%)	15 (51.72%)	• Signal the efficiency and effectiveness of the company's operation and respond to negative media attention	• Signalling theory
Demand for information	Positive	19 (46.34%)	2 (40%)	6 (85.71%)	11 (37.93%)	• Obtain funds at the lowest cost possible	• Capital need theory
Benefits from corporate governance disclosure	Positive	21 (51.22%)	3 (60%)	4 (57.14%)	14 (48.28%)	• Motivation/desire to obtain benefits by disclosing corporate governance information	• Cost-benefit theory
Committees	Positive	22 (53.66%)	2 (40%)	3 (42.86%)	17 (58.62%)	• Responsibility towards corporate governance disclosure	• N/A

* The columns show the number of responses which supports either the positive or the negative impact of each factor on corporate governance disclosure. The rest of the respondents do not indicate that the factor can have an impact on corporate governance disclosure. % is the total number of companies indicating the impact, as a percentage of the total number of companies who responded.
N/A means not applicable

8.5.2 Listing requirements

34 out of 41 respondents suggest that listing requirements can also have a positive influence on corporate governance disclosure. This is not surprising because the listing requirements in Malaysia, Singapore and Thailand indicate that companies have to disclose the way in which they apply the principles of corporate governance according to their circumstances, as well as providing explanations for the deviation from the principles (see sections 3.4.1 – 3.4.3 for detailed discussion for each country). The examination of the regulations in Malaysia, Singapore and Thailand also shows that there are also disclosure requirements for certain specific corporate governance items with which companies have to comply, such as total remuneration of directors, information about directors (see Appendix 4-C for the mandatory items in each country).

26 out of 34 respondents suggest that if companies do not comply, they could be penalised by the regulators, consistent with political cost theory (see section 2.3.9). Seven respondents even suggest that companies may disclose more information if there are more requirements because they will have to clarify mandatory disclosure to make it more understandable to the market. The researcher argues that this information could be regarded as voluntary disclosure. Therefore, there is a possibility that there will be a positive relationship between mandatory and voluntary disclosure (i.e. a complementary effect).

8.5.3 International comparison

International comparison is cited mainly by the respondents from Thailand (17 out of 19). Ten listed companies in Thailand suggest that when they prepare corporate governance information to be disclosed in annual reports, they also study the ways in which their rivals in other countries (i.e. their overseas counterpart) disclose the information and follow the good practice. One of the listed companies suggests that '*There is no point in being better than the worst companies. We should always aim to be better than the best companies, wherever they are in the world.*' (T-LI6). Seven of them even suggest that they benchmark their corporate governance disclosure in accordance with the international corporate governance standard because investors are comprised of both local and foreign investors. This implies that corporate governance disclosure may help promote a good impression of the company management, consistent with signalling theory (see section 2.3.5), and hence could, in turn, help companies competing for funds in the international capital market, consistent with capital need theory (see section 2.3.6). The importance of this factor for Thailand is not surprising because the country is less developed, when compared with Malaysia and Singapore. Disclosing their corporate governance practices may help in attracting funds from the capital market when other things being equal.

The researcher argues that if companies do not disclose corporate governance items which their rivals normally disclose, the market may interpret this as bad news, i.e. they may interpret it as companies having something to hide. This could occur because if the information can strengthen the position of the companies, management would normally disclose the information because the cost of preparing and disclosing corporate governance information is relatively small (see the discussion about the cost in section 8.4.4.1).

8.5.4 Attitude towards corporate governance

29 out of 41 respondents across Malaysia, Singapore and Thailand suggest that the attitude of management towards corporate governance practices and disclosure is a possible factor influencing corporate governance disclosure. In relation to corporate governance practices, an external auditor suggests that *'Management that emphasises on corporate governance is more inclined to disclose more ...'* (M-AU3). With regard to corporate governance disclosure, thirteen respondents suggest that if management believes that corporate governance disclosure could benefit companies by restoring investor confidence in the company, thereby leading to a higher value of the company, then they may be motivated to disclose more corporate governance information. This argument is consistent with cost-benefit theory (see section 2.3.8).

Besides the attitude of management towards corporate governance practices and disclosure, shareholders' attitudes are also suggested as being important, since these will influence the ways in which a company discloses corporate governance information. An external auditor suggests that:

> *'There are certain companies whose shareholders are known for their attitudes towards good corporate governance. These groups of shareholders will go all out to enforce the value they believe in and will implement*

everything within their means towards a better corporate governance structure...' (M-AU3)

The researcher argues that the attitude of shareholders can play a major role on corporate governance disclosure for listed companies in Malaysia, Singapore and Thailand because these companies tend to have high ownership concentration.

8.5.5 Management accountability

15 out of 41 respondents across Malaysia, Singapore and Thailand suggest that management with high accountability towards existing shareholders, potential investors and other stakeholders will be more willing to disclose corporate governance information voluntarily. One regulatory respondent argues that *'If directors understand their duty ... they will influence company to implement corporate governance and disclose the information to the public.'* (T-RE2), while an external auditor suggests that *'Corporate governance practices are disclosed to show the management's responsibility to the public.'* (S-AU1). This implies that disclosure may help the users of the information understand the ways in which companies operate so that they can perform monitoring functions if necessary. This can be regarded as consistent with agency theory (see section 2.3.1).

8.5.6 Quality of management

26 out of 41 respondents across the three countries suggest that the quality of management, particularly management experience and knowledge, could have a positive impact on corporate governance disclosure. Consistent with signalling theory (see section 2.3.5), companies with high quality management may be motivated to disclose more corporate governance information in order to provide signals to investors on how well the company is being managed, hence increase management reputation.

8.5.7 Desire to boost a company's image and reputation

22 out of 41 respondents across Malaysia, Singapore and Thailand believe that the desire to boost a company's image and reputation can be partly attributable to the increase in level of corporate governance information disclosed in the annual report. Fifteen respondents suggest that the desire has been quite strong following the 1997 crisis in order to allow companies to restore investor confidence. This argument can be

interpreted as being related to signalling theory (see section 2.3.5). The researcher argues that the disclosure of corporate governance information can be used to signal the efficiency and effectiveness of the company's operation, as well as to respond to negative media attention. This could lead to a boost in the image and reputation of the company.

Examples of the comments given are as follows. An external auditor (T-AU3) suggests that '*... a listed company may disclose more information to get it to be known in the market ...* ' and '*... I would say that the information in there just to make the company looks good ...*'. Additionally, according to one of the listed companies, '*Good disclosure will boost the company image among investors. However, if it is used as a PR tool to push successes and gloss over failures, it can be very negative. Investors are not idiots and see through such things very quickly.*' (S-LI2).

8.5.8 Demand for information

The demand for information is another reason for companies to disclose corporate governance information in the annual report. 19 out of 41 respondents support this view. The main reason given is the effect of corporate governance information on investors' investment decisions which is supported by ten respondents. For example, a listed company suggests that:

> '*...One of the major factors is having to meet investors on a regular basis and hearing from them what they want to see. It is not the same for any two companies ... Our suggestions for improvements are given thoughtful consideration, ...*' (S-LI2)

It can be inferred from the above argument that if there is an increase in demand for corporate governance information by investors, companies may attempt to fulfill their expectations to gain analyst's trust, boosting investor confidence, as well as promoting company's shares. Hence, companies may be able to raise funds at the cheapest cost possible, consistent with capital need theory (see section 2.3.6).

8.5.9 Benefits from corporate governance disclosure

The motivation/desire to obtain the benefits by disclosing corporate governance information is suggested by 21 out of 41 respondents across Malaysia, Singapore and Thailand as another important factor positively influencing disclosure. This can be regarded as related to cost-benefit theory (see section 2.3.8). The benefits suggested include an increase in recognition from the public (such as M-IN4 and S-AU2), lowering investors' uncertainty about management's actions (such as M-LI2 and T-LI6) and providing a good impression with regard to the company's system of corporate governance (such as M-LI1, S-IN3, and T-LI6).

In Thailand, in particular, there are certain advantages in having a good corporate governance rating (i.e. a score of 7 or higher). For example, the Securities and Exchange Commission (SEC) will give a company an eligibility for the fast track process in relation to the securities public offerings and a 50% discount in the offering and annual fees, while the SET offers the 50% reduction in the listed company's annual fee for two years (Montreevat, 2006). As the evaluation of corporate governance practices to determine the rating is normally based on the information disclosed in the annual report, corporate governance disclosure can be regarded as an important factor for companies to obtain those benefits.

8.5.10 Committees

22 out of 41 respondents across Malaysia, Singapore and Thailand suggest that having audit and corporate governance committees might help improve corporate governance disclosure. Ten respondents suggest that these committees are normally responsible for preparing corporate governance disclosure in the annual report. This is consistent with Zulkafli *et al.* (2007) who suggest that committees are important as they can help in enhancing management monitoring and accountability towards shareholders.

The existence of the committees can be measured by using dummy variables: 1 if the committee exists in the company and 0 otherwise[92].

8.6 Summary and conclusions

This chapter analyses the responses from listed companies, investment analysts, external auditors and regulatory bodies on issues related to corporate governance disclosure. The

[92] The existence of audit and corporate governance committees was not included in the statistical models in this thesis. This is because all of the sample companies have audit committees, while only a small number of companies (10 out of 90 companies across the three countries) have a corporate governance committee.

discussions include the importance of corporate governance disclosure and practices, the importance of an annual report on corporate governance disclosure, the perceptions of the reliability of corporate governance disclosure in the annual report, and the users of corporate governance information perceived by listed companies. The relationship between respondents' opinions and corporate governance disclosure scores discussed in Chapter 5 is also examined. Respondents' opinions are also analysed to shed further light on factors influencing corporate governance disclosure. The statistical findings in relation to the variables tested in Chapter 6 and the survey responses are compared to help the interpretation of statistical findings and the understanding of the theoretical frameworks in relation to corporate governance disclosure for Malaysia, Singapore and Thailand separately. Additional factors which are not included in the statistical models are identified by respondents, both the qualitative and quantifiable factors.

Overall, the significance of corporate governance disclosure suggested by listed companies, investment analysts and external auditors, such as providing assurance about reliability of financial statements and attracting potential investors when other things being equal, justifies the research on corporate governance disclosure in Malaysia, Singapore and Thailand (see section 8.2.1.3). The importance of the practices, including their benefits, and the possible impact on market value, in turn, also supports the disclosure of corporate governance information (see section 8.2.1.3). The responses received suggest that the annual report is the most important form of corporate governance disclosure, supporting its use in this thesis (see section 8.2.2.1). However, because of other forms of communication employed by listed companies, corporate governance disclosure scores based on the annual report should not be considered as conclusive scores for the extent of corporate governance disclosure. Hence, this is a limitation for this thesis. Investment analysts in Malaysia and Singapore claim that generally corporate governance information disclosed in the annual report is acceptably-reliable and credible. However, the reliability is questioned by investment analysts in Thailand (see section 8.2.3.1). This is a warning sign not to conclude that corporate governance disclosure reflect actual corporate governance practices. It may also be used as a possible explanation on why corporate governance disclosure in annual reports does not have a significant influence on market perceptions of company performance for Thailand, as shown in the statistical findings in section 7.4.3.1 in Chapter 7.

The survey findings seem to add strength to the explanation of the statistical findings, as well as support theories discussed in Chapter 6 as follows. In relation to corporate governance practices, the survey responses seem to strongly support agency theory (see section 8.4.1). Mainly the respondents suggest that corporate governance practices such as proportion of independent non-executive directors, separation of the roles of the CEO and chairman, and independent chairman can be used as a mechanism to influence corporate governance disclosure. This is because they can provide a balance of power and a monitoring mechanism on the board when it has to make decisions on corporate governance disclosure. Capital need theory is used to explain the effect of capital need on corporate governance disclosure (see section 8.4.2.1). Companies will disclose more corporate governance information to justify their operations when they want to raise funds in the capital market. Environmental determinism theory is the theory that helps explain the effect of country factors on corporate governance disclosure (see section 8.4.3). The theory suggests that the environment in which companies operate can have an influence on their disclosure. The main environmental factors suggested by the respondents are the effect of the 1997 crisis, the encouragement by the regulatory bodies, and the cultural and social values. However, the survey responses seem to weaken the theories used to explain the negative impact of the proportion of shares held by executive directors on corporate governance disclosure (see section 8.4.1.5). The responses suggest that it is possible that the executive directors, who hold large number of shares, may desire to legitimise their actions through corporate governance disclosure, hence could positively affect corporate governance disclosure.

There are ten additional factors recommended by the respondents that could potentially have an impact on corporate governance disclosure (see section 8.5), suggesting that factors influencing corporate governance disclosure are more complicated than that assumed by the quantitative approach alone. These additional factors may account for the unexplained variation in the statistical results in Chapter 6. Including them in the statistical tests, if can be measured accurately, might help increase explanatory power of the model. The factors can be categorised into: 1) qualitative factors which are difficult to measure accurately such as the desire to boost a company's image and reputation, and 2) quantifiable factor, i.e. the existence of audit and corporate governance committees. Responses across Malaysia, Singapore and Thailand in relation to all these factors are consistent across the three countries, with the exception of the international comparison factor which is mainly focused in Thailand, the less developed country (see section 8.5.3).

The possible theories which may be used in explaining the influence of these additional factors on corporate governance disclosure are political cost theory, signalling theory, capital need theory, cost-benefit theory, and agency theory (see section 8.5 for detailed discussion). Consistent with political cost theory, management may disclose more corporate governance information in order to avoid, for example, pressure, scrutiny or being penalised by regulatory bodies. In relation to signalling theory, companies may be motivated to disclose corporate governance information in order to provide a good impression of the company's operations and signal the superiority of company management. Based on capital need theory, high corporate governance disclosure may be expected if companies intend to raise funds in either local or international capital markets. With regard to cost-benefit theory, it seems from the responses that the cost of disclosing corporate governance information is outweighed by the benefits, such as the increase in the recognition from the public and the decrease in investors' uncertainty about management's actions. Finally, in relation to agency theory, companies with high management accountability may increase their disclosure in order to help the users of the information understand the ways in which companies operate so that they can perform monitoring functions if necessary.

The next chapter discusses survey responses on issues related to the influence of corporate governance disclosure on market perceptions of companies, compared to corporate governance practices.

CHAPTER 9: COMPARISON BETWEEN STATISTICAL FINDINGS AND RESPONDENTS' VIEWS - INFLUENCE OF CORPORATE GOVERNANCE DISCLOSURE ON MARKET PERCEPTIONS OF COMPANIES

9.1 Introduction

This chapter answers specific research questions (SRQs) 9 and 10 (section 1.4):

SRQ 9: How do the opinions of preparers and users of corporate governance information help validate and complement the statistical findings in relation to the effect of corporate governance disclosure on market perceptions of company performance, when compared with corporate governance practices?

SRQ10: How do the opinions of preparers and users of corporate governance information help with an understanding of the theories relating to how corporate governance disclosure affects the market perceptions of companies?

These questions are answered by analysing the responses to questions about factors influencing market perceptions of companies from listed companies and investment analysts (questions are in Appendix 4-G)[93]. Section 9.2 analyses the responses in relation to factors influencing market perceptions of the company which are included in the statistical models in Chapter 7 (see section 7.2). In particular, section 9.2 discusses the impact of corporate governance disclosure on the market perceptions of the listed companies, in contrast to the influence of corporate governance practices. The statistical findings and the expectations of the respondents are compared, and related theories are discussed. Section 9.3 discusses additional factors suggested by the respondents which can help further understand the impact which corporate governance disclosure has on market perceptions of a company. Each influencing factor is linked to the applicable theory. Section 9.4 provides a summary and conclusions.

[93] In comparison with the findings in Chapter 7, market perceptions of company performance measured by Tobin's *Q*, the term 'market value' from the responses is equated to market perceptions.

9.2 Linking the survey findings to statistical results and relevant theories - Factors influencing market perceptions of companies (Questions: Parts One and Two)

This section attempts to relate the survey results to the findings from the statistical models shown in section 7.4.3, and discusses the relevant theories. The importance of each corporate governance practice is also discussed in order to justify the disclosure of that particular information to market participants. Where possible, the recommendations for improving the disclosure for each corporate governance practice are presented.

Respondents were asked whether each of the factors, included in the statistical models in Chapter 7 (as shown in Table 9-1), could have an influence on market perceptions of listed companies. The factors are specified to the respondents so that the findings can be compared to the statistical results. Only listed companies and investment analysts were investigated because they are regarded as the preparers and the main users of corporate governance information, respectively. All of the respondents from Malaysia, Singapore and Thailand (i.e. 42 out of 42) responded to the first set of questions (Part One) which asked about the importance of corporate governance disclosure, but only 35 out of the 42 respondents responded to the second set of questions (Part Two), related to corporate governance practices and company-specific/control factors[94]. Because of the low response rate, the number of respondents is lower from Malaysia and Singapore, when compared to Thailand (see discussion in section 4.3.2).

Table 9-1: Factors potentially influencing market perceptions of companies

	Factors	Section
I.	**Corporate governance disclosure**	**9.2.1**
1.	Corporate governance disclosure	9.2.1
II.	**Corporate governance practices**	**9.2.2**
2.	Proportion of independent non-executive directors	9.2.2.1
3.	Separation of the roles of CEO and chairman / Independent chairman	9.2.2.2
4.	Board size	9.2.2.3
5.	Proportion of shares held by top ten shareholders	9.2.2.4
6.	Proportion of shares held by executive directors	9.2.2.5
III.	**Company-specific/control factors**	**9.2.3**
7.	Company size	9.2.3.1

[94] Generally, when the questions were sent out via e-mail for the first time, only the questions in Part One were sent because it was felt that if too many questions were asked, potential respondents would not respond (see section 4.4.5.2). Seven companies, who declined to respond to the questions in Part Two, indicated that they did not have the time to respond to such detailed questions.

	Factors	Section
8.	Leverage	9.2.3.2
9.	Industry sector	9.2.3.3
10.	Listing age	9.2.3.4

Table 9-2 is used throughout this entire section. It compares the overall results from the statistical analyses and the survey responses, separately for Malaysia, Singapore and Thailand. The number of responses show those respondents who suggest that the factor has either a positive or negative influence on market perceptions of companies. The rest of the respondents do not indicate that the factor can have an impact on market perceptions of companies. Reasons given for the possible effect (positive or negative) of each factor on market perceptions of companies are summarised, along with possible related theories. Additional explanations given which complement or contradict the theories and explanations given in section 7.4.3, standard multiple regression results, are marked by asterisks.

Each factor is discussed separately below. The quotations are labelled to identify the respondent who made the comment (see Appendix 4-B for the labels used).

9.2.1 Corporate governance disclosure

This section explains the importance of corporate governance disclosure to market perceptions of companies across Malaysia, Singapore and Thailand. Table 9-2 shows that 35 out of 42 respondents (6, 8, and 21 for Malaysia, Singapore and Thailand, respectively) believe that the disclosure of corporate governance practices in the annual reports can have a positive impact on a company's market value. The positive influence, however, is consistent only with the statistical findings found using Singaporean data (see section 7.4.3.1 for discussion of the statistical findings). This result suggests that although users of corporate governance information in Malaysia and Thailand regard corporate governance disclosure in annual reports as important, there could be other competing influences/factors having a more significant effect on their perceptions of companies. These competing factors could explain the insignificant results for the corporate governance disclosure in these countries (see sections 7.4.3.2, 7.4.3.3, and 9.3 for discussion of the possible competing factors).

Table 9-2: Comparison between the findings from statistical analyses and survey responses - Factors influencing market perceptions of companies

Factors	Statistical analyses: No.of regressions where the factor is significant (out of 4)[1]				Statistical analyses: Possible theoretical framework or Explanation (see Table 7-2)	Survey responses: Number of respondents suggesting a positive or a negative effect[2]				Survey responses: Reasons given	Survey responses: Theoretical interpretations
	Pool	Malaysia	Singapore	Thailand		Total (out of 35)	Malaysia (out of 6)	Singapore (out of 7)	Thailand (out of 22)		
Corporate governance disclosure	N/S	N/S	3[#] (+)	N/S	Positive • Signalling theory • Legitimacy theory • Environmental determinism theory	Positive (35 out of 42) (83.33%)	Positive (6 out of 8) (75%)	Positive (8 out of 10) (80%)	Positive (21 out of 24) (87.5%)	• Reflecting how well the company is being managed • Promote good image • Responses to the demand for information* • Help understand the management*	• Signalling theory • Signalling theory • Capital need theory • N/A
Corporate governance practices											
Proportion of independent non-executive directors	N/S	N/S	N/S	N/S	Positive • Agency theory • Signalling theory • Advantages in having them	Positive (10) (28.57%)	Positive (2) (33.33%)	Positive (3) (42.86%)	Positive (5) (22.73%)	• Reputation of independent directors • More attractive to shareholders and potential investors*	• Agency theory • Signalling theory
					Negative • Disadvantages in having them • Inclusion for political reasons						
Separation of the roles of CEO and chairman	N/S	N/S	N/S	N/S	Positive • Agency theory	Positive (17) (48.57%)	Positive (3) (50%)	Positive (3) (42.86%)	Positive (11) (50%)	• Ability to monitor/oversee the management and the balance of power • Perceived credibility and transparency*	• Agency theory • Signalling theory
					Negative • Stewardship theory						
Independent chairman	N/S	N/S	N/S	4 (-)	Positive • Agency theory	Positive (12) (34.29%)	Positive (2) (33.33%)	Positive (4) (57.14%)	Positive (6) (27.27%)	• Ability to monitor/oversee the management and the balance of power • Perceived credibility and transparency*	• Agency theory • Signalling theory
					Negative • Stewardship theory	Negative (16) (45.71%)	Negative (1) (16.67%)	Negative (3) (42.86%)	Negative (12) (54.55%)	• Impact of the 1997 Asian economic crisis*	• Environmental determinism theory
Board size	N/S	4 (-)	N/S	N/S	Positive • Cost-benefit theory (benefits in having large board)	Positive (5) (14.29%)	None	Positive (1) (14.29%)	Positive (4) (18.18%)	• Broader background, knowledge, experience and the diversity in perspective	• Cost-benefit theory
					Negative • Cost-benefit theory (efficiency and effectiveness of small board)	Negative (9) (25.71%)	Negative (4) (66.67%)	Negative (1) (14.29%)	Negative (4) (18.18%)	• Not suffering from diffusion of responsibilities • Better co-ordination and communication	• Cost-benefit theory • Cost-benefit theory
Proportion of shares held by top ten shareholders	N/S	N/S	N/S	4 (-)	Positive • Agency theory (improve monitoring process)	Positive (5) (14.29%)	Positive (1) (16.67%)	Positive (2) (28.57%)	Positive (2) (9.09%)	• Enhances management monitoring	• Agency theory
					Negative • Agency theory (entrenchment)	Negative (16) (45.71%)	Negative (3) (50%)	Negative (2) (28.57%)	Negative (11) (50%)	• Decrease market liquidity	• Cost of capital argument
Proportion of shares held by executive directors	N/S	N/S	N/S	4 (-)	Positive • Agency theory (alignment of interest)	Positive (6) (17.14%)	Positive (1) (16.67%)	Positive (3) (42.86%)	Positive (2) (9.09%)	• Less conflict of interests between management and shareholders • Reflecting the confidence in the company* • Efficiency and effectiveness in company's operations*	• Agency theory • Signalling theory • Signalling theory
					Negative • Agency theory (entrenchment)	Negative (7) (20%)	Negative (2) (33.33%)	Negative (2) (28.57%)	Negative (3) (13.64%)	• Expropriate companies that they operate	• Agency theory (entrenchment)
Company-specific/control factors											
Company size	4 (+)	N/S	4 (+)	N/S	Positive • Market power, Economy of large-scale production, Cheap funds, and Access to new technology	Positive (30) (85.71%)	Positive (5) (83.33%)	Positive (6) (85.71%)	Positive (19) (86.36%)	• Stability, low risks attached, and less volatility in market value*	• Signalling theory

Factors	Statistical analyses: No.of regressions where the factor is significant (out of 4)[1]				Statistical analyses: Possible theoretical framework or Explanation (see Table 7-2)	Survey responses: Number of respondents suggesting a positive or a negative effect[2]				Survey responses: Reasons given	Survey responses: Theoretical interpretations
	Pool	Malaysia	Singapore	Thailand		Total (out of 35)	Malaysia (out of 6)	Singapore (out of 7)	Thailand (out of 22)		
					Negative • Involvement in empire building, and Lack of expertise						
Leverage	4 (+)	4 (+)	N/S	4 (+)	Positive • Agency theory (monitoring)	Positive (26) (74.29%)	Positive (5) (83.33%)	Positive (4) (57.14%)	Positive (17) (77.27%)	• Invest in value-maximising projects to avoid bankruptcy and assure creditors*	• N/A
					Negative • Agency theory (conflict of interest over risk and return between shareholders and creditors)	Negative (3) (8.57%)	Negative (1) (16.67%)	Negative (1) (14.29%)	Negative (1) (4.55%)	• Inefficiency in company's operation* • Lower in company's risk perceived by investors*	• N/A • N/A
Industry sector	4 (+)	4 (+)	N/S	4 (+)	Positive • Political cost theory (increase confidence of market participants)	Positive (27) (77.14%)	Positive (4) (66.67%)	Positive (5) (71.43%)	Positive (18) (81.82%)	• Reliance on funds from financial sector* • Stability and constant in growth*	• Environmental determinism theory • N/A
					Negative • Political cost theory (public criticism)						
Listing age	N/S	N/S	N/S	N/S	Positive • Company characteristic	Positive (11) (31 43%)	Positive (1) (16.67%)	Positive (3) (42.86%)	Positive (7) (31.82%)	• Experience of the company*	• N/A

[1] 1. Four regressions were run for each set of data (Pool, Malaysia, Singapore or Thailand). Each regression incorporates the composite corporate governance disclosure score which is measured using different methods as shown below:
1) The dichotomous method
2) The relative number of text units method
3) The method adapted from Beattie *et al*. (2004)
4) The method adapted from Beretta and Bozzolan (2004)
2. Regressions based on disclosure components are not compared with the survey responses. This is because the respondents were asked to evaluate overall corporate governance disclosure, rather than the components.
3. Observed signs are in brackets, i.e. these are the signs when the factor is significant. For the predicted signs, see Table 7-2.

[2] Total number of responses is 35 (6, 7, and 22 for Malaysia, Singapore and Thailand, respectively) for all the factors except corporate governance disclosure which has 42 responses (8, 10, and 24 for Malaysia, Singapore and Thailand, respectively). The columns show the number of responses which supports either the positive or the negative impact of each factor on market perceptions of companies. The rest of the respondents do not indicate that the factor can have an impact on market perceptions of companies. % is the total number of companies indicating the impact, as a percentage of the total number of companies who responded.

Regression in which corporate governance disclosure is not significant is that which the disclosure is computed using the relative number of text units method.

N/S means not significant in any statistical models.

N/A means not applicable.

* Indicates additional explanations given which complement or contradict the theories and explanations given in section 7.4.3, standard multiple regression results.

The reasons given and, where applicable, theoretical interpretations for the influence of corporate governance disclosure on market perceptions of companies are discussed in section 9.2.1.1 as follows.

9.2.1.1 Discussion about the reasons for the influence of corporate governance disclosure on market perceptions of companies

9.2.1.1.1 Signalling theory

In relation to signalling theory (see section 2.3.5), 20 out of 35 respondents who believe corporate governance disclosure has a positive effect on market perceptions of companies suggest that disclosure of corporate governance information can enhance the visibility of the companies and help reflect how well the company is being managed, for example, information about the experience and qualifications of board members and key executives, and the conduct of a board's affairs. Furthermore, the respondents suggest that corporate governance disclosure could help companies distinguish themselves from the badly-governed ones. For example, one of the listed companies suggests that:

> *'Corporate governance disclosure can enhance the visibility of the company to its stakeholders. It is important to every company, especially a listed company. Transparency can increase public confidence in the company ....'* (S-LI4)

In addition, 15 out of 35 respondents suggest that corporate governance disclosure can be used to promote a positive image with regard to the management of the company, thereby positively affecting the long-term market value. For example, one listed company suggests that:

> *'Corporate governance disclosure reflects the firm's good governance which enhances investors' confidence and consequently promotes good image of the firm. Theoretically, these should improve the firm's market value in the long run.'* (T-LI3)

These responses imply that corporate governance information can help investors feel assure about the management of the company which could then increase investors' confidence, and, in turn, have a positive impact on market perceptions of companies.

9.2.1.1.2 Capital need theory

Another reason brought up by 28 out of 35 respondents who suggest corporate governance disclosure has a positive effect on market perceptions of companies is that of responses to the demand for information by investors. For example, one sell-side analyst indicates that *'The formal information in the annual report on corporate governance must necessarily meet the minimum requirement of the investor...'* (T-IN1). This could be interpreted as related to capital need theory (see section 2.3.6). The researcher argues that companies with growth opportunities may need external finance, equity or debt, as a means of supporting their operations. Hence, they may need to fulfill the demand for information by the existing and potential investors. Corporate governance disclosure can help assure investors about the management of the company and reflect the credibility and quality of financial information provided (see section 8.2.1.1).

9.2.1.1.3 Understanding company's management

20 out of 35 respondents, suggesting a positive corporate governance disclosure effect on market perceptions of companies, argue that corporate governance disclosure can help investors understand the management of the company. For example, one sell-side analyst suggests that *'If the company discloses enough/clear information compare to others, the investor will have more confidence to invest in the company.'* (M-IN2). Furthermore, one listed company suggests that *'We believe that corporate governance disclosure helps the investment community understand our firm. Then, it reflects in our market value.'* (T-LI11), while another listed company suggests that:

> *'Good corporate governance disclosure is one important factor that helps increase market value of the company as it gives important information such as the bank's policy in doing business and provides confidence for investors...'* (T-LI2)

The key factor in the explanations discussed is market confidence in the company. If investors have information about the corporate governance practices, they should be able to assess their appropriateness, hence could improve confidence on the part of investors. This will then be positively reflected on the market perceptions of companies.

9.2.1.2 Categories of corporate governance information – Responses from 17 listed companies

This thesis categorises corporate governance information into six main categories, i.e. 1) codes or principles of corporate governance, 2) board matters, 3) audit and internal control matters, 4) nomination matters, 5) remuneration matters, and 6) stakeholders (see Table 4.3). Listed companies in Malaysia, Singapore and Thailand were asked to rank the importance of each category of corporate governance information to the investors in the market. This section reports and discusses the findings from 17 listed companies which responded to the question[95].

Table 9-3 shows the average ranking of the importance of each category of information perceived by the 17 listed companies, in comparison with the average corporate governance disclosure scores of these companies measured based on the dichotomous method and the relative number of text units method[96]. The purpose of this table is to determine whether the importance placed on each category of corporate governance information by listed companies is reflected in the level of disclosure in their annual reports.

Table 9-3: The comparison of the average ranking of the importance of each category of corporate governance information and the average corporate governance disclosure scores - 17 listed companies

Categories	Ranking*	*DichInd**	*TextInd**
Codes or principles of corporate governance	1.75	0.56	0.01
Board matters	1.75	0.41	0.18
Audit and internal control matters	2.50	0.48	0.24
Nomination matters	3.13	0.58	0.04
Remuneration matters	3.50	0.58	0.08
Stakeholders	3.38	0.35	0.10

* These are the average rankings/scores based on 17 listed companies.
Ranking represents the importance of information perceived by the listed companies. It can range from 1 to 6 for each corporate governance category, where 1 indicates the highest ranking.
DichInd and *TextInd* are corporate governance disclosures measured based on the dichotomous method, and the relative number of text units method.

As shown in Table 9-3, the results based on the average ranking suggest that the codes or principles of corporate governance and board matters are the top two categories of

[95] The main reason for not providing the ranking indicated by the respondents is that the companies regard all categories of corporate governance information as equally important.
[96] The table does not report the findings separately for Malaysia, Singapore and Thailand because of the small sample size (3, 4, and 11, respectively).

corporate governance information. For example, one of the listed companies suggests that:

> *'The starting point of good corporate governance is for a company to have clear and suitable corporate governance principles so that it can be understood and followed by the management and employees. There is also a need for companies to disclose the ability, experience, conflict of interest and profile of the directors because they are the leading persons in the company. Disclosing this information could boost investors' confidence and enhance the transparency of the company.'* (T-LI6)

Furthermore, Table 9-3 suggests that although listed companies perceive a category of information as important, they do not always disclose the information accordingly. Some categories are perceived as very important by the respondents but the disclosure is rather low, for example, codes or principles of corporate governance which has the lowest average relative number of text units index. This indicates that when compared with other corporate governance information disclosed in the annual reports, this category has the lowest average amount of disclosure. Another example is board matters. On average, this category is regarded as equally important to the codes or principles of corporate governance category. However, the average dichotomous index is only 0.41, suggesting that less than half the board items are disclosed by the listed companies. Although some categories are perceived as being less important by the listed companies, the average disclosure is rather high. For example, although the average ranking for audit and internal control matters is 2.50, lower than that of codes or principles of corporate governance and board matters, this category has the highest average relative number of text units index. These findings imply that there could be other factors, besides the perceived importance of information by listed companies, influencing the disclosure in each category, for example, the mandatory disclosure and the desire to disclose audit information in order to help investors feel assured about companies' corporate governance practices (see section 5.4 for the detailed discussion about the possible explanations on why some categories are disclosed relatively more than the others).

9.2.1.3 Discussion of other comments on the influence of corporate governance disclosure on market perceptions of companies

Although most of the respondents (35 out of 42) suggest that corporate governance disclosure can affect market perceptions of companies, 18 out of 42 respondents believe that the effect is difficult to measure. For example, one listed company suggests that '...

it is difficult to prove in absolute term how much corporate governance disclosure has added to the company's market value ...' (T-LI2). Another listed company suggests that:

> *'We believe the market value reflects many concerns of investors, and does not simply measure a set of financial parameters...Thus, there are other, more esoteric considerations by investors that will be inserted in the market value but are difficult to separate and hold up to the light. One of these things is, how do you govern the company, and from the investor's point of view, do I believe that is what you do.'* (S-LI2)

12 out of 42 respondents suggest that although corporate governance disclosure can have a positive impact on the market value, the influence might not be so considerable when compared to the financial information and management's strategies. As indicated by one listed company:

> *'...currently the market seems to pay much more attention to the real financial figures and management's strategies than the disclosure of corporate governance. Therefore, I'd say that the corporate governance disclosure does have some impact on the firm's market value but not so considerable.'* (T-LI3)

All in all, the above responses suggest that although good corporate governance is a fundamental practice which a company should have, its value is difficult to measure and might not be considerable when compared with that of financial information. This could partly help explain why corporate governance disclosure is not statistically significant in explaining the variations in market perceptions of companies, measured by Tobin's *Q* (as shown in section 7.4.3.1), especially for Malaysia and Thailand. Furthermore, it could help explain why the intention to issue shares in the following financial year (i.e. capital need) does not have a statistically significant impact on corporate governance disclosure of listed companies (as shown in section 6.4.3.2.1) for a large number of regressions.

In addition, 7 out of 14 investment analysts even suggest that by the time the annual report is published, the information is already outdated, hence there is lack of association with the market value. An example of the response from the sell-side analyst is as follows:

> *'The information given in the annual report is outdated. We normally give such little interest/value. We generally visit and talk to the management, ask for the information we need and come out with our own analysis on how sound the corporate governance should be. This means that we are paying*

attention or interest to the primary source of information, rather than the secondary source, to keep up-to-date on the change/development of the company.' (T-IN2)

Although investors obtain corporate governance information via the primary source, such as company visit, before the annual report is issued, the researcher argues that the information in the annual report may still be useful to them. This is because it can confirm their knowledge about company's corporate governance and can provide additional detailed information, if required. Additionally, it could be used for fundamental analysis of the overall quality of a company's management.

6 out of 9 investment analysts in Thailand question the reliability of corporate governance information disclosed in a company's annual report (see detailed discussion about this issue in section 8.2.3). This could explain the insignificant impact of corporate governance disclosure on the market perceptions of company performance in the country as shown in the statistical findings in section 7.4.3.1 in Chapter 7. This also implies that there is a need for stringent examination of corporate governance information being provided to the market. Management ethics could also be a very important area affecting the reliability of the information disclosed. Hence, an improvement in educational and training programmes for management in this area offered by, for example, Thai Institute of Directors Association, might increase their awareness about the importance of reliable disclosure.

9.2.2 Corporate governance practices

This section discusses responses regarding the importance of corporate governance practices (included in the statistical models in Chapter 7) on market perceptions of companies[97]. The responses given are related to the possible theories. Although the importance given to these practices suggest possible competing factors affecting market perceptions of companies, it may help indicate the areas of corporate governance information worthy of being disclosed in the annual reports. These are discussed in the relevant corporate governance practice sections as follows.

[97] Specifying corporate governance practices in the questions could possibly bias the findings. This is because respondents may have a tendency to reply that the factors will have an influence on market perceptions of companies. However, for comparability with the statistical findings, it was decided to specify the factors to respondents.

There were 35 respondents in total to the questions related to corporate governance practices. It is suggested by 15 out of 21 listed companies and 7 out of 14 investment analysts that the corporate governance practices of companies are important in helping investors making investment decisions and that the market value would normally reflect the company's corporate governance quality. For example, one sell-side analyst suggests that:

> *'...companies with low corporate governance quality exist and investors do buy their shares. However, the share price usually reflects the lower corporate governance rating. Companies with good corporate governance tend to sell at a premium to their peers ...'* (T-IN1)

Another sell-side analyst suggests that:

> *'Good corporate governance is important for us when we make investment decisions. Areas like connected parties transactions, structure of the board and credible independent directors, as well as the track record of the management are of interest to me.'* (S-IN1)

However, the corporate governance practices of companies may be more important to investors who are interested in investing for the long-run, rather than short-term investments. 6 out of 14 investment analysts suggest that in the short-term, they focus more on the return generated by the investment.

Because of the potential significance of corporate governance practices mentioned, this section discusses the importance of each corporate governance practice included in the statistical models in Chapter 7, in addition to the disclosure.

9.2.2.1 Proportion of independent non-executive directors

Table 9-2 shows that the responses are consistent with the statistical findings. Most of the respondents (25 out of 35) do not indicate that the proportion of independent non-executive directors can have an impact on market perceptions of companies across Malaysia, Singapore and Thailand. However, relatively few respondents (2, 3 and 5 for Malaysia, Singapore and Thailand, respectively) suggest the opposite, i.e. that the proportion of independent directors may have an influence on market perceptions of companies. The reasons given are consistent with agency theory and signalling theory (see sections 2.3.1 and 2.3.5, respectively).

In relation to agency theory, the main reason given is the motivation of independent directors to monitor management in order to protect their reputation, hence it is likely that they will perform their duties in order to maximise shareholders' interests, as well as to protect minority shareholders' investments. In relation to signalling theory, 4 out of 14 investment analysts suggest that having over 50% of independent directors on the board would make a company more attractive to shareholders and potential investors. In particular, having such a large proportion of independent directors can signal an ability to run and monitor the business so that investors' interests are well protected.

The importance of the proportion of independent directors to the market may reflect the need for companies to disclose that information. Examination of the disclosure of this information suggests that a large number of companies do disclose this information across Malaysia, Singapore, and Thailand, i.e. 100%, 80% and 96.67%, respectively (see Appendix 5-B). The importance of this factor could also warrant the disclosure of other items of information related to independent directors. The areas disclosed by a relatively small number of companies and which might need further regulations are the meaning of independence (in Malaysia and Singapore), and (in all three countries) information about whether non-executive directors meet among themselves to discuss management problems without the presence of the management (see Appendix 5-B). The information should help the market assess the monitoring functions of companies.

However, in relation to the insignificant effect of the proportion of independent directors, 17 out of 25 respondents argue that without independent directors, a company can still have a good system of corporate governance. They suggest that it depends on the attitude of both management and employees towards corporate governance. For example, a listed company suggests that:

> '*... this is putting the onus on a specific group of people for the success of corporate governance. In fact, even with no independent directors, a company can have good corporate governance – it just depends on whether all staff [management and employees] understand and abide by the principles.*' (S-LI2)

Furthermore, 8 out of 25 respondents argue that because of the relatively limited knowledge of the business, when compared to the executive directors, having a large number of independent directors might not help increase the market value of a company.

For example, one of the listed companies suggests that *'The number of independent directors is overrated if they do not know the industry as well as insiders.'* (S-L12).

Overall, the responses imply that the attitude of management may affect the importance place on companies' independent directors.

9.2.2.2 Separation of the roles of CEO and chairman / Independent chairman

Table 9-2 shows that almost half of the responses (17 out of 35) suggest that the separation of the roles of CEO and chairman can positively influence market perceptions of companies, while 12 out of 35 indicate that the presence of an independent chairman will also affect the market perceptions of companies positively. The theories which can be used to explain the positive relationship are agency theory and signalling theory (see sections 2.3.1 and 2.3.5, respectively). The reason given by 12 out of 35 respondents is the ability to monitor/oversee management and the balance of power. These mechanisms could be interpreted as helping to reduce agency cost, consistent with agency theory. With regard to signalling theory, 11 out of 35 respondents suggest that separation of the roles and independence of the chairman could be related to the credibility and transparency of the company, as perceived by market participants.

The negative effect for having an independent chairman is suggested by a relatively large proportion of responses in Thailand (12 out of 22), consistent with the statistical findings. This can be regarded as consistent with the environmental determinism theory (see section 2.3.7). Eight respondents indicate that, following the severe impact of the 1997 Asian economic crisis, Thai listed companies may need executive directors to enhance company value, instead of focusing on the monitoring of the company. The researcher argues that an independent chairman may not have enough knowledge and skills with regard to the industry and company's business and too much monitoring by the independent chairman could lead to a slower response to events. Hence, this would affect the decision making of the board of directors as a whole and could lower market perceptions of companies. Overall, this implies that the usefulness of an independent chairman could depend on the environment of the country which the companies are listed in.

The possible effects of these factors on market perceptions of companies may justify the disclosure of information about the separation of roles and the presence of independent chairman. The examination of the disclosure for the sample companies suggests that the information is disclosed by a high proportion of companies in Malaysia, Singapore and Thailand (86.67%, 100%, and 100% for the separation of roles and 100%, 80%, and 96.67% for the independence of the chairman) (see Appendix 5-B). However, when the roles are combined, only 28.57% of the Malaysian sample disclose the reasons for combining the roles, while in Thailand, none of the companies disclose this information (see Appendix 5-B). This suggests that most listed companies may regard role duality as appropriate for their circumstances, hence combing the roles may not warrant explanations. However, disclosing the reasons for combining the roles, such as whether there are independent elements on the board to balance the chairman power, may help market participants assess management conduct. In Singapore, 71.43% of the sample disclose the reasons for combining the roles (see evidence in Appendix 5-B).

Despite the possibility of a relationship between market perceptions of companies and the separation of the roles or independent chairman factors discussed, 18 out of 35 respondents for the separation of the roles and 7 out of 35 respondents for the independent chairman suggest that there should be no relationship between them. These findings, however, mainly come from Thai responses. The main reason given is that the market perceptions of companies should depend on the capability of management, rather than a mere separation of the roles, or indeed whether or not the chairman is independent. This could help in explaining the insignificant statistical findings for the separation of the roles factor across Malaysia, Singapore and Thailand, and results of the independent chairman factor based on Malaysian and Singaporean data.

9.2.2.3 Board size

Table 9-2 shows that most of the respondents in Singapore and Thailand (5 out of 7 for Singapore and 14 out of 22 for Thailand) do not indicate that the number of directors on the board can have an impact on market perceptions of companies. 4 out of 6 respondents for Malaysia suggest that there should be a negative association between board size and market perceptions of companies which could be explained by the cost-benefit theory (see section 2.3.8). Overall, these responses are consistent with the statistical findings in each country.

The respondents, who support the insignificance of board size, mainly suggest that composition of the board, for example, proportion of independent directors and directors' background, is more important than number of directors. The importance of board composition warrants the disclosure of board information. On examination, key information regarding directors is disclosed by a large proportion of companies in Malaysia, Singapore and Thailand (100%, 96.67% and 100%, respectively) (see Appendix 5-B). However, information about: 1) director on-going training (in Thailand), 2) factors used in determining the directors for nomination, and 3) factors used in determining the size of the board, is disclosed by less than half of the sample companies (see Appendix 5-B). This suggests that less attention is paid to informing the market about how a company develops its directors' skills and how the directors are chosen onto the board. The disclosure of this information should help investors assess the suitability of the directors and to suggest changes, if necessary.

The negative relation between board size and market perceptions of companies for Malaysia suggested by the respondents indicates that listed companies in Malaysia perceive having a small board size as rather important. In relation to cost-benefit theory, 4 out of 6 respondents suggest that it would be more effective and efficient in the operations if company has small board size. This is because it is likely that a small board would not suffer from diffusion of responsibility and co-ordination and communication might be better when compared to a large-sized board. These benefits could outweigh the cost of obtaining professional advice about the company business.

9.2.2.4 Proportion of shares held by top ten shareholders

Table 9-2 shows that, for Thailand, half of the Thai responses (11 out of 22) suggest a negative association between the proportion of shares held by the top ten shareholders and market perceptions of companies, which can be explained by the cost of capital argument. In particular, there is a possibility that market liquidity will decrease when there are a large proportion of shares held by the top ten shareholders (high ownership concentration). For example, one listed company suggests that '*... too concentrated shareholder base would affect the public flow of shares available and thus the liquidity*' (S-LI4). The decrease in market liquidity can lead to an increase in the cost of capital, hence the lower market value.

The responses for Malaysia and Singapore show an inconclusive effect of the proportion of shares on market perceptions of companies, consistent with the statistical findings. However, some interest from market participants about the proportion of shares may justify disclosing this item. The investigation of the disclosure suggests that the proportion of shares is disclosed by all sample companies in Malaysia and Thailand, and disclosed by 80% of companies in Singapore. This is very promising, as market participants can use the information to determine the liquidity of company shares, thereby affecting their investment decisions.

9.2.2.5 Proportion of shares held by executive directors

Table 9-2 shows consistent results between the statistical findings and survey responses for Malaysia and Singapore, i.e. there seems to be a mixed response for the effect of proportion of shares held by executive directors on market perceptions of companies. For Thailand, most of the respondents (17 out of 22) do not indicate that the factor can have an impact on market perceptions of companies. This is inconsistent with the statistical findings which show a strong negative relationship. Nonetheless, few respondents do offer explanations for this negative association. In particular, with regard to agency theory (see section 2.3.1), when executive directors have high ownership stakes in the company, they may attempt to expropriate the company to increase their own benefits. The disclosure of the proportion of shares held by executive directors may help investors determine whether there is a need to increase the monitoring on executive directors to assure that there interests are well protected. This problem of expropriation could especially be the case in Thailand where there is the lowest institutional governance structure to ensure the protection of shareholders' rights as discussed in section 3.3.5.

For example, one of the sell-side analysts in Thailand suggests that:

> '*... as per how the executives run the companies, I am seeing/experiencing that these executives are operating the companies on the interest of their own security, rather than otherwise. This should continue to be an unsolved issue of a good corporate executive.*' (T-IN2)

6 out of 35 respondents, however, argue that the proportion of shares held by executive directors could positively affect a company's market value. The possible reasons given can be interpreted as consistent with agency theory and signalling theory (see sections

2.3.1 and 2.3.5, respectively). In relation to agency theory, there could be less conflict of interest between management and shareholders when the executive directors' stakes are high. This can result in the decrease in agency costs. With regard to signalling theory, having a high proportion of shares owned by executive directors can reflect the confidence which the directors themselves place on the company. Furthermore, it is suggested by two companies from Thailand that, by having stakes in the company, executive directors may be more motivated to increase the company's performance because it can result in increasing benefits distributed to them, such as dividend and remuneration. In other words, when executive directors are highly motivated to improve company performance, efficiency and effectiveness in the company's operations may increase which could lead to an increase in the company's market value.

9.2.3 Company-specific/control factors

9.2.3.1 Company size

Most of the respondents (30 out of 35) suggest that the higher the size of the company, the higher the possibility that the company will have a higher market value. Overall, this is consistent with the statistical findings of the pooled data. The reasons given by the respondents can be related to signalling theory (see section 2.3.5). In particular, larger companies may attract investors because of their stability, the relatively low risks attached to them, and less volatility in their market value.

9.2.3.2 Leverage

Table 9-2 shows that most of the respondents (in total 26 out of 35) expect companies with higher leverage to have a higher market value, consistent with the statistical findings in Malaysia and Thailand. Hence, it could affect positively on market perceptions of companies. The main reason given is that management in the companies with high leverage may be motivated to invest their resources in value-maximising projects in order to increase their profits, thereby avoiding bankruptcy and assuring their creditors that they are able to repay any debt.

Only a small number of respondents (3 out of 35, i.e. 1 respondent each in each country) expect that higher leverage companies will have a lower market value, and that lower leverage companies will increase their market value. A listed company in Thailand suggests that '... *too much leverage could reflect the inefficiency in company's operation.*' (T-LI6). Additionally, a sell-side analyst in Singapore suggests that '... *having lower leverage could be related to a lower of that company's risk, as perceived by investors.*' (S-IN3). This can help with assurances about the company's stability and might attract more investors, i.e. as a result it could help enhance the company's market value.

9.2.3.3 Industry sector

Table 9-2 shows that most of the respondents (in total 27 out of 35) expect financial sector to positively affect market value, consistent with the statistical findings in Malaysia and Thailand. The main reason given by 15 respondents for a possibly higher market value for financial sector companies in relation to other industries can be related to environmental determinism theory (see section 2.3.7). In particular, there is a high reliance on funds being obtained from the financial sector in these countries, reflecting the importance of this sector in the market. Additionally, 5 out of 8 investment analysts in Thailand suggest that companies in the financial sector, especially banks, are rather stable and have constant growth, compared to other sectors. This implies that these companies may have higher levels of investor confidence which could lead to a higher market value.

9.2.3.4 Listing age

Table 9-2 shows consistent results between the statistical findings and the survey responses. Most of the responses across Malaysia, Singapore and Thailand (in total 24 out of 35) suggest that listing age should not have an impact on market perceptions of companies. The respondents suggest that it does not really matter how long the company has been listed, it is the ability to attract high quality management that matters. This suggests that management is the one who directs and runs the business and having high quality management could help restore investor confidence and, subsequently, enhance the market perceptions of companies.

A small number of companies (11 out of 35 respondents across Malaysia, Singapore and Thailand) suggest that the period of listing on the stock exchange may have a positive impact on market perceptions of companies, in particular, the longer the listed period, the higher the market value. Respondents who support this positive relationship suggest that longer listed companies may be operating more efficiently and effectively. This is because these companies will have more experience about how to run the business, when compared to recently listed companies.

9.3 Other factors potentially influencing market perceptions of companies

This section discusses other factors which could have an influence on the market perceptions of companies, as suggested by the respondents. Table 9-4 summarises these factors, as well as the reasons given and a theoretical interpretation for each factor (a detailed explanation can be found in sections 9.3.1 – 9.3.3). The inclusion of these additional factors in the regression, if they could be quantified accurately, might increase the explanatory power of the model in relation to those factors influencing market perceptions of companies. However, these factors can also be regarded as providing competing influences in relation to corporate governance disclosure, and could lower its influence over the market perceptions of companies.

Table 9-4: Other factors suggested by respondents to potentially influence market perceptions of companies

Factors	Number of responses*				Reasons given	Theoretical interpretations
	Total (out of 35)	Malaysia (out of 6)	Singapore (out of 7)	Thailand (out of 22)		
Quality of management	Positive (10) (28.57%)	Positive (2) (33.33%)	Positive (3) (42.86%)	Positive (5) (22.73%)	Contribute to the success and stability of the company	Cost-benefit theory
Perceived trustworthiness of management	Positive (8) (22.86%)	None	Positive (1) (14.29%)	Positive (7) (31.82%)	Investors will invest in a company if they can trust the management to act in their best interests	Agency theory
Future growth	Positive (3) (8.57%)	None	None	Positive (3) (13.64%)	Ability in generating future growth	Signalling theory

* The columns show the number of responses which supports the impact of each factor on market perceptions of companies. The rest of the respondents do not indicate that the factor can have an impact on market perceptions of companies. % is the total number of companies indicating the impact, as a percentage of the total number of companies who responded.

9.3.1 Quality of management

The quality or the competence of management is suggested by 10 out of 35 respondents to have an impact on market perceptions of companies. The respondents suggest that the market value of a company with high quality management will be higher than that of their peers (with lower quality management). Management with experience and knowledge can contribute to the success and stability of the company, thereby enhancing investors' confidence and in turn improve a company's market value. Therefore, it will be very useful if companies were to disclose information about their management, such as their background, training and qualifications obtained. This argument could be interpreted as being consistent with cost-benefit theory (see section 2.3.8). In particular, companies would have to consider the cost of securing high quality management, such as their remuneration, and the benefits that they could bring to the company. This factor, however, is difficult to measure accurately.

9.3.2 Perceived trustworthiness of management

Perceived trustworthiness of management is suggested by 8 out of 35 respondents to have a positive impact on market perceptions of companies. This factor is perceived to be relatively important in Thailand, where the levels of economic and capital market developments are the lowest. The main reason given can be interpreted as consistent with agency theory (see section 2.3.1). Investors will only invest in a company if they can trust the management to act in their best interests. This implies the importance of the alignment of interest between management and investors. The researcher argues that the higher the trustworthiness, the lower the potential agency cost will be. Although this factor is regarded as significant, it seems to be difficult to quantify accurately.

9.3.3 Future growth

Future growth is supported as a potential factor influencing market perceptions of companies by only a small number of respondents (3 out of 35). The respondents are all from Thailand, the least developed country when compared to Malaysia and Singapore. They suggest that the decision to invest in a company by investors could rely on the potential for that company to generate future growth. The researcher argues that companies which have a high growth potential may enhance their good impression, thereby attracting more investors and leading to a higher market value. This is consistent with signalling theory (see section 2.3.5).

Proportion of capital expenditure to total assets can be used as a proxy for growth, for example, Haniffa and Hudaib (2006)[98].

9.4 Summary and conclusions

This chapter reports on and discusses the responses from the market participants, i.e. the listed companies and investment analysts, on issues related to the influence of corporate governance disclosure on market perceptions of companies, when compared to corporate governance practices. The findings with regard to the factors tested in the statistical models in Chapter 7 are compared with the survey responses to help validate and complement the interpretations given for the statistical findings in relation to corporate governance disclosure and practices. Where possible, the explanations given by the respondents are related to the relevant theories to form a general view of the theories applicable to each possible factor influencing market perceptions of companies (see Tables 9-2 and 9-4).

In relation to corporate governance disclosure, the survey responses not only validate the interpretation of the statistical findings, but also provide additional explanations in relation to their effects on the market perceptions of companies in Singapore. This supports the use of a qualitative approach to complement the quantitative approach. Three main reasons are given to explain the positive impact of disclosure on the market perceptions of companies. Firstly, consistent with signalling theory, disclosure can help show how well companies are being managed and can be used as a tool to promote a positive image of the company (see section 9.2.1.1.1). Secondly, consistent with capital need theory, by responding to the demand for corporate governance information, it can attract potential investors, whilst also maintaining the existing investors (see section 9.2.1.1.2). Finally, it offers the opportunity for investors to understand the management of a company through disclosure, hence could increase investor confidence in the company (see section 9.2.1.1.3).

The comparison between statistical findings on corporate governance disclosure and survey responses in Malaysia and Thailand, however, provides contradictory results. The majority of the respondents in these countries suggest that corporate governance

[98] This factor is used in the robustness test in Chapter 7 (see section 7.4.3.3.3 for the results).

disclosure should have a positive impact on market perceptions of companies, while insignificant results are shown in the statistical findings. Possible explanations are competing factors which can affect market value of the company, such as board size, leverage and industry sector (in Malaysia), and non-independent chairman, proportion of shares held by the top ten shareholders, and future growth (in Thailand) (see sections 7.4.2.2, 7.4.2.3, and 9.3). Although corporate governance disclosure can affect the perceptions of companies, the respondents suggest that it may be difficult to measure the extent of this influence, and that the impact may not be considerable when compared to the financial information.

Comparison between the average ranking of the importance of each category of information, and the average corporate governance disclosure scores shows that, although listed companies perceive the category of information as important in the qualitative research, they do not always disclose the information accordingly (see section 9.2.1.2). These findings imply that there could be other factors, besides the perceived importance of information by listed companies, influencing the disclosure in each category, such as mandatory disclosure of corporate governance information (see section 5.4 for possible explanations on why some categories are disclosed relatively more than the others).

Overall, the respondents not only suggest that corporate governance disclosure in annual reports can have an influence on the market perceptions of companies but also certain corporate governance practices have an impact on the market perceptions (see section 9.2.2). These results imply that not only annual reports, but also other channels of corporate governance disclosure, such as communication with the company, may be useful in providing information about these corporate governance practices to interested users (see section 8.2.2.1 for other channels that companies use for corporate governance disclosure).

The importance of corporate governance practices supports the usefulness of disclosing information relevant to these practices to market participants. Examples of the items, for which only a small number of companies disclose the information, are the meaning of independence for directors (especially in Malaysia and Singapore), information about whether non-executive directors meet among themselves to discuss management problems without the management presents (for all three countries), clarification of the combining of the roles of CEO and chairman (especially in Malaysia and Thailand), and information about the factors used when determining directors for nomination (see detailed discussion in section 9.2.2).

As suggested by respondents, not only quality of management can have an impact on the market perceptions of companies (see section 9.3.1), but it can also potentially have an influence on corporate governance disclosure (as discussed in section 8.5.6). This suggests that high quality management is the key factor which can enhance a positive impression for the company.

The next chapter discusses the main results and concludes the thesis.

CHAPTER 10: CONCLUSIONS, LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

10.1 Introduction

This chapter discusses the main results and provides conclusions for this thesis. Section 10.2 outlines the research objectives and methods used. The main statistical findings and survey responses are discussed in section 10.3. Section 10.4 highlights the contributions of the study. Section 10.5 discusses the limitations of the study, while section 10.6 provides suggestions for further research.

10.2 Summary of research objectives and methods

This study focuses on examining corporate governance disclosure in the annual reports of companies included in the Kuala Lumpur Composite Index (KLCI), Straits Times Index (STI), and the Stock Exchange of Thailand (SET) 50 index for the year 2004, following the development of the codes or principles of corporate governance for Malaysia, Singapore and Thailand, respectively. The research objectives and methods are summarised as follows:

10.2.1 Research objectives

The objectives of the study are as follows:

Objective 1a: To investigate the robustness of corporate governance disclosure scoring methods and the sensitivity of association testing of factors influencing corporate governance disclosure in annual reports

Objective 1b: To assess the applicability of disclosure theories, derived from both financial and non-financial disclosure, to corporate governance disclosure

Objective 2a: To assess the impact of corporate governance disclosure in corporate annual reports on market perceptions of company performance, when compared with corporate governance practices

Objective 2b: To assess the applicability of theories explaining the impact of corporate governance disclosure on market perceptions of company performance

Objective 3: To employ a qualitative approach in validating and complementing the interpretation of statistical findings, and to identify additional factors not included in the statistical models

Objective 4: To explore the similarities and differences in the findings across Malaysia, Singapore and Thailand for both quantitative and qualitative approaches

Objective 5: To make observation on policy implications of implementing codes or principles in relation to corporate governance disclosure

These objectives have been achieved through answering all the specific research questions (SRQs) (see Table 1-1).

10.2.2 Research methods

This thesis has employed both a quantitative approach (statistical analyses) and a qualitative approach (questionnaires and interviews) to answer ten specific research questions. The research methods employed to answer each question are summarised as follows:

SRQ 1 has been answered by analysing annual reports using a researcher-constructed corporate governance disclosure checklist. Four scoring methods have been employed in scoring corporate governance disclosure: 1) a dichotomous method, 2) a relative number of text units method, 3) a method adapted from Beattie *et al.* (2004), and 4) a method adapted from Beretta and Bozzolan (2004) (see section 4.4.3).

SRQ 2 and SRQ 4 have been answered by running multiple regression models. A number of procedures have been employed to evaluate whether the data met the assumptions of normality, homoscedasticity and linearity (see section 4.5.1). Because the normality tests show that the distribution of the data deviates from normality, all variables (both dependent and continuous independent variables) were transformed into normal scores. The significance of independent variables examined is decided based on statistical significance at either 1% or 5%. Variables which are significant at the 10% level were reported as marginally significant.

SRQ 3 and SRQ 5 have been answered by relating the statistical findings to relevant theories (see sections 6.4.3 and 7.4.3, respectively).

SRQ 6, SRQ 7 and SRQ 9 have been answered by employing questionnaires and interviews with 25 listed companies, 17 investment analysts, 13 external auditors, and 3 regulators. The questions comprise both open-ended and closed questions (see section 4.4.5.2). The analyses are based on written responses received via e-mails and on transcripts prepared after each interview. The responses were analysed using content analysis (see section 4.4.5.2). Themes from the responses to each question are put in the table to allow separate frequency scoring for each country.

SRQ 8 and SRQ 10 have been answered by interpreting the responses from questionnaires and interviews to assess the applicability of theories relating to factors influencing corporate governance disclosure and the influence of corporate governance disclosure on the market perceptions of companies, respectively (see Tables 8-5 and 8-7 for SRQ 8 and Table 9-2 for SRQ 10).

10.3 Discussion of the main research results

10.3.1 Factors influencing corporate governance disclosure (Objectives 1a, 1b, 3 and 4)

10.3.1.1 Quantitative approach (Objectives 1a, 1b and 4)

In relation to the quantitative approach, the tests are designed to explore: 1) the sensitivity of association testing of factors influencing corporate governance disclosure based on different scoring methods (objective 1a), 2) the applicability of disclosure theories (derived from the studies of financial and non-financial disclosure) on corporate governance disclosure (objective 1b), and 3) country similarities and differences in the factors influencing corporate governance disclosure (objective 4). These involve a large number of regression analyses, covering pooled data and separate country regressions.

Results and discussion based on the pooled data

When corporate governance disclosure is explored, relatively different findings are found for each disclosure scoring method (see Table 6-3). The only exception is the proportion of independent non-executive directors, which is significant at the 1% level across all scoring methods. For example, with the dichotomous method, a capital need variable is found to have a significant positive association with corporate governance disclosure. However, with the relative number of text units method, the variable is not significant. This indicates that when listed companies are planning to obtain funds in the capital market, they will focus more on the breadth of corporate governance information disclosed (measured by the dichotomous method), than on the relative significance of corporate governance information (measured by the relative number of text units) (see section 6.4.3.2.1 for detailed analysis of the capital need variable). The findings help point to the importance which companies place on a 'checklist' approach, whenever capital need is being considered. A similar argument can be applied to the listing age variable, i.e. if companies have been listed longer on the stock exchange, they will focus on the breadth of corporate governance information disclosed (see section 6.4.3.2.2 for detailed analysis of the listing age variable).

In relation to objective 1a, based on the findings for pooled data, the researcher argues that different scoring methods should not be used in isolation. The regression results based on different scoring methods may bring out different sets of explanatory variables. This can help provide a clearer explanation or picture of those factors influencing corporate governance disclosure. Researchers who employ only one scoring method in their study should interpret the results with particular relevance to the scoring method used. For example, researchers who want to determine the depth of disclosure may employ the depth index in their study. If the examination of the breadth of disclosure is the objective of the study, the dichotomous method can be adopted. If the corporate governance policies are the focus of the study, researchers may employ the outlook profile index.

The pooled data also show that the robustness of identifying a country effect on corporate governance disclosure is sensitive to the choice of scoring method (see Table 6-3). Based on the method adapted from Beretta and Bozzolan (2004), the findings show significantly that Thai listed companies provide the highest extent of corporate governance disclosure, while listed companies in Singapore disclose the lowest. Other scoring methods, e.g. the method adapted from Beattie *et al.* (2004), show less marked country differences, though, on balance, the findings suggest that there is evidence for country differences.

In relation to objective 4, environmental determinism theory, which suggests that the environment in which companies operate can have an influence on their disclosure, is the main explanation for country differences. Section 6.4.3.3 discusses about the possible explanations relating to differences in corporate governance disclosure and they are summarised and discusses as follows.

It is possible that companies listed in Thailand, which has a weaker institutional governance structure and is less developed in terms of economics and capital market, are likely to provide a higher level of corporate governance information. Management may want to assure stakeholders that its conduct is desirable and appropriate, and that it operates with the stakeholders' interest in mind, thereby boosting the company's image. Furthermore, the reasons can be related to the cultural aspects in each country. For example, based on relatively high uncertainty avoidance scores in Thailand, more corporate governance information may be disclosed to avoid potential conflicts with the market participants and other stakeholders. Corporate governance disclosure could help to avoid conflicts with stakeholders which can occur if they do not have the necessary information to examine and monitor management. The lower power distance score in Thailand also suggests that higher corporate governance disclosure will be evidenced due to less of a desire to maintain inequalities of power. Finally, since Thailand is influenced by both civil law and common law systems, and as under the civil law, rules are normally set by national legislators, public expectations about disclosure of companies in Thailand may be higher than in Malaysia and Singapore. This can lead to increased motivation among management to disclose information.

For listed companies in Singapore, the findings show that they tend to provide less corporate governance information. Because Singapore is more advanced, when compared with Malaysia and Thailand, with regard to the institutional governance structure and country developments, there is a possibility that listed companies in the country are less motivated when it comes to informing stakeholders about their corporate governance. Stakeholders may already have high confidence in the companies due to the sound governance structure in the country and the success in economic and capital market developments. This is reflected in the relatively lower corporate governance disclosure requirements in that country. Another possible explanation is based on the culture in each country. For example, the relatively lower uncertainty avoidance score in Singapore, when compared to that of Malaysia and Thailand, suggests that listed companies in the country are willing to absorb greater risk and may be less motivated in order to avoid possible conflicts with their stakeholders. Hence, they may disclose less corporate governance information.

For listed companies in Malaysia, one possible reason for corporate governance disclosure being less than that of Thailand, and higher than that of Singapore, is the severity of the impact of the 1997 Asian economic crisis, in which one of the main contributing factors of the crisis is the poor corporate governance and a lack of transparency. Thailand was among the most affected by this crisis, and Singapore the least affected, while the effect on listed companies in Malaysia was in the middle. Additionally, Malaysian institutional governance structure and country developments are behind those of Singapore but more advanced than those of Thailand.

Results and discussion based on separate country data

Table 10-1 summarises the findings of multiple regressions for corporate governance disclosure based on four different scoring methods for each country (in relation to objective 1b, see the full explanations of theories relevant to each independent variable in section 6.4.3). The statistical results in the table were used as the basis for rejecting the null hypotheses developed in section 6.2.

Based on separate country regressions, the significance of certain explanatory variables is more robust to the corporate governance disclosure scoring method than others depending on each country's environment. For example, listed companies in Singapore with a higher concentration of ownership disclose more corporate governance information. In relation to signalling theory, managers may disclose more corporate governance information to counter the risk of unfavourable impressions of inadequate governance quality through close ownership (see section 6.4.3.1.4). The raw data indicate that, on average, Singapore has a higher ownership concentration compared to Malaysia and Thailand. In the case of Thailand, the result shows that companies which have a higher proportion of independent non-executive directors disclose more corporate governance information. Stanwick and Stanwick (2005) argue that companies in a country severely affected by the crisis are likely to disclose more corporate governance information in an attempt to regain stakeholders' confidence and promote a sound capital market. This finding can be regarded as consistent with agency theory. In particular, it is related to the desire to reduce bonding and monitoring costs (see section 6.4.3.1.1).

Table 10-1: Summary of standard multiple regression results for factors influencing corporate governance disclosure in Malaysia, Singapore and Thailand – Four corporate governance disclosure scoring methods

Independent variables	Malaysia				Singapore				Thailand			
	DichInd	*TextInd*	*ComBea*	*ComBer*	*DichInd*	*TextInd*	*ComBea*	*ComBer*	*DichInd*	*TextInd*	*ComBea*	*ComBer*
Corporate governance practice variables												
Proportion of independent non-executive directors	x	x	x	x	x	x	/* (+)	/*** (+)	/** (+)	/*** (+)	/* (+)	/*** (+)
Separation of the roles of CEO and chairman	x	x	x	x	x	x	x	x	x	x	x	x
Independent chairman	x	x	x	x	x	x	x	x	x	x	x	x
Board size	x	x	x	x	x	x	x	x	x	x	x	x
Proportion of shares held by top ten shareholders (ownership concentration)	x	x	x	x	/* (+)	/** (+)	/* (+)	/*** (+)	x	x	/*** (-)	x
Proportion of shares held by executive directors	x	x	x	x	N/A	N/A	N/A	N/A	x	/** (-)	/* (-)	/* (-)
Market-related variables												
Capital need	x	/** (+)	x	x	x	x	x	x	x	x	x	x
Listing age	x	x	x	x	x	x	x	x	x	/* (-)	/** (-)	x
Listing status	N/A	N/A	N/A	N/A	/** (-)	/** (-)	/*** (-)	/*** (-)	N/A	N/A	N/A	N/A
Company-specific/control variables												
Company size	/** (+)	x	x	x	x	x	x	x	x	x	x	x
Profitability	x	x	x	x	/* (-)	x	x	/* (-)	x	x	x	x
Leverage	x	x	x	x	x	/* (-)	x	x	x	/** (-)	x	/* (-)
Industry sector	x	x	x	x	x	/* (+)	x	x	x	x	/* (-)	x

For operationalisations/proxies of the independent variables, see Table 6-2.

DichInd, *TextInd*, *ComBea*, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.

/ statistically significant, x not statistically significant.

***, ** and * statistically significant at the 1%, 5%, and 10% level, respectively. Signs are reported in brackets.

N/A means that independent variable is not included in the statistical model. The listing status variable is only applicable for Singapore because none of the sample for Malaysia and Thailand has multiple listings (see section 6.2.2.3). The proportion of shares held by executive directors variable is not included in Singapore regression because of the multicollineary problem (see section 6.4.2).

However, some regressions indicate that corporate governance disclosure computed based on different scoring methods may be associated with different variables. For example, when using Malaysian data, the size variable, measured by market capitalisation, is positively significant in explaining corporate governance disclosure only when measured using the dichotomous method (see section 6.4.3.4.1). For Singapore, the proportion of independent non-executive directors only has a significant positive impact on corporate governance disclosure when measured using certain methods, e.g. the method adapted from Beretta and Bozzolan (2004) (see section 6.4.3.1.1). These findings suggest that although separate country regressions may be more robust to different scoring methods, when compared to the pooled regression, relatively different findings can still be found for each disclosure scoring method. This again suggests that different sets of factors can affect the ways in which companies disclose corporate governance information differently. Hence, the researcher argues that different scoring methods should not be used in isolation. However, if researchers choose to employ only one scoring method, the findings should be interpreted with particular relevance to the scoring method used. Because of the potential differences in variables influencing corporate governance disclosure across countries, the researcher also argues that comparisons with prior studies which based their analyses on groups of countries need to be made with caution.

Overall discussion of results from both the pooled and separate country data (Objective 1b)

The findings suggest that financial and non-financial disclosure theories can be applied to the area of corporate governance disclosure. However, the researcher argues that the explanations of the theories should be interpreted with particular relevance to the context of corporate governance disclosure. The possible differences between the explanations of factors influencing corporate governance disclosure and the explanation of factors influencing financial and other non-financial disclosure justify studying corporate governance disclosure separately from other areas of disclosure.

Examples of the explanations given for corporate governance disclosure are as follows (see detailed discussion in section 6.4.3). Legitimacy and agency theory can help explain the significantly negative impact of the proportion of shares held by executive directors on corporate governance disclosure in Thailand (see section 6.4.3.1.5). In relation to legitimacy theory, managers of listed companies in Thailand, who have either relatively low shareholdings (or none) in their hands, might consider disclosing more corporate governance information as a way to legitimise their actions in order to restore stakeholders confidence in the managers. Furthermore, in relation to agency theory, corporate governance disclosure can be used as a way to scrutinise management and to provide monitoring functions when executive directors have small stakes (or none) in the company. These explanations are particularly relevant for Thailand, one of the countries severely affected by the 1997 crisis, because corporate governance problems have been cited as a factor contributing to the severity of the crisis (e.g. Mitton, 2002; and Chang Aik Leng and Abu Mansor, 2005). Another example is the positive influence of the proportion of shares held by top ten shareholders in Singapore, which can be explained by signalling theory. Managers may disclose more corporate governance information in order to avoid the risk of creating an unfavourable impression of inadequate governance quality through close ownership (see section 6.4.3.1.4). Additionally, in relation to environmental determinism theory, the explanation for country variables with regard to institutional governance structure is relevant to the context of corporate governance disclosure (see section 6.4.3.3). The more advanced a country is in relation to institutional governance structure, the more likely it is to disclose less corporate governance information.

10.3.1.2 Qualitative approach (Objectives 3 and 4)

Factors included in the statistical models

To help validate and complement statistical findings on the factors influencing corporate governance disclosure, questionnaires and interviews with listed companies, investment analysts, external auditors and regulatory bodies were conducted. Table 10-2 summarises section 8.4 with regard to the possible theoretical interpretations, based on reasons given by respondents, in relation to factors influencing corporate governance disclosure (Panel A). Reasons are shown in the table for board size factor, where applicable theories are not available (Panel B)[99].

[99] The link between the reasons given by respondents and theoretical interpretations, and the theories relevant to company-specific/control variables, are not shown in this table for economy of space.

Table 10-2: Theoretical interpretations and reasons given for factors influencing corporate governance disclosure

Factors	Sign	Theoretical interpretations/ Reasons given
Panel A: Theoretical interpretations		
Corporate governance practices		
Proportion of independent non-executive directors	Positive	• Agency theory
Separation of the roles of CEO and chairman	Positive	• Agency theory
Independent chairman	Positive	• Agency theory
Board size	Negative	• Agency theory
Proportion of shares held by top ten shareholders	Positive	• Signalling theory
	Negative	• Agency theory
Proportion of shares held by executive directors	Positive	• Legitimacy theory
	Negative	• Cost-benefit theory • Agency theory
Market-related factors		
Capital need	Positive	• Capital need theory
Listing age	Positive	• Signalling theory
	Negative	• Capital need theory • Environmental determinism theory
Listing status	Positive/ Negative	• Environmental determinism theory
Country factors		
Country	Positive/ Negative	• Environmental determinism theory
Panel B: Reasons given		
Corporate governance practice		
Board size	Positive	• Having diversification of background, knowledge and experience

See number of respondents for each factor in each country in Table 8-5.
For full discussion of each factor, see section 8.4.

The findings show that respondents give several suggestions for the competing theories relating to those factors which could, potentially, influence corporate governance disclosure. These are factors suggested by the respondents as possibly having a positive or a negative impact on corporate governance disclosure, for example, proportion of shares held by executive directors and listing age. These possible competing theories suggest the need for caution when generalising the findings. Nonetheless, comparison between the statistical findings and the survey responses suggests that the majority of respondents give reasons which support the statistical findings in the case of corporate governance practice variables and capital need variable (see section 8.4). Hence, the findings show that the qualitative approach can strengthen the explanation of related theories discussed in the statistical findings in Chapter 6.

In relation to objective 1b, Table 10-2 shows that, in relation to corporate governance practice variables, the responses seem to strongly support agency theory. Mainly, the respondents suggest that corporate governance practices can provide a balance of power and a monitoring mechanism for the board whenever it has to make decisions on corporate governance disclosure, and can, therefore, be used as a mechanism to influence corporate governance disclosure (see section 8.4.1). This is especially relevant for listed companies in countries with high ownership concentration as in Malaysia, Singapore and Thailand where expropriation by management and family shareholders from minority shareholders is more likely to occur. Capital need theory is used to explain the effect of the capital need factor on corporate governance disclosure (see section 8.4.2.1). Respondents suggest that companies will disclose more corporate governance information to justify their operations when they want to raise funds in the capital market. Environmental determinism theory is the theory which helps explain the effect of country factors on corporate governance disclosure (see section 8.4.3). The main environmental factors suggested by the respondents are the effect of the 1997 crisis, encouragement by the regulatory bodies, and cultural and social values.

Other factors potentially influencing corporate governance disclosure (Objectives 3 and 4)

Table 10-3 summarises section 8.5 relating to the possible theoretical interpretations, based on reasons given by respondents, regarding the additional factors which can potentially influence corporate governance disclosure. A suggested reason is shown in the table for the committee factor, where an applicable theory is not available[100]. Responses across Malaysia, Singapore and Thailand in relation to these factors are consistent across the three countries, with the exception of the international comparison factor which is mainly focused in the least developed country of the three, i.e. Thailand (see section 8.5.3).

[100] The link between the reasons given by respondents and theoretical interpretations is not shown in this table for economy of space (full details are shown in Table 8-7).

Table 10-3: Theoretical interpretations and reason given - additional factors influencing corporate governance disclosure

Factors	Sign	Theoretical interpretations/ Reason given
Panel A: Theoretical interpretations		
Codes or principles of corporate governance	Positive	• Political cost theory
Listing requirements	Positive	• Political cost theory
International comparison	Positive	• Signalling theory • Capital need theory
Attitude towards corporate governance	Positive/ Negative	• Cost-benefit theory
Management accountability	Positive	• Agency theory
Quality of management	Positive	• Signalling theory
Desire to boost a company's image and reputation	Positive	• Signalling theory
Demand for information	Positive	• Capital need theory
Benefits from corporate governance disclosure	Positive	• Cost-benefit theory
Panel B: Reason given		
Committees: audit and corporate governance committees	Positive	• Responsibility towards corporate governance disclosure

See number of respondents for each factor in each country in Table 8-7.
See the full discussion of each factor in section 8.5.

The additional factors can be categorised into: 1) qualitative factors which are difficult to measure accurately, such as the desire to boost a company's image and reputation, and 2) quantifiable factor, i.e. the existence of audit committees and corporate governance committees. These additional factors imply that factors influencing corporate governance disclosure are more complicated than those assumed by the quantitative approach alone. Including the additional factors in the statistical tests, where quantifiable, might help capture the unexplained variation of corporate governance disclosure, thereby increasing the explanatory power of the model.

Table 10-3 shows an indication of the main theories applicable in explaining the influence of these other factors on corporate governance disclosure, i.e. signalling theory (3 out of 10 factors), cost-benefit theory (2 out of 10 factors), capital need theory (2 out of 10 factors), and political cost theory (2 out of 10 factors). In relation to signalling theory, companies may be motivated to disclose corporate governance information to provide a good impression of, and to signal the superiority of, company management. Based on cost-benefit theory, it would seem from the responses that the costs of disclosing corporate governance information are outweighed by the benefits, such as an increase in recognition from the public. Consistent with capital need theory, high corporate governance disclosure may be expected if companies intend to raise fund in either local or international capital markets. Finally, based on political cost theory, management may disclose more corporate governance information to avoid, for example, pressure, scrutiny or being penalised by regulatory bodies for not disclosing corporate governance information.

10.3.2 The effect of corporate governance disclosure on the market perceptions of companies (Objectives 2a, 2b, 3 and 4)

10.3.2.1 Quantitative approach (Objectives 2a, 2b and 4)

Table 10-4 summarises the findings of multiple regressions for the impact of corporate governance disclosure on market perceptions of company performance, when compared with corporate governance practices. The findings are based on four different scoring methods for each country (see the full explanations of theories relevant to each variable in section 7.4.3)[101]. Each corporate governance disclosure variable is included in a separate regression for each set of data (Malaysia, Singapore, or Thailand). The significant findings for corporate governance practices variables are the same in all regression models for each country. The statistical results in the table were used as the basis for rejecting the null hypotheses developed in section 7.2.

Table 10-4: Summary of standard multiple regression results for the influence of corporate governance disclosure on market perceptions of company performance in Malaysia, Singapore and Thailand – Four corporate governance disclosure scoring methods

Independent variables	Malaysia	Singapore	Thailand
Corporate governance disclosure variables			
DichInd	x	/* (+)	x
TextInd	x	x	x
ComBea	x	/** (+)	x
ComBer	x	/** (+)	x
Corporate governance practice variables			
Proportion of independent non-executive directors	x	x	x
Separation of the roles of CEO and chairman	x	x	x

[101] The findings in this section are based on the corporate governance disclosure scores measured using both mandatory and voluntary disclosures. This is based on the assumption that when market participants use corporate governance information, they will focus on both mandatory and voluntary items to form their perceptions of the company. The results of the company-specific/control variables are not shown in this table for economy of space.

Independent variables	Malaysia	Singapore	Thailand
Independent chairman	x	x	/*** (-)
Board size	/** (-)	x	x
Proportion of shares held by top ten shareholders (ownership concentration)	x	x	/*** (-)
Proportion of shares held by executive directors	x	x	/*** (-)

For operationalisations/proxies of the independent variables, see Table 7-2.
DichInd, *TextInd*, *ComBea*, and *ComBer* are corporate governance disclosures measured based on the dichotomous method, the relative number of text units method, the method adapted from Beattie *et al.* (2004), and the method adapted from Beretta and Bozzolan (2004), respectively.
/ statistically significant, x not statistically significant.
***, ** and * statistically significant at the 1% level, 5% level, and 10% level, respectively.
Signs are reported in brackets.

Singapore

Overall, the findings suggest that, in Singapore, corporate governance disclosure can have an impact on Tobin's *Q*, a proxy for market perceptions of company performance. These results suggest that market participants see value in corporate governance disclosure in annual reports above corporate governance practices in Singapore. Most corporate governance items provided in the annual report of listed companies in Singapore are voluntarily disclosed, suggesting that the disclosure may be more appreciated by market participants. Furthermore, if institutional governance mechanisms (such as rules and regulations, and enforcement) are strong, market participants may have more confidence in the disclosure of listed companies. Hence disclosure via annual reports may be enough to assure market participants that the company has an appropriate corporate governance system able to deal with any issues which may arise in the company. This argument is consistent with environmental determinism theory (see section 7.4.3.1).

However, the findings show that when corporate governance disclosure is explored based on different scoring methods, it could lead to different findings for each scoring method. For example, Table 10-4 shows that only corporate governance disclosure scores measured by a method adapted from Beattie *et al.* (2004) and a method adapted from Beretta and Bozzolan (2004) show a statistically significant impact on market perceptions of company performance[102]. Further analyses into the components suggest that listed companies may want to focus on relative amount of disclosure, the breadth of information (measured by relative number of non-empty sub-topics) and the depth of

[102] The corporate governance disclosure scores measured by the dichotomous method are only marginally significant.

disclosure so that it can help stakeholders understand and be able to examine the company more cautiously. The outlook profile index which measures disclosure on corporate governance policies is not significant. This suggests that what matters to the market is not the policies themselves but the disclosure of the way in which companies apply the policies.

Malaysia and Thailand

The findings for Malaysia and Thailand show that none of the corporate governance disclosure variables could have a significant impact on Tobin's Q. However, there is evidence that certain corporate governance practices are significant in explaining Tobin's Q in these countries. These findings could be explained by environmental determinism theory (see section 7.4.3.1). In particular, for countries with a lower level of institutional governance structure, such as rules and regulations, enforcement and a culture of corporate governance (i.e. Malaysia and Thailand), market participants tend to regard specific corporate governance practices as important, rather than relying on all corporate governance disclosure in annual reports. These imply that other channels of corporate governance disclosure, such as communication with the company, may be more efficient in providing information about these practices to the interested users than the annual reports. Through these other sources of communication, the information received by users may be timelier, and thereby more useful for them when making investment decisions.

Nonetheless, the analyses of the regulations and annual reports in Malaysia and Thailand show that the regulators and listed companies, respectively, still pay attention to corporate governance disclosure in annual reports. This suggests that corporate governance information disclosed in annual reports may still be useful for stakeholders of the company because it could be used for fundamental analysis of the overall quality of a company's management. Furthermore, it could be used for verifying the reliability of corporate governance information that company receives from other sources, e.g. a company's website and press releases.

10.3.2.2 Qualitative approach (Objectives 3 and 4)

Overall, the respondents, i.e. listed companies and investment analysts, suggest that corporate governance disclosure can have an influence on market values of companies across Malaysia, Singapore and Thailand. The theories interpreted from the reasons given by the respondents, to potentially explain the relationship between corporate governance disclosure and market value, are signalling theory and capital need theory[103]. Corporate governance disclosure can help show how well the companies are being managed and can be used as a tool to promote a positive image of the company (see section 9.2.1.1). Furthermore, companies may need to fulfill the demand for information by investors to be able to obtain external finance.

For Singapore, the responses validate the interpretation of the significant statistical findings, and provide additional explanations. For Malaysia and Thailand, while insignificant results are shown in the statistical findings, the majority of the respondents in these countries suggest that corporate governance disclosure should have a positive impact on market value. Possible explanations for this are the competing factors included in the regressions. Furthermore, the responses lead to the suggestion that investors in Thailand tend to focus more on evaluating the actual practices of corporate governance, rather than how much corporate governance information is disclosed in annual reports. The reason given is the severity of the impact of the 1997 crisis.

10.4 Contribution to knowledge

The contributions of this thesis are summarised in this section.

10.4.1 Relevance and applicability of disclosure theories (Objectives 1b and 2b)

The findings suggest that financial disclosure theories can be applied to the area of corporate governance disclosure. However, explanations of the theories should be interpreted with particular relevance to the context of corporate governance disclosure. Examples of the explanations given for corporate governance disclosure are as follows (see detailed discussion in sections 6.4.3 and 8.4). Signalling theory can be used to explain the positive influence of the proportion of shares held by top ten shareholders in Singapore. Managers may disclose more corporate governance information in order to counter the risk of unfavourable impressions of inadequate governance quality through close ownership (see section 6.4.3.1.4). Additionally, in relation to environmental determinism theory, the explanation for country variables with regard to the institutional

[103] See section 9.2.1.1.3 for reason given by respondents where relevant theories are not available.

governance structure is relevant to the context of corporate governance disclosure. The most advanced country, in terms of institutional governance structure, is likely to disclose the least corporate governance information (see section 6.4.3.3).

The analyses of factors influencing corporate governance disclosure also show that theories originating from western countries are able to explain variations in corporate governance disclosure in the context of Southeast Asia. For example, agency theory, which arises due to the divergence of interest between principals and agents, is normally applied to the context of widely-held companies. Although, in the case of Malaysia, Singapore and Thailand, widely-held companies are relatively few, agency theory may still be applied. The conflict will be between controlling blockholders and minority shareholders (see section 2.3.1). In this context, where there are relative few minority shareholders to put pressure on a company to disclose information, corporate governance practices, such as the proportion of independent non-executive directors, may have more influence on corporate governance disclosure.

Additionally, the analyses of statistical results and survey responses lead to the development of the theoretical interpretation particularly for corporate governance disclosure in the area of: 1) factors influencing corporate governance disclosure, and 2) the influence of corporate governance disclosure, compared to corporate governance practices, on market perceptions of company performance. The findings for factors influencing corporate governance disclosure, and the influence of the disclosure on market perceptions of company performance, suggest that the applicability of disclosure theory varies across countries. This justifies the examination of corporate governance disclosure on a country-by-country basis. Different approaches to scoring corporate governance disclosure can also affect the theories which can be used to explain variations in corporate governance disclosure. For example, in relation to capital need theory, when listed companies are planning to obtain funds in the capital market, they will focus more on the breadth of corporate governance information disclosed, measured by the dichotomous method, rather than other elements, such as relative number of text units. In addition, the researcher argues that each country's environment needs to be considered before applying any theories to explain corporate governance disclosure, so that the explanation can be context-specific.

Finally, the findings show that there are some suggestions by respondents for competing theories related to certain potential factors influencing corporate governance disclosure (see Table 10-2). These possible competing theories suggest that there is a need to be cautious about the generalisability of the findings.

10.4.2 Methodological extension (Objectives 1a and 3)

The thesis provides a methodological extension from prior corporate governance disclosure studies. It incorporates not only the dichotomous method, widely followed by prior corporate governance disclosure studies, but also other scoring methods, such as those from contexts of general corporate reporting and risk communication, to the specific objectives of corporate governance disclosure (see section 4.4.3). This extension of scoring methods helps examine the sensitivity of association testing based on different scoring methods. The analyses in Tables 10-1 and 10-4 suggest that different scoring methods should not be used in isolation because there is a possibility that they will provide different findings. For example, based on the pooled data, the capital need variable is statistically significant in explaining corporate governance disclosure based on the dichotomous method only. This significance helps point to the importance which companies place on a 'checklist' approach whenever capital need is being considered.

The analyses also show that the qualitative approach (questionnaires and interviews) can help confirm and enhance the interpretation of statistical findings, as well as the relevant theories. In addition, it can help further unravel factors influencing corporate governance disclosure, especially the qualitative factors which are difficult to measure accurately and are not captured in the statistical models. Examples are the quality of management and the desire to boost a company's image and reputation. These additional factors imply that factors influencing corporate governance disclosure are more complicated than those assumed by the quantitative approach alone. Including the additional factors in the statistical tests, where quantifiable, might help capture the unexplained variation of corporate governance disclosure.

10.4.3 Understanding corporate governance disclosure from different environmental perspectives (Objective 4)

The thesis provides a comparative analysis of corporate governance disclosure across three countries. It helps with an understanding of corporate governance disclosure from different environmental perspectives, such as culture and levels of economic and capital market developments. The analyses of statistical findings suggest that, across the countries examined, there is a potential difference in variables influencing corporate governance disclosure (see Table 10-1) and the impact of corporate governance disclosure on market perceptions of company performance (see Table 10-4). These findings lead to the suggestion that comparisons with prior studies which based their analyses on groups of countries need to be made with caution.

10.4.4 Policy implications (Objective 5)

The analyses of corporate governance disclosure in annual reports and the responses from the preparers and users of corporate governance information help provide suggestions in relation to the possible improvement for corporate governance codes or principles, as well as the enforcement related to corporate governance disclosure. As discussed in sections 5.4, 8.2.1.1 and 9.2.2, the analyses show the lack of disclosure in certain important corporate governance areas, such as board performance and factors which determine the nomination of directors. Any changes, however, should be considered by comparing the cost and the benefit (see section 8.2.1.3). Although mandatory disclosure could help improve comparability across companies, it could also lead to superficial changes in corporate governance disclosure. Companies may not actually follow the spirit of the codes or principles of corporate governance. Furthermore, companies may decide only to follow the corporate governance disclosure requirements, hence lowering the disclosure of other corporate governance information which might help shareholders and other stakeholders evaluate their corporate governance system and make changes if necessary. The researcher argues that the development of the regulations should be conducted with care. It should be able to satisfy the users needs, whilst maintaining a certain flexibility for companies in relation to the less important types of corporate governance information. Management should also be made aware of those areas of corporate governance which, if disclosed, may benefit market participants. Education and training provided by the professional bodies in each country, i.e. Malaysian Institute of Directors, Singapore Institute of Directors, and Thai Institute of Directors Association, could be a way of developing professional ethics and commitment to stakeholders (see section 8.2.1.3).

Overall, the responses suggest that there is an issue regarding the perceived reliability of corporate governance disclosure by market participants in Thailand (see section 8.2.3.2). In particular, investors might perceive companies disclosing more information in Thailand as doing so in order to try to win reporting awards (Deegan, 2002), which could raise the profile of that individual company. The perceived reliability of corporate governance disclosure in Thailand may be improved through a more stringent examination of disclosure by regulatory bodies, as well as an increase in penalties for inaccurate disclosure, such as imposing fines on companies or publicising the fact that particular companies have disclosed inaccurate information to market participants. Public announcements in particular should decrease a company's motivation to manipulate information, since this could decrease market confidence in not only the corporate governance disclosure area, but also other disclosure areas which are highly important for investment decisions (e.g. financial information).

10.5 Limitations

The main limitation in this thesis is the generalisability of the findings. Only ninety companies, in total, were examined. The sample size is a compromise between the constraints of manual collection of data and the desire to have sufficient data for parametric testing. Firstly, the data collection is labour-intensive. The researcher has to read through all possible sections in the annual report to decide whether or not the item is disclosed, and to identify the number of sentences or pieces of information. Secondly, there is a large number of items in the checklist (191 items in total). It takes more time to score corporate governance disclosure if the checklist contains a large number of items because the researcher needs to make a finer judgement. Although, the number of items could be reduced so that the researcher can examine more companies and make the results more generalisable, it needs to be traded off with the depth of the analysis. Finally, because four scoring methods were employed, significant effort has to put into: 1) collecting the data, and 2) computing corporate governance disclosure scores.

In addition, the use of the top thirty companies listed on each country's main index based on market capitalisation may also affect the generalisability of the findings. These companies may be more likely to disclose additional corporate governance information to satisfy the demand of investors and other stakeholders. Hence, the findings may not be generalisable to smaller and less actively traded companies.

In relation to the qualitative approach, response rates for questionnaire and interview from Malaysia and Singapore are relatively low when compared with those of Thailand because of the lack of contacts in those countries, in comparison to Thailand (see section 4.3.2). The relevant findings, therefore, should be regarded as only initial evidence for corporate governance disclosure. Finally, due to the respondents' time constraints, questions in the second part were not answered by all respondents.

The researcher also recognises that developing a checklist involves judgement in selecting those items to be included. Furthermore, examining whether the company discloses each item in the checklist, but ignoring other corporate governance information disclosed, is just a partial form of content analysis. This is because items of interest are determined in advance. Nonetheless, the researcher argues that the items included in the checklist are considered appropriate for corporate governance disclosure analyses in the context of this study. Furthermore, as the checklist is newly developed specifically for the purpose of examining corporate governance disclosure for listed companies in Malaysia, Singapore and Thailand, the results might not be comparable with those of prior corporate governance disclosure studies. Finally, some researchers may not agree with the way the checklist is separated into general and enhanced items in this thesis, even though every care is made to ensure that the separation serves its purpose (i.e. to help users of information gain a better understanding of each particular area of company's corporate governance system). Despite the limitations, the checklist is still a very useful tool in measuring the disclosure of particular information researchers want to investigate.

The scoring methods are based on an unweighted approach, hence corporate governance disclosure scores in this study may not reflect the unequal importance of different items or categories of corporate governance information. Future research may assign weightings to each item or category of corporate governance information (see section 10.6 as follows). The use of total number of pages in the annual report, rather than total number of text units, as the denominator for measuring relative number of text units can also be regarded as a limitation in this study (see section 4.4.3.2). In particular, if the total number of text units was used, the disclosure score could better reflect the significance of corporate governance information in relation to other information disclosed in the annual report. The researcher, however, argues that collection of the total number of text units in the annual report would require a disproportionate amount of manual work and time, since most of the companies in the sample have relatively large amounts of information in their annual reports. With regard to the composite corporate governance disclosure indices based on the method adapted from Beattie *et al.* (2004) and Beretta and Bozzolan (2004), the limitation is that these can only show the combined effect of disclosure components. Hence, to examine different dimensions of corporate governance disclosure in detail, each disclosure component is also explored. In addition, due to resource constraint (i.e. cost), only intra-coder testing was possible, i.e. where the same coder codes the same content more than once and sees whether the results are invariant (see section 4.4.1).

This study only examines one source of corporate governance disclosure, the company annual reports. There are other channels which listed companies use for corporate governance disclosure such as the company's website and regulatory announcements (see section 8.2.2.1). Hence, corporate governance disclosure scores in this thesis should not be considered as absolute scores for the extent of corporate governance disclosure. Nonetheless, based on the responses, annual reports can be regarded as the most important channel of corporate governance disclosure across Malaysia, Singapore and Thailand. Availability and accessibility also contribute to the use of annual reports in this study. In addition, with regard to the use of the Thai version of annual reports, there is a possibility that using these may introduce bias to the findings, especially when the pooled data are examined. This is because for Malaysia and Singapore the English version of annual reports is employed. Nonetheless, the researcher argues that the Thai version of the annual reports is preferable because English is not the language of business communication in Thailand. Hence, the English version of the annual reports may not be as detailed as the Thai version and this could affect corporate governance disclosure scores (see section 4.3.1). However, it should be noted that care was taken during the scoring process to ensure comparability of the scores based on sentence count for both Thai and English versions of the Thai annual reports, whenever there were uncertainties about the reliability of the comparison.

10.6 Suggestions for further research

As the study only examines companies which have relatively high market capitalisation, future research could extend this study to middle- and small-sized companies. The number of questionnaires and interviews in Malaysia and Singapore can also be extended by seeking the collaboration of academics in these countries. By doing so, it could enhance the generalisability of the findings. Furthermore, in relation to the qualitative approach, future study may design a questionnaire to examine the effect of each country's culture on corporate governance disclosure. Time-series study is also another avenue for further research. This could help assess whether corporate governance disclosure continues to improve or decline.

In relation to research method, future research might want to refine the corporate governance disclosure scoring methods by giving weightings in relation to the importance of each item or category of corporate governance information. The weight could be determined based on an average ranking scores obtained from questionnaires to market participants. In addition, future research may further examine the corporate governance disclosure database developed in this study, for example, testing the robustness of the results based on the subset of the checklist developed. If the findings are robust, future research may rely on a smaller number of items in the checklist, hence researchers may be able to increase the sample of companies examined. This could then increase the generalisability of the findings. Future research may examine different combinations for composite corporate governance disclosure index to obtain the components which have no or low correlations with each other. If resource (i.e. cost) is available, future research may also want to verify the reliability of the scoring by checking inter-coder reliability.

Prior research has questioned the presumption that the quantity of financial disclosure is equivalent to the quality of disclosure (Marston and Shrives, 1991; Beattie *et al.*, 2004), and points to a need to develop specific quality measures (Core, 2001; Beattie *et al.*, 2004; Beretta and Bozzolan, 2004). This discussion could be related to the context of corporate governance disclosure. Hence, future research may want to develop a measure for the quality of corporate governance disclosure by, for example, sending out questionnaires or interviewing market participants. It may be possible that a company may disclose more information just to bury the important corporate governance aspects[104].

Another avenue for future research is to examine other channels of corporate governance disclosure, such as company websites and regulatory announcements. However, some of these channels, e.g. internal documents, such as the employee manual/handbook/code of conduct, may not be available to outsiders. If the documents are accessible, examining them will help provide a complete picture about a company's corporate governance disclosure.

The findings of variables influencing corporate governance disclosure in the context of Malaysia show that almost none of the variables could explain the level of corporate governance disclosure (see Table 10-1). These results suggest that there may be other factors, such as government ownership, determining corporate governance disclosure in the country. Future research may want to explore additional factors to increase the explanatory power of the statistical model.

This study uses Tobin's *Q* as a measure for market perceptions of company performance because it is a proxy commonly used in corporate governance research. A further investigation into other measures such as share prices (e.g. a value relevance study) may be necessary to investigate the effect of corporate governance disclosure on the market perceptions. However, some other measures may be difficult to measure accurately, such as cost of capital.

[104] The researcher thanks the referee for the special issue of Accounting, Auditing and Accountability Journal for this suggestion.

REFERENCES

Ab. Rashid, H.-M. (1996). *Voluntary Disclosure Practices of Corporate Governance and Operating and Financial Review (OFR) Information: An Evidence from the UK's Annual Reports*. MA Dissertation, Lancaster University.

Abdul Rahman, R. and Haniffa, R.M. (2005). 'The effect of role duality on corporate performance in Malaysia'. *Corporate Ownership & Control*, 2(2): 40-47.

Agrawal, A. and Knoeber, C.R. (1996). 'Firm Performance and Mechanisms to Control Agency Problems between Managers and Shareholders'. *Journal of Financial and Quantitative Analysis*, 31(3): 377-397.

Ahmed, K. and Falk, H. (2006). 'The value relevance of management's research and development reporting choice: Evidence from Australia'. *Journal of Accounting and Public Policy*, 25(3): 231-264.

AIA (2007). 'Malaysia: Corporate Governance Framework'. Available URL: http://www.aiaworldwide.com/database/news/fullStory.php?id=51646 [Accessed 3 October 2007].

Akhtaruddin, M. (2005). 'Corporate mandatory disclosure practices in Bangladesh'. *International Journal of Accounting*, 40(4): 399-422.

Aksu, M. and Kosedag, A. (2006). 'Transparency and Disclosure Scores and their Determinants in the Istanbul Stock Exchange'. *Corporate Governance: An International Review*, 14(4): 277-296.

Alsaeed, K. (2005). 'The Association Between Firm-Specific Characteristics and Disclosure: The Case of Saudi Arabia'. *The Journal of American Academy of Business, Cambridge*, 7(1): 310-321.

Arcay, M.R.B. and Vázquez, M.F.M. (2005). 'Corporate Characteristics, Governance Rules and the Extent of Voluntary Disclosure in Spain'. *Advances in Accounting*, 21: 299-331.

Arnold, B. and de Lange, P. (2004). 'Enron: an examination of agency problems'. *Critical Perspectives on Accounting*, 15: 751-765.

Arsalidou, D. and Wang, M. (2005). 'Difficulties with Enforcing Western Standards of Corporate Governance in Asia'. *European Business Law Review*, 16(2): 329-340.

ASEAN (2006a). 'Culture and Information'. Available URL: http://www.aseansec.org/10373.htm [Accessed 5 November 2006].

ASEAN (2006b). 'Thailand'. Available URL: http://www.aseansec.org/4749.htm [Accessed 5 November 2006].

ASEAN (2007a). 'Malaysia'. Available URL: http://www.aseansec.org/4743.htm [Accessed 21 July 2007].

ASEAN (2007b). 'Singapore'. Available URL: http://www.aseansec.org/4748.htm [Accessed 21 July 2007].

Athukorala, P.-C. (1998). 'Swimming against the Tide: Crisis Management in Malaysia'. *ASEAN Economic Bulletin*, 15(3): 281-289.

Australian Stock Exchange (2005). 'Analysis of Corporate Governance Practices reported in 2004 Annual Reports'. Available URL: http://www.asx.com/au/supervision/pdf/Analysis_of_CG_practice_disclosure_May_16_2005.pdf [Accessed 17 May 2005].

Bai, C.-E., Liu, Q., Lu, J., Song, F.M. and Zhang, J. (2004). 'Corporate governance and market valuation in China'. *Journal of Comparative Economics*, 32: 599-616.

Barrett, M.E. (1976). 'Financial Reporting Practices: Disclosure and Comprehensiveness in an International Setting'. *Journal of Accounting Research*, 14(1): 10-26.

Baskerville, R.F. (2003). 'Hofstede never studied culture'. *Accounting, Organizations and Society*, 28(1): 1-14.

Baysinger, B.D. and Butler, H.N. (1985). 'Corporate Governance and Board of Directors: Performance Effects of Changes in Board Composition'. *Journal of Law, Economics and Organisation*, 1: 101-124.

Beattie, V., McInnes, B. and Fearnley, S. (2004). 'A methodology for analysing and evaluating narratives in annual reports: a comprehensive descriptive profile and metrics for disclosure quality attributes'. *Accounting Forum*, 28(3): 205-236.

Bebczuk, R.N. (2005). 'Corporate Governance and Ownership: Measurement and Impact on Corporate Performance in Argentina'. Working paper.

Belcher, A. (1996). 'Compliance with the Cadbury Code and the reporting of corporate governance'. *The Company Lawyer*, 17(1): 11-17.

Beretta, S. and Bozzolan, S. (2004). 'A framework for the analysis of firm risk communication'. *International Journal of Accounting*, 39(3): 265-288.

Berglöf, E. and Pajuste, A. (2005). 'What do firms disclose and why? Enforcing Corporate Governance and Transparency in Central and Eastern Europe'. *Oxford Review of Economic Policy*, 21(2): 178-197.

Bhagat, S. and Black, B. (1999). 'The Uncertain Relationship Between Board Composition and Firm Performance'. *The Business Lawyer*, 54(3): 921-963.

Bhasa, M.P. (2004). 'Global corporate governance: debates and challenges'. *Corporate Governance*, 4(2): 5-17.

Bhat, G., Hope, O.-K. and Kang, T. (2006). 'Does corporate governance transparency affect the accuracy of analysts forecasts?'. *Accounting and Finance*, 46(5): 715-732.

Bhushan, R. and Lessard, D.R. (1992). 'Coping with International Accounting Diversity: Fund Managers' Views on Disclosure, Reconciliation, and Harmonization'. *Journal of International Financial Management and Accounting*, 4(2): 149-164.

Black, B.S., Jang, H. and Kim, W. (2006). 'Does Corporate Governance Predict Firms' Market Values? Evidence from Korea'. *The Journal of Law, Economics, & Organization*, 22(2): 366-413.

Booth, A. (1999). 'Initial Conditions and Miraculous Growth: Why is South East Asia Different From Taiwan and South Korea?'. *World Development*, 27(2): 301-321.

BOT (2007). 'Thailand at a glance'. Available URL: http://www.bot.or.th/bothomepage/databank/Econcond/genecon/thai_glance.htm [Accessed 21 July 2007].

Boyd, B.K. (1995). 'CEO Duality and Firm Performance: A Contingency Model'. *Strategic Management Journal*, 16(4): 301-312.

Boyle, J. (1998). 'Cultural Influences on Implementing Environmental Impact Assessment: Insights from Thailand, Indonesia, and Malaysia'. *Environmental Impact Assessment Review*, 18(2): 95-116.

Brennan, N. and McDermott, M. (2004). 'Alternative Perspectives on Independence of Directors'. *Corporate Governance: An International Review*, 12(3): 325-336.

Bronn, P.S. (2004). 'Editorial: Corporate governance – Is your communication hurting you?'. *Journal of Communication Management*, 9(2): 106-107.

Brown, N. and Deegan, C. (1998). 'The Public Disclosure of Environmental Performance Information – A Dual Test of Media Agenda Setting Theory and Legitimacy Theory'. *Accounting and Business Research*, 29(1): 21-41.

Bryman, A. (2004). *Social Research Methods*. New York: Oxford University Press.

Bujaki, M. and McConomy, B.J. (2002). 'Corporate Governance: Factors Influencing Voluntary Disclosure by Publicly Traded Canadian Firms'. *Canadian Accounting Perspectives*, 1(2): 105-139.

Burrell, G. and Morgan, G. (1989). *Sociological Paradigms and Organisational Analysis: elements of the sociology of corporate life*. Aldershot: Gower.

Bursa Malaysia (2004). 'Selection Guidelines for KLCI Components'. Available URL: http://www.bursamalaysia.com/website/marketinfo/indexcomp_guidelines.htm [Accessed 20 June 2005].

Bursa Malaysia (2005). 'Listing Requirements for Main Board & Second Board'. Available URL: http://www.bursamalaysia.com/website/documents/LR_MBSB_Jan05.pdf [Accessed 2 June 2005].

Bursa Malaysia (2007a). 'Main Board: List updated as at 03 Aug 2007'. Available URL: http://www.bursamalaysia.com/website/bm/listed_companies/list_of_companies/ [Accessed 4 August 2007].

Bursa Malaysia (2007b). 'MESDAQ Market: List updated as at 18 Jul 2007'. Available URL: http://www.bursamalaysia.com/website/bm/listed_companies/list_of_companies/ mesdaq_market.html [Accessed 4 August 2007].

Bursa Malaysia (2007c). 'Second Board: List updated as at 23 Jul 2007'. Available URL: http://www.bursamalaysia.com/website/bm/listed_companies/list_of_companies/second_ board.html [Accessed 4 August 2007].

Bursa Malaysia (2008a). 'History'. Available URL: http://www.bursamalaysia.com/website/bm/about_us/the_organisation/history.html [Accessed 11 February 2008].

Bursa Malaysia (2008b). 'Overview'. Available URL: http://www.bursamalaysia.com/website/bm/about_us/the_organisation/index.html [Accessed 11 February 2008].

Bushman, R.M. and Smith, A.J. (2001). 'Financial accounting information and corporate governance'. *Journal of Accounting and Economics*, 32: 237-333.

Bushman, R.M. and Smith, A.J. (2003). 'Transparency, Financial Accounting Information, and Corporate Governance'. *FRBNY Economic Policy Review*, 9(1): 65-87.

Bushman, R.M., Piotroski, J.D. and Smith, A.J. (2004). 'What Determines Corporate Transparency?'. *Journal of Accounting Research*, 42(2): 207-252.

Business Times Singapore (2006). 'Corporate winning ways'. Available URL: http://www.cgfrc.nus.edu.sg/download/media_reports/individual/CG_awards/2006/Corporat e_winning_ways.pdf?current=1&articleID=4316 [Accessed 9 March 2007].

Buzby, S.L. (1975). 'Company Size, Listed Versus Unlisted Stocks, and the Extent of Financial Disclosure'. *Journal of Accounting Research*, 13(1): 16-37.

Carson, E. (1996). 'Corporate Governance Disclosure in Australia: The State of Play'. *Australian Accounting Review*, 6(2): 3-10.

Catasús, B. (2000). 'Silent Nature Becomes Normal: A Study of Environmental Reporting'. *International Studies of Management & Organization*, 30(3): 59-82.

CCGD (2004). 'Consultation paper: Proposed Revisions to the Code of Corporate Governance: December 2004'. Available URL: http://www.ccdg.gov.sg/news/consultation_paper.pdf [Accessed 28 April 2006].

CCDG (2006). 'Code of Corporate Governance'. Available URL: http://www.ccdg.gov.sg/corpgov.htm [Accessed 4 May 2006].

CCDG (2007). 'Welcome to the Council on Corporate Disclosure and Governance website'. Available URL: http://www.ccdg.gov.sg/index.html [Accessed 17 February 2007].

CGC (2001). 'Report of the Committee and Code of Corporate Governance'. Available URL: http://info.sgx.com/SGXRuleb.nsf/VwCPForm_LISTING_MANUAL_Download/LM-Misc%20CorpGovn.pdf/$File/LM-Misc%20CorpGovn.pdf [Accessed 29 November 2006].

Chang Aik Leng, A. (2004). 'The Impact of Corporate Governance Practices on Firms' Financial Performance: Evidence from Malaysian Companies'. *ASEAN Economic Bulletin*, 21(3): 308-318.

Chang Aik Leng, A. and Abu Mansor, S.A. (2005). 'Can good corporate governance practices contribute to firms' financial performance? – evidence from Malaysian companies'. *International Journal of Business Governance and Ethics*, 1(4): 350-362.

Chen, J. (2001). 'Ownership Structure as Corporate Governance Mechanism: Evidence from Chinese Listed Companies'. *Economics of Planning*, 34(1-2): 53-72.

Cheng, E.C.M. and Courtenay, S.M. (2006). 'Board composition, regulatory regime and voluntary disclosure'. *International Journal of Accounting*, 41(3): 262-289.

Cheung, Y.-L., Connelly, J.T., Limpaphayom, P. and Zhou, L. (2007). 'Corporate Disclosure and Institutional Governance Structure: Evidence from Hong Kong and Thailand'. Working paper.

Chiang, H.-T. (2005). 'An Empirical Study of Corporate Governance and Corporate Performance'. *The Journal of American Academy of Business, Cambridge*, 6(1): 95-101.

Choe, N.K. (1998). 'Models of Corporate Governance and Transparency'. Available URL: http://wb-cu.car.chula.ac.th/papers/corpgov/cg051.pdf [Accessed 1 October 2005].

Choi, F.D.S. (1973). 'Financial Disclosure and Entry to the European Capital Market'. *Journal of Accounting Research*, 11(2): 159-175.

Chow, C.W. and Wong-Boren, A. (1987). 'Notes: Voluntary Financial Disclosure by Mexican Corporations'. *The Accounting Review*, LXII(3): 533-541.

Chow, L.M.-Y., Chau, G.K.-K., and Gray, S.J. (1995). 'Accounting Reforms in China: Cultural Constraints on Implementation and Development'. *Accounting and Business Research*, 26(1): 29-49.

Chrisman, J.J., Chua, J.H. and Litz, R.A. (2004). 'Comparing the Agency Costs of Family and Non-Family Firms: Conceptual Issues and Exploratory Evidence'. *Entrepreneurship: Theory and Practice*, 28(4): 335-354.

CIA (2006a). 'The World Factbook: Malaysia'. Available URL: https://www.cia.gov/cia/publications/factbook/geos/my.html [Accessed 8 November 2006].

CIA (2006b). 'The World Factbook: Singapore'. Available URL: https://www.cia.gov/cia/publications/factbook/geos/sn.html [Accessed 8 November 2006].

CIA (2006c). 'The World Factbook: Thailand'. Available URL: https://www.cia.gov/cia/publications/factbook/geos/th.html [Accessed 8 November 2006].

Claessens, S. and Fan, J.P.H. (2002). 'Corporate Governance in Asia: A Survey'. *International Review of Finance*, 3(2): 71-103.

Claessens, S., Djankov, S. and Lang, L.H.P. (2000). 'The separation of ownership and control in East Asian Corporations'. *Journal of Financial Economics*, 58(1-2): 81-112.

Cohen, J. (1988). *Statistical power analysis for the behavioral sciences*. New Jersey: Erlbaum.

Collett, P. and Hrasky, S. (2005). 'Voluntary Disclosure of Corporate Governance Practices by Listed Australian Companies'. *Corporate Governance: An International Review*, 13(2): 188-196.

Cooke, T.E. (1989). 'Disclosure in the Corporate Annual Reports of Swedish Companies'. *Accounting and Business Research*, 19(74): 113-124.

Cooke, T.E. (1991). 'An Assessment of Voluntary Disclosure in the Annual Reports of Japanese Corporations'. *International Journal of Accounting*, 26: 174-189.

Cooke, T.E. (1992). 'The Impact of Size, Stock Market Listing and Industry Type on Disclosure in the Annual Reports of Japanese Listed Corporations'. *Accounting and Business Research*, 22(87): 229-237.

Cooke, T.E. (1993). 'Disclosure in Japanese Corporate Annual Reports'. *Journal of Business Finance & Accounting*, 20(4): 521-535.

Cooke, T.E. (1998). 'Regression Analysis in Accounting Disclosure Studies'. *Accounting and Business Research*, 28(3): 209-224.

Cooke, T.E. and Wallace, R.S.O. (1990). 'Financial Disclosure Regulation and Its Environment: A Review and Further Analysis'. *Journal of Accounting and Public Policy*, 9(2): 79-110.

Core, J.E. (2001). 'A review of the empirical disclosure literature: discussion'. *Journal of Accounting and Economics*, 31(1-3): 441-456.

Craig, R. and Diga, J. (1998). 'Corporate Accounting Disclosure in ASEAN'. *Journal of International Financial Management and Accounting*, 9(3): 246-274.

Cullen, L. and Christopher, T. (2002). 'Governance disclosures and firm characteristics of listed Australian mining companies'. *International Journal of Business Studies*, 10(1): 37-58.

Cullen, L. and Christopher, T. (2003). 'Governance Disclosure in Response to High Profile Company Failures'. Paper presented at the 17th ANZAM Conference, Fremantle W.A.

Culpan, R. and Trussel, J. (2005). 'Applying the Agency and Stakeholder Theories to the Enron Debacle: An Ethical Perspective'. *Business and Society Review*, 110(1): 59-76.

Daquila, T.C. (2005). *The Economies of Southeast Asia: Indonesia, Malaysia, Philippines, Singapore and Thailand*. New York: Nova Science Publishers, Inc.

Davis, J.H., Schoorman, F.D. and Donaldson, L. (1997). 'Toward a Stewardship Theory of Management'. *Academy of Management Review*, 22(1): 20-47.

Day, J.F.S. (1986). 'The Use of Annual Reports by UK Investment Analysts'. *Accounting and Business Research*, 16(64): 295-307.

Deegan, C. (2002). 'Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation'. *Accounting, Auditing & Accountability Journal*, 15(3): 282-311.

Deloitte & Touche LLP (2003). 'Director's remuneration disclosure checklist: For quoted companies only: Use for accounting periods ending on or after 31 December 2002'. Available URL: http://www.deloitte.com/dtt/cda/doc/content/UK_AA_CorpGov_Directors Remuneration.pdf [Accessed 1 November 2005].

Deloitte & Touche LLP (2005). 'Corporate Governance disclosure checklist'. Available URL: http://www.deloitte.com/dtt/cda/doc/content/UK_CorpGovnDisclosureChecklist_ Jan05.pdf [Accessed 31 October 2005].

Demsetz, H. and Villalonga, B. (2001). 'Ownership structure and corporate performance'. *Journal of Corporate Finance*, 7(3): 209-233.

Depoers, F. (2000). 'A cost-benefit study of voluntary disclosure: some empirical evidence from French listed companies'. *European Accounting Review*, 9(2): 245-263.

Dhnadirek, R. and Tang, J. (2003). 'Corporate Governance Problems in Thailand: Is Ownership Concentration the Cause?'. *Asia Pacific Business Review*, 10(2): 121-138.

Donaldson, L. (1997). 'A Positivist Alternative to the Structure – Action Approach'. *Organization Studies*, 18(1): 77-92.

Donaldson, L. and Davis, J.H. (1991). 'Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns'. *Australian Journal of Management*, 16(1): 49-65.

Donaldson, L. and Davis, J.H. (1994). 'Boards and Company Performance – Research challenges the Conventional Wisdom'. *Corporate Governance: An International Review*, 2(3): 151-160.

Donaldson, T. and Preston, L.E. (1995). 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications'. *Academy of Management Review*, 20(1): 65-91.

Doupnik, T.S. and Salter, S.B. (1995). 'External Environment and Accounting Practice: A Preliminary Test of a General Model of International Accounting Development'. *International Journal of Accounting, Education and Research*, 30(2): 189-207.

Durnev, A. and Kim, E.H. (2005). 'To Steal or Not to Steal: Firm Attributes, Legal Environment, and Valuation'. *Journal of Finance*, LX(3): 1461-1493.

Dwivedi, N. and Jain, A.K. (2005). 'Corporate Governance and Performance of Indian Firms: The Effect of Board Size and Ownership'. *Employee Responsibilities and Rights Journal*, 17(3): 161-172.

Dye, R.A. (1986). 'Proprietary and Nonproprietary Disclosures'. *Journal of Business*, 59(2): 331-366.

Easterby-Smith, M., Thorpe, R. and Lowe, A. (2004). *Management Research: An Introduction*. London: Sage Publications.

Eisenhardt, K.M. (1989). 'Agency Theory: An Assessment and Review'. *Academy of Management Review*, 14(1): 57-74.

Elliott, R.K. and Jacobson, P.D. (1994). 'Commentary: Costs and Benefits of Business Information Disclosure'. *Accounting Horizons*, 8(4): 80-96.

Endo, T., Griffiths, M., Haksar, V., Schwartz, S., Barnett, S. and Lee, I.H. (2000). 'Thailand: Selected Issue'. *IMF Staff Country Report*, No. 00/21.

Eng, L.L. and Mak, Y.T. (2003). 'Corporate governance and voluntary disclosure'. *Journal of Accounting and Public Policy*, 22(4): 325-345.

Evans, R. and Christopher, T. (1999). 'The Association Between Voluntary Disclosure of Governance Related Information And Firm Characteristics In Australian Mining Companies'. Paper presented at ANZAM Conference 1999, Hobart Tasmania.

Fagan, J. (2003). 'The Role of Securities Regulation in the Development of the Thai Stock Market'. *Columbia Journal of Asian Law*, 16(2): 303-353.

FCCG (1999). 'Report on Corporate Governance'. Available URL: http://www.sc.com.my/eng/html/resources/inhouse/cgreport.pdf [Accessed 17 March 2007].

FCCG (2001). *Malaysian Code on Corporate Governance*. Kuala Lumpur: Malayan Law Journal Sdn Bhd.

Firth, M. (1979). 'The Impact of Size, Stock Market Listing, and Auditors on Voluntary Disclosure in Corporate Annual Reports'. *Accounting and Business Research*, 9(36): 273-280.

Forker, J.J. (1992). 'Corporate Governance and Disclosure Quality'. *Accounting and Business Research*, 22(86): 111-124.

Freeman, R. (1984). *Strategic Planning: A Stakeholder Approach*. Boston: Pitman Publishing Ltd.

Gallagher, T. (2002). 'Development and Disclosure of Corporate Governance Guidelines'. *Corporate Governance Advisor*, 10(5): 23-24.

Gandía, J.L. and Andrés, T. (2004). 'Corporate e-governance disclosure in the digital age: an empirical study of Spanish listed companies'. Working paper, University of Valencia, Spain.

Gill, A. and Allen, J. (2004). 'CG Watch: Corporate governance in Asia: Spreading the word: Changing rules in Asia'. CLSA and ACGA.

Gill, A. and Allen, J. (2005). 'CG Watch 2005: Corporate governance in Asia: The holy grail: Quality at a reasonable price'. CLSA and ACGA.

Gomez, E.T. and Jomo, K.S. (1997). *Malaysia's Political Economy: Politics, Patronage and Profits*. Cambridge: Cambridge University Press.

Goodstein, J., Gautum, K. and Boeker, W. (1994). 'The Effect of Board Size and Diversity on Strategic Change'. *Strategic Management Journal*, 15: 241-250.

Graham, R.C., Lefanowicz, C.E. and Petroni, K.R. (2003). 'The Value Relevance of Equity Method Fair Value Disclosures'. *Journal of Business Finance & Accounting*, 30(7&8): 1065-1088.

Gray, S.J. (1988). 'Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally'. *ABACUS*, 24(1): 1-15.

Gray, S.J., Meek, G.K. and Roberts, C.B. (1995). 'International Capital Market Pressures and Voluntary Annual Report Disclosures by U.S. and U.K. Multinationals'. *Journal of International Financial Management and Accounting*, 6(1): 43-68.

Gray, R., Owen, D. and Adams, C. (1996). *Accounting and Accountability: Changes and Challenges in Corporate Social and Environmental Reporting*. London: Prentice-Hall.

Green, D. and Graham, C. (2005). 'Accountability and Independence in Corporate Governance: An Analysis of Board Disclosures in Canada'. *Advances in Public Interest Accounting*, 11: 167-193.

Gul, F.A. (2006). 'Auditors' Response to Political Connections and Cronyism in Malaysia'. *Journal of Accounting Research*, 44(5): 931-963.

Guthrie, J. and Parker, L.D. (1989). 'Corporate Social Reporting: A Rebuttal of Legitimacy Theory'. *Accounting and Business Research*, 19(76): 343-352.

Hair, J.F., Anderson, R.E., Tatham, R.L. and Black, W.C. (1998). *Multivariate Data Analysis*. New Jersey: Prentice-Hall.

Haniffa, R.M. (1999). *Culture, Corporate Governance and Disclosure in Malaysian Corporations*. PhD Thesis, University of Exeter.

Haniffa, R.M. and Cooke, T.E. (2002). 'Culture, Corporate Governance and Disclosure in Malaysian Corporations'. *ABACUS*, 38(3): 317-349.

Haniffa, R.M. and Cooke, T.E. (2005). 'The impact of culture and governance on corporate social reporting'. *Journal of Accounting and Public Policy*, 24(5): 391-430.

Haniffa, R. and Hudaib, M. (2006). 'Corporate Governance Structure and Performance of Malaysian Listed Companies'. *Journal of Business Finance & Accounting*, 33(7&8): 1034-1062.

Harrison, G.L. and McKinnon, J.L. (1999). 'Cross-cultural research in management control systems design: a review of the current state'. *Accounting, Organizations and Society*, 24: 483-506.

Hasseldine, J., Salama, A.I. and Toms, J.S. (2005). 'Quantity versus quality: the impact of environmental disclosures on the reputations of UK Plcs'. *British Accounting Review*, 37(2): 231-248.

Healy, P.M. and Palepu, K.G. (2001). 'Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature'. *Journal of Accounting and Economics*, 31(1-3): 405-440.

Hermalin, B.E. and Weisbach, M.S. (1991). 'The Effects of Board Composition and Direct Incentives on Firm Performance'. *Financial Management*, 29(4): 101-112.

Hill, C.W.L. and Jones, T.M. (1992). 'Stakeholder-Agency Theory'. *Journal of Management Studies*, 29(2): 131-154.

Himmelberg, C.P., Hubbard, R.G., and Palia, D. (1999). 'Understanding the determinants of managerial ownership and the link between ownership and performance'. *Journal of Financial Economics*, 53(3): 353-384.

Ho, S.S.M. and Wong, K.S. (2001). 'A Study of Corporate Disclosure Practice and Effectiveness in Hong Kong'. *Journal of International Financial Management and Accounting*, 12(1): 75-102.

Ho, S.S.M. and Wong, K.S. (2004). 'Investment Analysts' Usage and Perceived Usefulness of Corporate Annual Reports'. *Corporate Ownership & Control*, 1(3): 61-71.

Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. California: Sage Publications.

Hofstede, G. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations*. California: Sage Publications.

Holsti, O.R. (1969). *Content Analysis for the Social Sciences and Humanities*. US: Addition-Wesley Publishing Company.

Hooker, V.M. (2003). *A Short History of Malaysia: Linking East and West*. Chiangmai: Silkworm Books.

Hope, O.-K. (2003). 'Firm-level Disclosures and the Relative Roles of Culture and Legal Origin'. *Journal of International Financial Management and Accounting*, 14(3): 218-248.

Hossain, M. and Taylor, P.J. (2006). 'An Empirical Study of Corporate Governance Reporting and Disclosure of Indian Banks: the Level, Quality and Future Directions'. Working Paper, University of Liverpool, United Kingdom.

Hossain, M., Tan, L.M. and Adams, M. (1994). 'Voluntary Disclosure in an Emerging Capital Market: Some Empirical Evidence from Companies Listed on the Kuala Lumpur Stock Exchange'. *International Journal of Accounting*, 29(4): 334-351.

Hovey, M., Li, L. and Naughton, T. (2003). 'The Relationship Between Valuation and Ownership of Listed Firms in China'. *Corporate Governance: An International Review*, 11(2): 112-122.

IMF (2004). 'World Economic and Financial Surveys: World Economic Outlook: The Global Demographic Transition: Statistical Appendix'. Available URL: http://www.imf.org/external/pubs/ft/weo/2004/02/pdf/statappx.pdf [Accessed 4 August 2006].

Inchausti, B.G. (1997). 'The influence of company characteristics and accounting regulation on information disclosed by Spanish firms'. *European Accounting Review*, 6(1): 45-68.

Independent Audit Limited (2006). 'Better Governance Reporting: A practical framework'. Available URL: http://www.independentaudit.com/reporting/governance.htm [Accessed 6 February 2007].

IOSCO (1999). 'Causes, Effects and Regulatory Implications of Financial and Economic Turbulence in Emerging Markets'. Available URL: http://www.iosco.org/pubdocs/pdf/ IOSCOPD99.pdf [Accessed 29 June 2005].

Ishak, Z. (2004). *Corporate Boards, Ultimate Ownership Structure and Corporate Diversification: A Study of Public Listed Companies in Malaysia*. PhD Thesis, University of Southampton.

Jaggi, B. and Low, P.Y. (2000). 'Impact of Culture, Market Forces, and Legal System on Financial Disclosures'. *International Journal of Accounting*, 35(4): 495-519.

Jensen, M.C. (1986). 'Agency costs of free cash flow, corporate finance, and takeovers'. *American Economic Review*, 76: 323-329.

Jensen, M.C. (1993). 'The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems'. *Journal of Finance*, XLVIII(3): 831-880.

Jensen, M.C. and Meckling, W.H. (1976). 'Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure'. *Journal of Financial Economics*, 3: 305-360.

Jesover, F. and Kirkpatrick, G. (2005). 'The Revised OECD Principles of Corporate Governance and their Relevance to Non-OECD Countries'. *Corporate Governance: An International Review*, 13(2): 127-136.

Joh, S.W. (2003). 'Corporate governance and firm profitability: evidence from Korea before the economic crisis'. *Journal of Financial Economics*, 68(2): 287-322.

Jomo, K.S. (ed.) (1995). *Privatizing Malaysia – Rents, Rhetoric, Realities*. Oxford: Westview Press.

Kaufmann, D., Kraay, A. and Mastruzzi, M. (2006). 'Governance Matters V: Aggregate and Individual Governance Indicators for 1996-2005'. Available URL: http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/1740479-1150402582357/2661829-1158008871017/gov_matters_5_no_annex.pdf [Accessed 19 June 2007].

Keat, H.S. (2005). 'Building Singapore as a Trusted Business Hub'. Available URL: http://www.mas.gov.sg/news_room/statements/2005/Keynote_Address_by_Mr_Heng_Swee_Keat_at_CAD_CG.html [Accessed 15 June 2007].

Kennedy, P. (2003). *A Guide to Econometrics*. Oxford: Blackwell Publishing.

Khanna, T., Palepu, K.G. and Srinivasan, S. (2004). 'Disclosure Practices of Foreign Companies Interacting with U.S. Markets'. *Journal of Accounting Research*, 42(2): 475-508.

Khatri, Y. (2001). 'Corporate Performance and Reform' in International Monetary Fund (ed.). *Occasional Paper: Malaysia: From Crisis to Recovery*. Washington, D.C.: International Monetary Fund: 83-99.

Khatri, N., Tsang, E.W. and Begley, T.M. (2006). 'Cronyism: a cross-cultural analysis'. *Journal of International Business Studies*, 37(1): 61-75.

Khoo, B.Y. (2003). 'Corporate Governance in Malaysia'. Available URL: http://www.adbi.org/files/2003.11.10.corporate.governance.malaysia.pdf [Accessed 18 June 2007].

Klausner, W.J. (2002). *Thai Culture in Transition*. Bangkok: The Siam Society.

Klein, P., Shapiro, D. and Young, J. (2005). 'Corporate Governance, Family Ownership and Firm Value: the Canadian evidence'. *Corporate Governance: An International Review*, 13(6): 769-784.

Kosonboon, L.D. (2004). *The Relevance of International Accounting Standards for Developing Countries: The Case of IAS 41 in Thailand*. PhD Thesis, University of Strathclyde.

Kouwenberg, R. (2006). 'Does Voluntary Corporate Governance Code Adoption Increase Firm Value in Emerging Markets? Evidence from Thailand'. Available URL: http://www.set.or.th/th/regulations/corporate/download/CG_Research_Paper_DrRoy.pdf [Accessed 16 February 2007].

Krippendorff, K. (2004). *Content Analysis: An Introduction to Its Methodology*. California: Sage Publications.

Kuznar, L.A and Frederick, W. (2007). 'Simulating the effect of nepotism on political risk taking and social unrest'. *Comput Math Organiz Theor*, 13(1): 29-37.

Kwan, A.Y. and Ofori, G. (2001). 'Chinese culture and successful implementation of partnering in Singapore's construction industry'. *Construction Management and Economics*, 19(6): 619-632.

La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (1999). 'Corporate Ownership Around the World'. *Journal of Finance*, LIV(2): 471-517.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R.W. (1998). 'Law and Finance'. *Journal of Political Economy*, 106(6): 1113-1155.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R.W. (2002). 'Investor Protection and Corporate Valuation'. *Journal of Finance*, LVII (3): 1147-1170.

Labelle, R. (2002). 'The Statement of Corporate Governance Practices (SCGP): A Voluntary Disclosure and Corporate governance Perspective'. Working paper, HEC Montréal, Canada.

Lang, M. and Lundholm, R. (1992). 'An Empirical Assessment of Voluntary Disclosure Theory'. *Research Paper*, 1-52.

Leahy, C. (2004). 'Corporate Governance in Asia'. Available URL: http://www.acga-asia.org/public/files/SID_Article_Nov04.pdf [Accessed 15 June 2007].

Lee, C.W.J. (1987). 'Accounting Infrastructure and Economic Development'. *Journal of Accounting and Public Policy*, 6: 75-85.

Leftwich, R.W., Watts, R.L. and Zimmerman, J.L. (1981). 'Voluntary Corporate Disclosure: The Case of Interim Reporting'. *Journal of Accounting Research*, 19: 50-77.

Leventis, S.N. (2001). *Voluntary Disclosure in a European Emerging Capital Market: The Case of the Athens Stock Exchange*. PhD Thesis, University of Strathclyde.

Limpaphayom, P. and Connelly, J.T. (2004a). 'Corporate Governance in Thailand'. Working paper, Chulalongkorn University, Thailand.

Limpaphayom, P. and Connelly, J.T. (2004b). 'Strengthening Corporate Governance Practices in Thailand (2003)'. Working paper, Chulalongkorn University, Thailand.

Lindblom, C.K. (1994). 'The implications of organizational legitimacy for corporate social performance and disclosure'. Working paper for the American Accounting Association Public Interest Section, US.

Lipton, M. and Lorsch, J. (1992). 'A Modest Proposal for Improved Corporate Governance'. *Business Lawyer*, 48: 59-77.

Lothian, N. (1976). 'The Nature of Redundancy and Its Use in Company Reports and Accounts'. *Accounting and Business Research*, 6(23): 216-227.

Low, C.K. (2004). 'A Road Map for Corporate Governance in East Asia'. *Northwestern Journal of International Law & Business*, 25: 165-203.

Maher, M. and Anderson, T. (1999). 'Corporate Governance: Effects on Firm Performance and Economic Growth'. OECD Working Paper.

Mak, Y.T. (2007). 'Improving the Implementation of Corporate Governance Practices in Singapore'. Available URL: http://www.mas.gov.sg/resource/news_room/press_releases/2007/CG_Study_Complete_Report_260607.pdf [Accessed 3 July 2007].

Mak, Y.T. and Kusnadi, Y. (2005). 'Size really matters: Further evidence on the negative relationship between board size and firm value'. *Pacific-Basin Finance Journal*, 13(3): 301-318.

Mak, Y.T. and Li, Y. (2001). 'Determinants of corporate ownership and board structure: evidence from Singapore'. *Journal of Corporate Finance*, 7(3): 235-256.

Mak, Y.T. and Phan, P.H. (1999). 'Corporate Governance in Singapore: Current Practice and Future Developments'. Available URL: http://www.oecd.org/dataoecd/7/57/1931524.pdf [Accessed 17 April 2005].

Mak, Y.T. and Phan, P.H. (2001). 'Corporate Governance in Singapore: Current Practice and Future Developments' in Organisation for Economic Co-operation and Development (ed.). *Corporate Governance in Asia: A Comparative Perspective*. Paris: OECD Publications: 373-405.

Malone, D., Fries, C. and Jones, T. (1993). 'An Empirical Investigation of the Extent of Corporate Financial Disclosure in the Oil and Gas Industry'. *Journal of Accounting, Auditing & Finance*, 8(3): 249-273.

Marston, C.L. and Shrives, P.J. (1991). 'The Use of Disclosure Indices in Accounting Research: A Review Article'. *British Accounting Review*, 23(3): 195-210.

MAS (2002). 'Annual Report 2001/2002: Developing The Disclosure-based Regime for Singapore's Capital Markets'. Available URL: http://www.mas.gov.sg/about_us/annual_reports/annual20012002/developing-annual-c.html [Accessed 14 July 2007].

McClave, J.T., Benson, P.G. and Sincich, T. (2005). *Statistics for Business and Economics.* New Jersey: Prentice-Hall.

McSweeney, B. (2002). 'Hofstede's model of national cultural differences and their consequences: A triumph of faith – a failure of analysis'. *Human Relations*, 55(1): 89-118.

Meek, G.K., Roberts, C.B. and Gray, S.J. (1995). 'Factors Influencing Voluntary Annual Report Disclosures by U.S., U.K. and Continental European Multinational Corporations'. *Journal of International Business Studies*, 26(3): 555-572.

Mehran, H. (1995). 'Executive compensation structure, ownership, and firm performance'. *Journal of Financial Economics*, 38(2): 163-184.

Mendenhall, W. and Reinmuth, J.E. (1982). *Statistics for Management and Economics.* Massachusetts: Duxbury Press.

Mendenhall, W., Reinmuth, J.E. and Beaver, R.J. (1993). *Statistics for Management and Economics.* California: Wadsworth Publishing Company.

Miles, L. (2005). 'Waking Up After the 1997 Financial Crisis: Corporate Governance in Malaysia'. *Journal of International Banking Law and Regulation*, 20(1): 21-32.

Milne, M.J. and Adler, R.W. (1999). 'Exploring the reliability of social and environmental disclosures content analysis'. *Accounting, Auditing & Accountability Journal*, 12(2): 237-256.

Ministry of Finance (2005). 'Government Accepts Changes to Code of Corporate Governance'. Available URL: http://app.mof.gov.sg/news_press/pressdetails.asp?pressID=191 [Accessed 4 May 2006].

Mitton, T. (2002). 'A cross-firm analysis of the impact of corporate governance on the East Asian financial crisis'. *Journal of Financial Economics*, 64(2): 215-241.

Moaddel, M. (1994). 'Political Conflict in the World Economy: A Cross-national Analysis of Modernization and World-system Theories'. *American Sociological Review*, 59(2): 276-303.

Mohd Ghazali, N.A. (2004). *Exploring Theoretical Explanations of Voluntary Disclosure By Quantitative and Qualitative Investigation: Evidence from Malaysia.* PhD Thesis, University of Strathclyde.

Mohd Ghazali, N.A. and Weetman, P. (2006). 'Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis'. *Journal of International Accounting, Auditing & Taxation*, 15(2): 226-248.

Montreevat, S. (2006). *Corporate Governance of Listed Companies in Thailand.* Singapore: Institute of Southeast Asian Studies.

Morck, R., Shleifer, A. and Vishny, R.W. (1988). 'Management Ownership and Market Valuation: An Empirical Analysis'. *Journal of Financial Economics*, 20: 293-315.

Morris, R.D. (1987). 'Signalling, Agency Theory and Accounting Policy Choice'. *Accounting and Business Research*, 18(69): 47-56.

Most, K.S. and Chang, L.S. (1979). 'How useful are annual reports to investors?'. *Journal of Accountancy*, 148(3): 111-113.

Mueller, G.G., Gernon, H. and Meek, G. (1994). *Accounting: An International Perspective.* Illinois: Business One Irwin.

Nam, S.-W. and Nam, I.C. (2004). 'Corporate governance in Asia: Recent Evidence from Indonesia, Republic of Korea, Malaysia, and Thailand'. Available URL:

http://www.adbi.org/files/2005.01.book.corporate.governance.asia.pdf [Accessed 19 June 2007].

Nam, I.C., Kang, Y. and Kim, J.-K. (2001). 'Comparative Corporate Governance Trends in Asia' in Organisation for Economic Co-operation and Development (ed.). *Corporate Governance in Asia: A Comparative Perspective*. France: OECD Publications: 85-119.

NCGC (2007a). 'National Corporate Governance Committee'. Available URL: http://www.cgthailand.org/SetCG/about/ncgc_en.html [Accessed 16 February 2007].

NCGC (2007b). 'What is CG'. Available URL: http://www.cgthailand.org/SetCG/about/whatcg_en.html [Accessed 16 February 2007].

NEAC (1998). 'National Economic Recovery Plan: Agenda for Action'. Available URL: http://www.neac.gov.my/view.php?ch=9&pg=140&ac=959&fname=file&dbIndex=0&ex=1162826647&md=%B9%89F%01%A1%D5JnQ%7C%25%B6%DB%DCj3 [Accessed 6 November 2006].

Ng, E.J. and Koh, H.C. (1994). 'An Agency Theory and Probit Analytic Approach to Corporate Non-Mandatory Disclosure Compliance'. *Asia Pacific Journal of Accounting*, 1(1): 29-44.

Nikomborirak, D. and Tangkitvanich, S. (1999). 'Corporate Governance: The Challenge Facing the Thai Economy'. Available URL: http://www.oecd.org/dataoecd/7/12/1931476.pdf [Accessed 17 April 2005].

OECD (2004). *OECD Principles of Corporate Governance*. France: OECD Publications.

Oppenheim, A.N. (1992). *Questionnaire design, interviewing and attitude measurement*. London: Pinter Publishers.

Owusu-Ansah, S. (1997). 'The determinants of voluntary financial disclosure by Swiss listed companies: a comment'. *European Accounting Review*, 6(3): 487-492.

Owusu-Ansah, S. (1998). 'The Impact of Corporate Attributes on the Extent of Mandatory Disclosure and Reporting by Listed Companies in Zimbabwe'. *International Journal of Accounting*, 33(5): 605-631.

Pallant, J. (2005). *SPSS survival manual: a step by step guide to data analysis using SPSS version 12*. Sydney: Open University Press.

Panasian, C. (2003). *The Impact of the 1995 TSE Corporate Governance Guidelines on the Performance of Canadian Companies: A Simultaneous Equation Approach*. MSc dissertation, Concordia University.

Parkinson, J.E. (1993). *Corporate Power and Responsibility: Issues in the Theory of Company Law*. Oxford: Clarendon Press.

Parsa, S., Chong, G. and Isimoya, E. (2007). 'Disclosure of governance information by small and medium-sized companies'. *Corporate Governance: The International Journal of Effective Board Performance*, 7(5): 635-648.

Patel, S.A. and Dallas, G. (2002). 'Transparency and Disclosure: Overview of Methodology and Study Results – United States'. *Standard and Poor's*: 1-29.

Patel, S.A., Balic, A. and Bwakira, L. (2002). 'Measuring transparency and disclosure at firm-level in emerging markets'. *Emerging Markets Review*, 3: 325-337.

Patton, J. and Zelenka, I. (1997). 'An empirical analysis of the determinants of the extent of disclosure in annual reports of joint stock companies in the Czech Republic'. *European Accounting Review*, 6(4): 605-626.

Phan, P.H. and Yoshikawa, T (2007). 'Corporate Governance in Singapore: Developments and Prognoses'. Available URL: http://www.research.smu.edu.sg/faculty/edge/corp_gov/papers/Singapore%20CG.pdf [Accessed 18 June 2007].

Portes, R. and Rey, H. (2005). 'The determinants of cross-border equity flows'. *Journal of International Economics*, 65(2): 269-296.

PwC (2000). *Corporate Governance: roles and practices*. Thailand: PricewaterhouseCoopers.

PwC (2003). *Illustrative Annual Report: Third Edition – September 2003*. Malaysia: PricewaterhouseCoopers Malaysia.

PwC (2004). *Illustrative Annual Report 2004 edition*. Singapore: PricewaterhouseCoopers Singapore.

Qu, W. and Leung, P. (2006). 'Cultural impact on Chinese corporate disclosure – a corporate governance perspective'. *Managerial Auditing Journal*, 21(3): 241-264.

Raffournier, B. (1995). 'The determinants of voluntary financial disclosure by Swiss listed companies'. *European Accounting Review*, 4(2): 261-280.

Raffournier, B. (1997). 'The determinants of voluntary financial disclosure by Swiss listed companies: a reply'. *European Accounting Review*, 6(3): 493-496.

Ramsay, I.M. and Hoad, R. (1997). 'Disclosure of Corporate Governance Practices by Australian Companies'. *Company and Securities Law Journal*, 15(8): 454-470.

Rhoades, D.L., Rechner, P.L. and Sundaramurthy, C. (2000). 'Board Composition And Financial Performance: A Meta-Analysis Of The Influence Of Outside Directors'. *Journal of Managerial Issues*, XII(1): 76-91.

Robb, S.W.G., Single, L.E. and Zarzeski, M.T. (2001). 'Nonfinancial disclosures across Anglo-American countries'. *Journal of International Accounting, Auditing & Taxation*, 10(1): 71-83.

S&P (2004). 'Corporate Governance Disclosure Scorecard (Standard & Poor's) for studies done on Malaysia, Singapore, and Thailand companies'.

S&P and CGFRC (2004a). 'Corporate Governance Disclosures in Hong Kong: A study of HSI companies'. Available URL: http://www2.standardandpoors.com/spf/pdf/products/CG_NUS_HK_Sep04.pdf [Accessed 15 May 2005].

S&P and CGFRC (2004b). 'Corporate Governance Disclosures in Indonesia: A study of LQ45 companies'. Available URL: http://www2.standardandpoors.com/spf/pdf/products/Corp_Gov_Disclosure_in_Indonesia.pdf [Accessed 15 May 2005].

S&P and CGFRC (2004c) 'Corporate Governance Disclosures in Malaysia'. Available URL: http://www2.standardandpoors.com/spf/pdf/fixedincome/CG_NUS_Malaysia_May2004.pdf [Accessed 17 February 2005].

S&P and CGFRC (2004d). 'Corporate Governance Disclosures in Singapore: A study of STI companies'.

S&P and CGFRC (2004e) 'Corporate Governance Disclosures in Thailand: A study of SET 50 companies'. Available URL: http://www2.standardandpoors.com/spf/pdf/fixedincome/NUSCorp_Gov_Thai_print-qual.pdf [Accessed 17 February 2005].

Salter, S.B. (1998). 'Corporate Financial Disclosure in Emerging Markets: Does Economic Development Matter?'. *International Journal of Accounting*, 33(2): 211-234.

Salter, S.B. and Niswander, F. (1995). 'Cultural Influence on the Development of Accounting Systems Internationally: A Test of Gray's [1988] Theory'. *Journal of International Business Studies*, 26(2): 379-397.

Schipper, K. (1981). 'Discussion of Voluntary Corporate Disclosure: The Case of Interim Reporting'. *Journal of Accounting Research*, 19: 85-88.

Schwartz, S.H. (1994). 'Beyond Individualism/Collectivism: New Cultural Dimensions of Values' in Kim, U., Triandis, H.C., Kâğitçibaşi, Ç, Choi, S.-C. and Yoon, G. (eds.). *Individualism and Collectivism: Theory, Method, and Applications*. California: Sage Publications.

SEC (2004). 'Research Paper on Enhancing Good Corporate Governance of Thai Listed Companies'. Available URL: http://www.sec.or.th/th/infocenter/pub/research/goodcg.shtml [Accessed 17 August 2005].

Securities Commission (1998). 'The Organisation – Special Features'. Available URL: http://www.sc.com.my/ENG/HTML/resources/annual/1995/shift.pdf [Accessed 14 July 2007].

Securities Commission (1999). *Disclosure-based Regulation – What Directors Need To Know*. Malaysia: Securities Commission.

Securities Commission (2007). 'Malaysian Code on Corporate Governance (Revised 2007)'. Available URL: http://www.sc.com.my/ [Accessed 3 October 2007].

SET (2001). *Report on Corporate Governance*. Bangkok: The Stock Exchange of Thailand.

SET (2002). 'The Principles of Good Corporate Governance'. Available URL: http://www.set.or.th/download/CG15-ENG.pdf [Accessed 5 March 2005].

SET (2004). *Stock Market in Thailand*. Bangkok: The Stock Exchange of Thailand.

SET (2005). 'Criteria for Best Corporate Governance Report: 2003'. Available URL: http://www.set.or.th/th/regulations/corporate/files/CG_Criteria.pdf [Accessed 16 February 2007].

SET (2006). 'The Principles of Good Corporate Governance For Listed Companies 2006'. Available URL: http://www.set.or.th/en/regulations/corporate/download/CGPrinciplefor ListedCompany2006.zip [Accessed 12 June 2007].

SET (2007). 'Investor Protection: Information Disclosure'. Available URL: http://www.set.or.th/en/education/protection/protection_p1.html [Accessed 5 July 2007].

Sethi, S.P. (1979). 'A conceptual framework for environmental analysis of social issues and evaluation of business response patterns'. *Academy of Management Review*, 4(1): 63-74.

SGX (2004). 'Listing Manual: Securities Trading'. Available URL: http://info.sgx.com/weblist.nsf/NewvwAppendix1?Openview&sidenav=Issuers [Accessed 1 June 2005].

SGX (2006). 'Overview'. Available URL: http://info.sgx.com/SGXWeb_ CORPCOM.nsf/NEWDOCNAME/Background_On_SGX [Accessed 5 November 2006].

Shanmugaratnam, T. (2002). 'Disclosure and Corporate Governance – Challenging in Moving Ahead'. Available URL: http://stars.nhb.gov.sg/stars/public/viewHTML.jsp?pdfno= 2002010904 [Accessed 14 July 2007].

Shelton, J.R. (2001). 'Introduction' in Organisation for Economic Co-operation and Development (ed.). *Corporate Governance in Asia: A Comparative Perspective*. France: OECD Publications: 11-15.

Shevlin, T. (2004). 'Discussion of "A framework for the analysis of firm risk communication" '. *International Journal of Accounting*, 39(3): 297-302.

Shleifer, A. and Vishny, R.W. (1997). 'A Survey of Corporate Governance'. *Journal of Finance*, LII(2): 737-783.

Sibson Consulting and Spencer Stuart (2003). 'Perspective: Corporate Governance: A Human Capital Perspective'.

Singapore Infomap (2006). 'People'. Available URL: http://www.sg/ [Accessed 5 November 2006].

Singapore Infomap (2007a). 'Population Profile'. Available URL: http://www.sg/explore/people_population.htm [Accessed 21 July 2007].

Singapore Infomap (2007b). 'Language and Literacy'. Available URL: http://www.sg/explore/people_language.htm [Accessed 21 July 2007].

Solomon, J. and Solomon, A. (2004). *Corporate Governance and Accountability*. England: John Wiley & Sons, Ltd.

Srisuchart, S. (2004). *Stock market in Thailand*. Thailand: The Stock Exchange of Thailand.

Stanwick, P.A. and Stanwick, S.D. (2005). 'Managing Stakeholders Interests in Turbulent Times: A Study of Corporate Governance of Canadian Firms'. *The Journal of American Academy of Business, Cambridge*, 7(1): 42-52.

Sternberg, E. (1997). 'The Defects of Stakeholder Theory'. *Corporate Governance: An International Review*, 5(1): 3-10.

Suehiro, A. and Wailerdsak, N. (2004). 'Family Business in Thailand: Its Management, Governance, and Future Challenges'. *ASEAN Economic Bulletin*, 21(1): 81-93.

Suto, M. (2003). 'Capital Structure and Investment Behaviour of Malaysian Firms in the 1990s: a study of corporate governance before the crisis'. *Corporate Governance: An International Review*, 11: 25-39.

Suwaidan, M.S. (1997). *Voluntary Disclosure of Accounting Information: The Case of Jordan*. PhD Thesis, University of Aberdeen.

Tabachnick, B.G. and Fidell, L.S. (2001). *Using Multivariate Statistics*. US: Allyn & Bacon.

Tai, B.Y.K., Au-Yeung, P.-K., Kwok, M.C.M. and Lau, L.W.C. (1990). 'Non-Compliance with Disclosure Requirements in Financial Statements: The Case of Hong Kong Companies'. *International Journal of Accounting*, 25: 99-112.

Tam, O.K. and Tan, M.G.-S. (2007). 'Ownership, Governance and Firm Performance in Malaysia'. *Corporate Governance: An International Review*, 15(2): 208-222.

Taplin, R., Tower, G. and Hancock, P. (2002). 'Disclosure (discernibility) and compliance of accounting policies: Asia-Pacific evidence'. *Accounting Forum*, 26(2): 172-190.

Task Force on Internal Control (2000). *Statement on Internal Control: Guidance For Directors of Public Listed Companies*. Malaysia: Task Force on Internal Control.

Tennyson, B.M., Ingram, R.W. and Dugan, M.T. (1990). 'Assessing the Information Content of Narrative Disclosures in Explaining Bankruptcy'. *Journal of Business Finance & Accounting*, 17(3): 391-410.

Thai IOD (2004). 'Corporate Governance Report of Thai Listed Companies'. Available URL: http://www.set.or.th/th/regulations/corporate/download/ft00040.pdf [Accessed 7 March 2007].

Thai IOD (2007). 'The Association's objectives, Mission and Vision'. Available URL: http://demo06.ideamarts.com/about_objectives.asp [Accessed 8 March 2007].

Thailand Development Research Institute (2000). *Social Impacts of the Asian Economic Crisis in Thailand, Indonesia, Malaysia and the Philippines*. Bangkok: Thailand Development Research Institute.

Ting, H.I. (2006). 'When Does Corporate Governance Add Value'. *The Business Review, Cambridge*, 5(2): 196-203.

Tricker, R.I. (1984). *Corporate Governance: Practices, procedures and powers in British companies and their boards of directors*. Aldershot: Gower Publishing Company Limited.

Turnbull, S. (1997). 'Corporate Governance: Its scope, concerns and theories'. *Corporate Governance: An International Review*, 5(4): 180-205.

Unerman, J. (2000). 'Methodological issues: Reflections on quantification in corporate social reporting content analysis'. *Accounting, Auditing & Accountability Journal*, 13(5): 667-680.

US-ASEAN Business Council (2005a). 'Doing Business in Malaysia: Business Environment'. Available URL: http://www.us-asean.org/Malaysia/business_guide/Business_Environment.asp [Accessed 17 November 2005].

US-ASEAN Business Council (2005b). 'Doing Business in Singapore'. Available URL: http://www.us-asean.org/Singapore/business_guide/ [Accessed 17 November 2005].

Vafeas, N. and Theodorou, E. (1998). 'The Relationship between Board Structure and Firm Performance in the UK'. *British Accounting Review*, 30(4): 383-407.

van der Laan Smith, J., Adhikari, A. and Tondkar, R.H. (2005). 'Exploring differences in social disclosures internationally: A stakeholder perspective'. *Journal of Accounting and Public Policy*, 24: 123-151.

Vergoossen, R.G.A. (1993). 'The use and perceived importance of annual reports by investment analysts in the Netherlands'. *European Accounting Review*, 2: 219-243.

Walker, G. and Fox, M. (2002). 'Corporate governance reform in East Asia'. *Corporate Governance*, 2(1): 4-9.

Wallace, R.S.O. (1988). 'Corporate Financial Reporting in Nigeria'. *Accounting and Business Research*, 18(72): 352-362.

Wallace, R.S.O. and Naser, K. (1995). 'Firm-Specific Determinants of the Comprehensiveness of Mandatory Disclosure in the Corporate Annual Reports of Firms Listed on the Stock Exchange of Hong Kong'. *Journal of Accounting and Public Policy*, 14(4): 311-368.

Warfield, T.D., Wild, J.J. and Wild, K.L. (1995). 'Managerial ownership, accounting choices and informativeness of earnings'. *Journal of Accounting and Economics*, 20(1): 61-91.

Watson, A., Shrives, P. and Marston, C. (2002). 'Voluntary Disclosure of Accounting Ratios in the UK'. *British Accounting Review*, 34(4): 289-313.

Watts, R.L. and Zimmerman, J.L. (1986). *Positive Accounting Theory*. New Jersey: Prentice-Hall.

Weber, R.P. (1990). *Basic Content Analysis*. California.: Sage Publications.

Weir, C., Laing, D. and McKnight, P.J. (2002). 'Internal and External Governance Mechanisms: Their Impact on the Performance of Large UK Public Companies'. *Journal of Business Finance & Accounting*, 29(5&6): 579-611.

Williams, S.M. (1999). 'Voluntary Environmental and Social Accounting Disclosure Practices in the Asia-Pacific Region: An International Empirical Test of Political Economy Theory'. *International Journal of Accounting*, 34(2): 209-238.

Wiwattanakantang, Y. (2001). 'Controlling shareholders and corporate value: Evidence from Thailand'. *Pacific-Basin Finance Journal*, 9(4): 323-362.

World Bank (1999). 'Corporate Governance in Malaysia: An Assessment'. Available URL: http://www.oecd.org/dataoecd/7/29/1931420.pdf [Accessed 19 June 2007].

World Bank (2006a). 'Malaysia Data Profile'. Available URL: http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=MYS [Accessed 5 August 2006].

World Bank (2006b). 'Singapore Data Profile'. Available URL: http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=SGP [Accessed 5 August 2006].

World Bank (2006c). 'Thailand Data Profile'. Available URL: http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=THA [Accessed 5 August 2006].

World Bank (2008). 'Health, Nutrition & Population – Data & Statistics'. Available URL: http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1 queryId=181 [Accessed 10 April 2008].

World Federation of Exchanges (2004). 'Focus: December 2004 – N142'. Available URL: http://www.world-exchanges.org/publications/Focus1204web.pdf [Accessed 15 November 2006].

Zarzeski, M.T. (1996). 'Spontaneous Harmonization Effects of Culture and Market Forces on Accounting Disclosure Practices'. *Accounting Horizons*, 10(1): 18-37.

Zulkafli, A.H., Abdul Samad, M.F., and Ismail, M.I. (2007). 'Corporate Governance in Malaysia'. Available URL: http://www.micg.net.research/CORPORATE%20 GOVERNANCE%20IN%20MALAYSIA%20-%20MICG.pdf [Accessed 7 March 2007].