Examine the Corporate Governance Level of the Hospitality and Tourism Industry in Hong Kong

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This exploratory research aims to investigate (1) the strengths and weaknesses of the hospitality and tourism industry in terms of governance practices; and (2) the governance compliance level of the industry in Hong Kong. A rating instrument is created to test five major governance areas: 'Board Responsibilities', 'Disclosure and Transparency', 'Equitable Treatment of Shareholders', 'Rights of Shareholders' and 'Role of Stakeholders'. Results show that companies perform best in 'Disclosure and Transparency' and worst in 'Role of Stakeholders'. The total corporate governance score of the industry has improved over 300% during 2003 to 2015. Nevertheless, majority of companies barely meet the minimum requirements set by the regulators; only a small number of them allocate resources to promote good governance voluntarily. According to the literature review, this is the first over-a-decade-long longitudinal research to study the trends of the corporate governance performance of the industry.

JEL Codes: G32, Z31

1. Introduction

Following the release of the Sarbanes-Oxley Act in US, the Hong Kong Stock Exchange (HKEx) issued the Hong Kong Corporate Governance Code (CG Code) in 2003. The CG Code consists of specific guidelines on various corporate governance areas: accountability and audit; communication with shareholders; company secretary; delegation by the board; directors; and remuneration of directors and senior management and board evaluation.

The CG Code sets out the principles of good governance, and there are two levels of recommendations: (a) code provisions; and (b) recommended best practices. For code provisions, companies are expected to comply with, but may choose to deviate. If listed companies choose not to comply, they must give reasons to justify in the interim and annual reports. And the recommended best practices are for guidance only, listed companies are

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encouraged, but not required, to state whether they have complied with the recommended best practices and give considered reasons for any deviation. In sum, listed companies have freedom to choose whether to comply with the CG Code.

The objectives of this paper are to investigate (1) the strengths and weaknesses of the hospitality and tourism industry in terms of governance practices; and (2) the governance compliance level of the hospitality and tourism industry in Hong Kong. Based on the literature review, this is the first paper to conduct extensive, decade-long research on the governance level of the hospitality and tourism industry. The hospitality and tourism industry is chosen because it is one of the four key industries in Hong Kong. The total employment of the hospitality and tourism is over 266,000; and the aggregated market capital of the listed companies in the industry is US $17 billion in 2016. The value added of the tourism industry is US$ 45,516 million in the first quarter of 2017, which contributes 5% of the total GDP of the city (Hong Kong Trade Development Council 2017). Therefore, the hospitality and tourism industry plays crucial economic and social role in Hong Kong.

This paper investigates the governance level of the hospitality and tourism industry from 2003 to 2015. A rating instruments is designed based on the Principles of Corporate Governance (OECD, 1994, 2004, 2015) and Report on the HKIoD Corporate Governance Score-card (Cheung, 2012). This rating instrument includes five corporate governance aspects: 'Board Responsibilities', 'Disclosure and Transparency', 'Equitable Treatment of Shareholders', 'Right of Shareholders' and 'Role of Stakeholders'. All listed companies in the industry are included in the sample, excluding the ones listed after 2003.

Results show that companies perform best in 'Disclosure and Transparency'; 'Equitable Treatment of Shareholders', and 'Rights of Shareholders' rank second and third, respectively. 'Board Responsibilities' ranks fourth; and the companies perform worst in 'Role of Stakeholders'. The governance level of the industry as a whole kept improving in the past thirteen years. The overall average score has improved over 300% during the period. In-depth investigation was conducted on how companies perform in each aspect, and results show that if the governance mechanisms are specified in the CG Code, companies are willful to comply in principles. Nevertheless, companies tend to satisfy the regulators by merely doing the minimal; only a few of them are willing to rigorously comply with the CG Code and take the initiation to promote good governance practices.

For example, the Principles of Corporate Governance articulates that "shareholders should be able to make their views known on the remuneration policy for board members and key executives. The equity component of compensation schemes for board members and employees should be subject to shareholder approval." Ironically, despite shareholders are the ultimate owners of the firm, 90% of the companies do not allow the shareholders to involve in the decision making process on setting board members' and executives' pays. Also, companies seem to have rather superficial understanding on corporate social responsibility. According to the companies, doing some ac-hoc charity works means they have fulfilled their responsibilities to the society. However, corporate social responsibility has much deeper meaning than merely donating money to chartable organizations.

This paper is organized as follows. Section 2 is literature review; in section 3, we present the methodology and data collection. In section 4, we analyze results and section 5 concludes.

2. Literature Review

2.1 Corporate Governance Mechanisms

Studies on individual corporate governance mechanisms are quite limited in the Eastern market. Ko and Chan (2014) examine whether concentrated ownership structures affect the positive correlation between pay-performance sensitivities and industry competitions. They conclude that industry competition advance good governance only when the firm is not owned by family. Ko and So (2012) explore the identity of remuneration committee chairman and the independent level of the committee as a proxy for good governance. They conclude that appointing independent non-executive director (INED) to lead the remuneration committee and higher percentage of INED in the committee lead to good corporate governance. Leung and Horwitz (2004) examine the correlation between director ownership and corporate governance level of listed companies. They find that high board ownership lead to poor disclosure and low transparency. Chen and Jaggi (2000) adapt board composition and ownership structure as proxy to evaluate firm's governance level, and conclude that the ratio of INED to total number of directors on corporate boards positively correlate to good governance.

Comparatively, corporate governance mechanisms have long been studied in the Western world. Back in the late 1990s, Morck, Shleifer, and Vishny (1998) and McConnell and Servase (1990) introduce using ownership structure a new method to measure firm's corporate governance level. Hermalin and Weisbach (1991) use board composition as a proxy for firm's governance level.

Lee, Rosenstein, Rangan, and Davidson (1992) examine board members' roles in mitigating agency problems between managers and shareholders in buyout transactions. They find that when inside board members own more stocks in the firm, such agency problem will be mitigated. In conclusion, board members with more stocks are a good governance mechanism during corporate buyouts. Yermack (1996) study the correlation between board size and firm value of US firms, and find that small board is positively related to favorable values for financial rations, better CEO performance incentives, which lead to good corporate governance.

As for the independent level of a board, Bhagat and Black (2002) find that board with high independent level, does not necessarily represent better corporate governance. Also, they conclude that a more independent board does not always improve profitability; their results exhibit that when low profitability firms attempt to solve business problems by hiring more independent directors, these companies tend to do even worse. Karuna (2007) finds that industry competition is an important element to good corporate governance, and industry competition is positively related to pay-performance sensitivity, in other words, in a more competitive industry, managers have to work hard to get more pay.

2.2 Corporate Governance Rating Tools

The first commercial corporate governance score-card was established after the SarbanesOxley Act was passed by the US Congress in 2002. In US, the three major companies offer commercial rating services are, Governance Metrics International (GMI), Institutional Shareholder Services' Corporate Governance Quotient (CGQ) and The Corporate Library's TCL rating (TCL). All these rating systems are created to evaluate the corporate governance levels of the targeted listed companies.

The GMI rating provides a wide range of ratings on corporate governance mechanisms; environmental, social and governance issues and accounting risk. The GMI scoring algorithm system is complicated and sophisticated; they collect data on hundreds of governance mechanisms, whether firms comply with securities laws and listing rules, listing requirements from stock exchange and corporate governance codes.

The CGQ is a metric established by Institutional Shareholder Services, it aims to evaluate "the strengths, deficiencies and overall quality of a company's corporate governance practices and board of directors" (Institutional Shareholder Services, 2013). It is a daily-updated database on over 7,500 companies worldwide. Scores will be given to companies based on eight ratings criteria: board issues; audit issues; charter/bylaws; anti-takeover provisions; executive & directors compensation; progressive practices; ownership; and director education.

While GMI and CGQ are more quantitative oriented, TCL on the contrary, embraces qualitative approach. Therefore, TCL ratings demand professional expertise and subjective judgment. Rather than applying checklist and ranking by scores, the analysts of TCL provide assessment of firm's governance qualities based on their professional know-how and intuition. The ranking structure is built on four sections: board-level accounting concerns, CEO compensation practices, company's board and succession planning, and takeover defenses. And then a grade (from A to F) will be given to firms, where A and B represent significant risk in the four sections is not found in the firms, C means companies exhibit risk in no more than one category, D represents companies exhibit risk in two or more categories and F represents companies were either bankrupt, delisted or "where management has achieved effective control over the company … and conducts its business with flagrant disregard for the interest of nay minority public shareholders" (Daines et al. 2010).

As for academic research, some previous studies incorporate individual governance elements into one single score or rating to present a firm's governance level. La Porta, Lopez-de-Silanes, Schleifer, and Vishny (1998) design a global index, (including legal rules pertaining to the rights of investors; the quality of enforcement of these rules; voting powers; ease of participation in corporate voting; and legal protection against expropriation by management) of shareholder protections around the world. Gompers, Ishii and Metrick (2003) create the governance score (G-score), which measures twenty four governance rules: anti-greenmail; blank check; business combination laws; bylaw and charter; cash-out laws; classified board; compensation plans; contracts; control-share acquisition laws; cumulative voting; directors' duties; fair-price; golden parachutes; director indemnification; director liability; pension parachutes; poison pills; secret ballot; severance; silver parachutes; special meeting; supermajority; unequal voting; and written consent. Cheung (2012) used a corporate governance scorecard to examine the overall corporate governance performance of 121 listed companies in Hong Kong. There are two limitations in Cheung et al. (2012): (1) the samples only include the largest companies in the market and (2) there is only one sample year, therefore, the trends of the performances remain unknown. The goal of this paper is to fill these research gaps.

3. Methodology & Data Collection

The rating instrument is designed based on the Principles of Corporate Governance (OECD, 1999, 2004), Report on the HKIoD Corporate Governance Score-card (Cheung, 2012). It consists of five sections: (A) Board Responsibilities, (B) Disclosure and Transparency, (C) Equitable Treatment of Shareholders, (D) Right of Shareholders and (E) Role of Stakeholders. There are seventy seven questions and the questions are presented in Appendix 1. For each good corporate governance practice, one score will be given; therefore, high score represents the company has good corporate governance practices.

There are thirty seven listed companies in the hospitality and tourism industry, deducting the eight companies which are listed after 2003; the final sample includes twenty nine companies. The study period spans from 2003 to 2015. All the data are hand collected from the companies' financial reports, companies' websites and Hong Kong Exchange News website. In order to exhibit the findings in a more use-friendly way, the results will be presented in percentage. For example, if 1 out of 29 companies complied, it will be translated to 3.4%.

4. Results and Analyses

4.1 Overall Performance

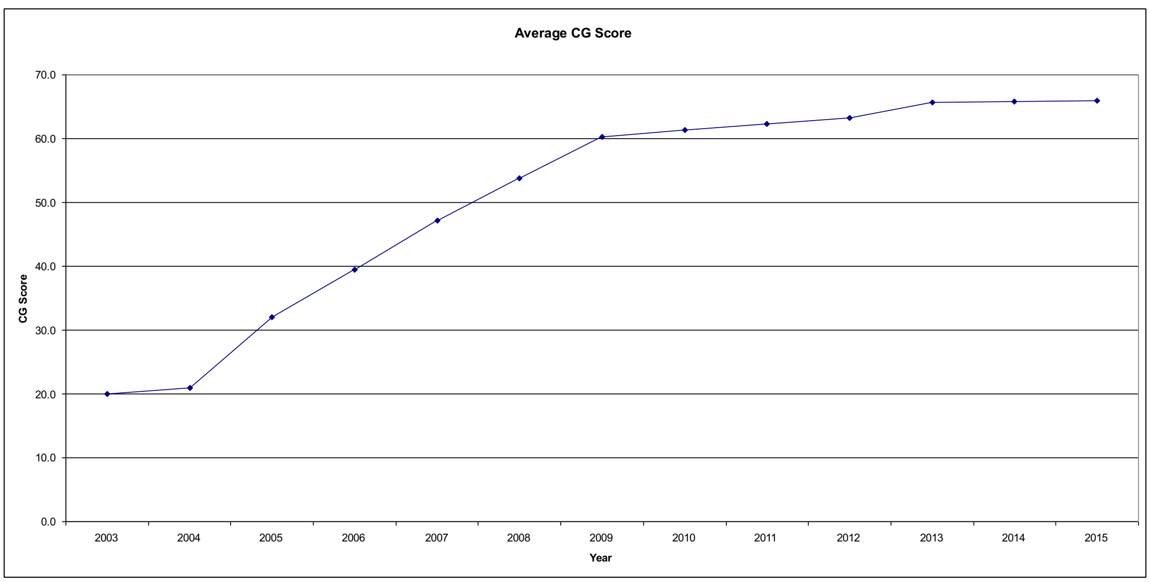
The descriptive statistics are presented in Appendix 2, results show that the corporate governance practices in the hospitality and tourism industry has kept improving over the decade. This finding is consistent with Cheung (2012). Figure 1 presents the average scores during the period of 2003 to 2015.

The increment pattern is not linear and this is an interesting finding. The overall average scores in 2003 and 2004 are 20 and 21, respectively; as the full mark is 77, these scores are rather low. In 2005, the score starts to progress and reaches 32.1, there is 52.9% increment compare to the score in 2004. The scores keep improving from 12.2-23.7% every year during 2005 to 2009; and the increment slows down to 1.4-3.8% every year from 2009 to 2012. During 2013 to 2015 the scores climb very slowly at around 0.2% increment per year.

These figures exhibit that the score in 2003 and 2004 are low because the corporate governance concept was newly introduced to the market in 2003 by the regulators, therefore, companies needed time to comprehend the CG regulations and come up with relevant implementation plans. In 2005, the scores surge as companies started to allocate resources to promote good corporate governance. The companies then further improve their corporate governance practices gradually; as a result, the scores ascend slowly from 2005 to 2012. During 2013 to 2015, the scores keep increasing but at a very slow rate, and the increment is almost insignificant. It is because the companies might feel that they have already done what they could to comply with the CG codes and are not willing to allot more resources to further enhance their governance.

In a nutshell, there are three crucial years: 2003, the CG Code commences; 2005, the scores start to surge; and 2013, the scores peak and no significant improvements are shown. This phenomenon is also found when the five categories are analyzed individually. Therefore, the rest of the analyses will focus on these three important years.

Figure 1: Average Corporate Governance Scores During 2003 to 2015



4.2 Performance of ‘Board Responsibilities’

The goal of this section is to measure the boards’ performances in taking the monitoring and ethical leader role. Board of director is crucial in the governance system because their main role is to monitor the management and business operation on behalf of the shareholders.

This section consists of twenty three questions; the average scores increases from 1.4 to 21.0 during 2003 to 2015 (as shown in Appendix 2). These questions focus on four governance aspects: (1) code of conduct (including corporate governance code, ethics code, internal audit and whistle-blowing policy); (2) quality of the sub-committee report (including audit committee and remuneration committee); (3) training for directors; and (4) independency of the boards. In Hong Kong, listed companies are required to set up sub-committees, such as audit committee and remuneration committee by the CG Code. Also, the CG Code demands companies to provide training for directors and stipulates the minimum requirement for board independency. With this background, companies are expected to have satisfying performance in these areas.

In the direction of investigating whether companies in the hospitality and tourism industry are willful to promote good governance practices voluntarily, we deliberately chose three good governance mechanisms that are not requested by the regulators as the key questions. As shown in Table 1, the results of these three major questions are rather discouraging. In 2003 and 2005, none of the companies took the initiation to cultivate ethical work environment. In 2013, only 6.9% of the companies provide code of ethics or conduct for director and employees; 3.4% of them have whistle-blowing policy and 3.4% of the boards conduct annual self-assessment. These findings exhibit that the companies in the hospitality and tourism industry are passive in cultivating ethical atmosphere.

Table 1: Key questions in Section A – Board Responsibilities

		% of companies promote good CG practices		
No.	Question	2003	2005	2013
A2	Does the Board of Directors provide a code of ethics or statement of business conduct for all directors and employees?	0%	0%	6.9%
A11	Does the company provide the whistle-blowing policy?	0%	0%	3.4%
A14	Does the board conduct an annual selfassessment?	0%	0%	3.4%

4.3 Performance of 'Disclosure and Transparency'

This section is designed to examine the disclosure and transparency levels of the companies in the hospitality and tourism industry. The questions are designed based on three aspects: (1) transparency on the shareholding structure; (2) disclosure quality of the annual report and related-party transactions; and (3) communication channels provided by companies. Twenty three questions are included and the average scores increase from 8.2 to 21.3 during 2003 to 2015 (as shown in Appendix 2).

Three key questions are created to investigate if companies take initiations to communicate with stakeholders. As shown in Table 2, companies perform best in disclosing details of related-party transactions in public communication, 75.9% of the companies have done so in 2003, and the number increases to 93.1% in 2013. In terms of the transparency on the beneficial ownership, it is worth to note that the CG Code demands listed companies to disclose the shareholding structure, however, only 20.7% of the companies in 2003 have put efforts to disclose the information in clear and easy-to-understand presentation, and the number increases to 55.1% in 2013.

The weakest area is providing contact details for a specific investor relations person to outside investors, in 2003, only 3.4% of the companies have such policy and the number surges to 69.0% in 2013. If the companies in the hospitality and tourism industry cherish genuine communications with their stakeholders, they should consider establishing more communication channels to enable two-way dialogues.

Table 2: Key questions in Section B – Disclosure and Transparency

		% of companies promote good CG practices		
No.	Question	2003	2005	2013
B2	Is it easy to identify beneficial ownership?	20.7%	24.1%	55.1%
B13	Does the company fully disclose details of related-party transactions in public communications?	75.9%	75.9%	93.1%
B19	Does the company provide contact details for a specific Investor Relations person or unit that is easily accessible to outside investors?	3.4%	17.2%	69.0%

4.4 Performance of 'Equitable Treatment of Shareholders'

This section is to examine whether shareholder are treated equally and justly. For example, whether shareholders have adequate time to articulate their views, and whether companies have policies to prevent insider trading. There are six questions and the average scores increases from 10.5 to 17.8 during 2003 to 2015 (as shown in Appendix 2).

The three key questions are presented in Table 3 and the results are rather disappointing. Firstly, no company is willing to allow minority shareholders to influence board composition. Secondly, no company allows cumulative voting in the election of board members. In US, some states make it mandatory for companies to offer cumulative voting under the corporate laws, but this is not the case in Hong Kong. The West's Encyclopedia of American Law (2008) explains cumulative voting is "a system of voting by shareholders for directors in which the shareholder can multiply his or her voting shares by the number of candidates and vote them all for one person for director". The principle of cumulative voting is to "allow shareholders to cast all their votes for a single nominee for the board of directors when the company has multiple openings on its board" (SEC). The purpose is to offer minority shareholders a chance to elect at least one director whom they favor. For example, if there are four directors to be elected and a shareholder holds 500 shares, with the regular voting method, the shareholder could vote a maximum of 500 shares for each candidate (500 votes per each candidate, therefore, 2,000 votes in total). However, under cumulative voting, the shareholder is given 2,000 votes and could choose to vote all 2,000 votes for one candidate, 1,000 each to two candidates, or divide the votes whichever he/she wishes.

In terms of facilitating voting by proxy, 37.9% of the companies offer such voting choice since 2003, and the number kept improving to 100% in 2013. A lot of companies facilitate proxy vote because the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission has specific regulations on facilitating proxy votes, therefore, companies are already familiar with the procedures and rules and they do not need to allocate additional resources on accommodating proxy vote.

Table 3: Key questions in Section C – Equitable Treatment of Shareholders

		% of companies promote good CG practices		
No.	Question	2003	2005	2013
C2	Does the company have any mechanism to allow minority shareholders to influence board composition?	0%	0%	0%
C4	Does the company facilitate voting by proxy?	37.9%	82.8%	100%
C6	Does the company use cumulative voting in the election of board members?	0%	0%	0%

4.5 Performance of 'Right of Shareholders'

The aim of this section is to examine if "shareholders have the right to participate in; and to be sufficiently informed on decisions concerning fundamental corporate changes" (OECD 2004, 2015). This section consists of twelve questions; the average scores increases from 8.5 to 19.8 during 2003 to 2015 (as shown in Appendix 2).

The three key questions are presented in Table 4; companies perform best in explaining the voting methods and vote counting system to shareholders, 72.4% of the companies have done so in 2003. The score improve progressively to 96.6% in 2013.

Regarding the shareholders' rights on being well-informed, 100% of the companies took an active role to inform their shareholders' on the directors' background in 2013. This satisfactory result is mainly because the CG Code specifically recommends companies to disclose such information and if companies do not comply; they have to justify their decisions.

The weakest aspect is whether allowing the shareholders to involve in the decision making process on setting the board members' and executives' remunerations. In 2003, no company has such policy; and only 3.4% of them have evolved and introduced this new practice in 2005. The number climbed slowly to 10.3% in 2013. These findings are not satisfactory as the practice in the industry obviously deviates from what OECD Principles of Corporate Governance advocates, "shareholders should be able to make their views known on the remuneration policy for board members and key executives. The equity component of compensation schemes for board members and employees should be subject to shareholder approval" (OECD, 1999, 2004, 2015).

Table 4: Key questions in Section D – Rights of Shareholders

	% of companies promote good CG practices

No.	Question	2003	2005	2013
D1	Is the decision on the remuneration of board members or executives approved by the shareholders annually?	0%	3.4%	10.3%
D3	Appointment of directors, providing their names and backgrounds.	41.4%	62.1%	100%
D8	Voting method and vote counting system are clearly explained.	72.4%	79.3%	96.6%

4.6 Performance of 'Role of Stakeholders'

The aim of this section is to evaluate whether companies value their stakeholders. In particular, we would like to investigate if companies attach importance to corporate social responsibilities. There are thirteen questions and the average scores increase from 4.8 to 11.8 during 2003 to 2015 (as shown in Appendix 2). Eight out of thirteen questions are created to test if the companies value their stakeholders, including shareholders; suppliers; customers; community and creditors. The results show that all companies explicitly mention the importance of their customers and 93% of them elaborate their obligations to the shareholders in the annual reports in details. In other words, amongst all the stakeholders, companies value their customers and shareholders most.

The three key questions are presented in Table 5, in 2003, 6.9% of the companies explicitly mentioned the safety and welfare policy of their employees in their annual reports, and the number has increased five times to 34.5% in 2013. We have designed a question to investigate whether companies have policy to employ underprivileged workers, and it is disappointing to find that no company has such policy.

In 2003, 3.4% of the companies elaborate their obligations to the society, and the number has increased six-fold to 20.7% in 2013. We conducted in-depth investigations in the companies' documents and found that most of the companies put an equal sign between charity works and social obligations. In other words, they believe that donating money to charitable organizations or visiting orphanages represent that they have fulfilled their obligations to the society. Corporate social responsibility is not mere charity, it is "a form of corporate self-regulation integrated into a business model …a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norm" (Wood, 1991). Only a few of the companies mentioned they have company policies to contribute to the society, such as "green" policies.

The result of the last key question exhibits that companies in the industry do not have strong sense of identity as corporate citizens; no company initiates to cultivate corporate citizenship culture until 2013. In other words, the companies failed to recognize that they are not just profit making machines; they have obligations to the society.

Table 5: Key questions in Section E – Role of Stakeholders

		% of companies promote good CG practices		
No.	Question	2003	2005	2013

E4	Does the company explicitly mention the safety and welfare policy/benefits of its employee?	6.9%	6.9%	34.5%
E11	Does the company explicitly mention its broader obligations to society and/or the community?	3.4%	3.4%	20.7%
E12	Does the company explicitly mention its action to cultivate corporate citizenship?	0%	0%	10.3%

5. Conclusion

This study aims to examine (1) the strengths and weaknesses of the hospitality and tourism industry in terms of governance practices; and (2) the governance compliance level of the industry. The results help policy makers, the public and listed companies to diagnose the existing governance practices and identify the aspects that need further improvements.

The listed companies in the industry are evaluated based on five corporate governance areas: 'Board Responsibilities', 'Disclosure and Transparency', 'Equitable Treatment of Shareholders', 'Right of Shareholders' and 'Role of Stakeholders'. Among the five areas, companies perform worst in 'Role of Stakeholders' and best in 'Disclosure and Transparency'.

It is hopeful to see that the governance practices in the hospitality and tourism industry kept advancing over the last thirteen years. However, results also show that companies are reluctant to promote good governance voluntarily; they merely follow the thresholds set by the regulators and doing the minimum. Therefore, if the regulators have determination to improve the governance level in the market, they should review the existing CG Code and further enhance it by adding more mandatory good governance mechanisms for companies to comply.

The primary limitation of this paper is only one industry is evaluated, more extensive research is required to compare the governance level of the hospitality and tourism industry with the other key industries, such as banking and finance.

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Appendix 1: Rating Questions

	Section A Board Responsibilities
A1	Does the company have its own written corporate governance rule that clearly describe its value system and board responsibilities?
A2	Does the Board of Directors provide a code of ethics or statement of business conduct for all directors and employees?
A3	Does the company have an internal audit operation established as a separate unit in the company?
A4	Quality of the Audit Committee Report in the annual report: Attendance.
A5	Quality of the Audit Committee Report in the annual report: Internal control.
A6	Quality of the Audit Committee Report in the annual report: Management control.
A7	Quality of the Audit Committee Report in the annual report: Proposed auditors.
A8	Quality of the Audit Committee Report in the annual report: Financial report review.
A9	Quality of the Audit Committee Report in the annual report: Legal compliance
A10	Quality of the Audit Committee Report in the annual report: Overall concluding opinion
A11	Does the company provide the whistle-blowing policy?
A12	Have board members participate in the professional / accredited directors' training?
A13	Does the company clearly distinguish the roles and responsibilities of the board and management?
A14	Does the board conduct an annual self-assessment?
A15	Every director is subject to retirement by rotation at least once every 3 years.
A16	Charter / role and responsibilities of the audit committee are disclosed.
A17	Profile / Qualifications of the audit committee are disclosed.
A18	Independence of the audit committee is disclosed.
A19	Charter / role and responsibilities of the compensation committee are disclosed.
A20	Is the compensation committee composed of a majority of independent directors?
A21	Is the chairman of the compensation committee an independent director?
A22	Performance / meeting attendance of the compensation committee is disclosed.
A23	The proportion of Independent non-executive director on the Board is over 30%.
	Section B Disclosure and Transparency
B1	Is the breakdown of shareholding structure clear?

B2	Is it easy to identify beneficial ownership?
B3	Are directors' shareholdings disclosed?
B4	Are management's shareholdings disclosed?
B5	Quality of the Annual Report: Financial performance.
B6	Quality of the Annual Report: Business operations and competitive position.
B7	Quality of the Annual Report: Operating risks.
B8	Quality of the Annual Report: Identification of Independent Directors.
B9	Quality of the Annual Report: Basis of the board remuneration.
B10	Quality of the Annual Report: Disclosure of individual directors' remuneration.
B11	Quality of the Annual Report: Disclosure of the senior managers' remuneration.
B12	Quality of the Annual Report: Board meeting attendance of individual directors.
B13	Does the company fully disclose details of related-party transactions in public communications?
B14	Are there any accounting qualifications in the audited financial statements apart from the qualification on Uncertainty of Situation?
B15	Does the company offer multiple channels of access to annual report?
B16	Does the company offer multiple channels of access to company website?
B17	Does the company offer multiple channels of access to analyst briefing(s)?
B18	Does the company offer multiple channels of access to press conference(s) / press briefing(s)?
B19	Does the company provide contact details for a specific Investor Relations person or unit that is easily accessible to outside investors?
B20	Does the company provide a financial summary in annual report?
B21	Does the company issue the quarter report?
B22	Does the company mention its business risk?
B23	Does the company provide the information of the company secretary including his/her quantification and experience?
	Section C: Equitable Treatment of Shareholders
C1	Does the company offer one-share, one-vote?
C2	Does the company have any mechanism to allow minority shareholders to influence board composition?
C3	Have there been any cases of insider trading involving company directors and/or management in the past two years?
C4	Does the company facilitate voting by proxy?
C5	Does the notice to shareholders specify the documents required to give proxy?

C6	Does the company use cumulative voting in the election of board members?
	Section D Right of Shareholders
D1	Is the decision on the remuneration of board members or executives approved by the shareholders annually?
D2	Does the company allow shareholders to elect board members individually?
D3	Appointment of directors, providing their names and backgrounds.
D4	Appointment of auditors, providing their name(s), profile, and fees.
D5	Dividend policy, providing the amount and explanation.
D6	Objective and reason for each item on the shareholders' meeting agenda.
D7	Director's comments and opinion for each agenda item.
D8	Voting method and vote counting system are clearly explained.
D9	Did the Chairman of the Board attend the last two AGMs?
D10	Did the CEO / Managing Director / President attend the last two AGMs?
D11	Did the Chairman of the Audit Committee attend the last two AGMs?
D12	Did the Chairman of the Compensation Committee attend the last two AGMs?
	Section E Role of Stakeholders
E1	Does the company publish its Corporate Social Responsibility (CSR) report?
E2	Does the company explicitly mention how the company's CSR impact the society?
E3	Does the company mention its CSR policy as one of its corporate goals?
E4	Does the company explicitly mention the safety and welfare policy/benefits of its employees?
E5	Does the company explicitly mention professional development training programs for its employees?
E6	Does the company have policy to employ underprivileged workers?
E7	Does the company explicitly mention the role of customers?
E8	Does the company explicitly mention environmental issues in its public communications?
E9	Does the company explicitly mention the role of suppliers/business partners?
E10	Does the company explicitly mention its obligations to shareholders?
E11	Does the company explicitly mention its broader obligations to society and/or the community?
E12	Does the company explicitly mention its action to cultivate corporate citizenship?
E13	Does the company explicitly mention its obligations to creditors?

Appendix 2: Corporate Governance Scores from 2003 to 2015

Year		Overall	(A)	(B)	(C)	(D)	(E)
2003	Mean	5.8	1.4	8.2	10.5	8.5	4.8
	Median	2.0	0.0	6.0	16.8	6.5	1.0
	Minimum	0.0	0.0	0.0	0.0	0.0	0.0
	Maximum	28.0	9.0	28.0	25.0	23.0	20.0
2004	Mean	6.1	1.4	8.4	12.3	8.9	4.8
	Median	2.0	0.0	6.0	20.5	6.5	1.0
	Minimum	0.0	0.0	0.0	0.0	0.0	0.0
	Maximum	28.0	9.0	28.0	25.0	24.0	20.0
2005	Mean	9.3	7.7	10.9	15.2	10.8	5.2
	Median	8.0	9.0	8.0	25.8	9.0	2.0
	Minimum	0.0	0.0	1.0	0.0	1.0	0.0
	Maximum	28.0	13.0	28.0	27.0	26.0	20.0
2006	Mean	11.5	10.9	13.2	15.8	13.7	5.3
	Median	11.0	11.0	11.0	27.2	12.0	2.0
	Minimum	0.0	0.0	1.0	0.0	1.0	0.0
	Maximum	28.0	18.0	28.0	27.0	26.0	21.0
2007	Mean	13.7	14.0	15.9	17.0	14.6	6.8
	Median	13.0	14.0	14.0	29.5	13.5	2.0
	Minimum	0.0	1.0	1.0	0.0	2.0	0.0
	Maximum	29.0	24.0	29.0	28.0	26.0	25.0
2008	Mean	15.6	17.0	18.1	17.5	15.9	7.5
	Median	16.0	18.0	22.0	30.3	13.5	3.0
	Minimum	0.0	1.0	2.0	0.0	2.0	0.0
	Maximum	29.0	27.0	29.0	29.0	28.0	25.0
2009	Mean	17.5	19.0	20.0	17.8	17.3	10.3
	Median	20.0	22.0	26.0	30.8	16.0	6.0
	Minimum	0.0	1.0	3.0	0.0	2.0	0.0

	Maximum	29.0	29.0	29.0	29.0	29.0	27.0
2010	Mean	17.8	19.2	20.5	17.8	17.7	10.6
	Median	20.0	22.0	26.0	30.8	16.0	6.0
	Minimum	0.0	1.0	3.0	0.0	2.0	0.0
	Maximum	29.0	29.0	29.0	29.0	29.0	27.0
2011	Mean	18.1	19.7	20.5	17.8	18.3	10.6
	Median	21.0	22.0	26.0	30.8	18.5	6.0
	Minimum	0.0	1.0	3.0	0.0	2.0	0.0
	Maximum	29.0	29.0	29.0	29.0	29.0	27.0
2012	Mean	18.4	20.3	20.2	17.8	19.1	11.1
	Median	21.0	23.0	22.0	30.8	19.0	7.0
	Minimum	0.0	1.0	3.0	0.0	2.0	0.0
	Maximum	30.0	29.0	29.0	29.0	30.0	28.0
2013	Mean	19.1	20.9	21.3	17.8	19.8	11.6
	Median	22.0	23.0	26.0	30.8	21.0	8.0
	Minimum	0.0	1.0	3.0	0.0	3.0	0.0
	Maximum	30.0	29.0	29.0	29.0	30.0	29.0
2014	Mean	19.1	21.0	21.3	17.8	19.8	11.8
	Median	23.0	23.0	26.0	30.8	21.0	9.0
	Minimum	0.0	1.0	3.0	0.0	3.0	0.0
	Maximum	30.0	29.0	29.0	29.0	30.0	29.0
2015	Mean	19.1	21.0	21.3	17.8	19.8	11.8
	Median	23.0	23.0	26.0	30.8	21.0	9.0
	Minimum	0.0	1.0	3.0	0.0	3.0	0.0
	Maximum	30.0	29.0	29.0	29.0	30.0	29.0

(A) represents the results of ‘Board Responsibilities’, which consists of 23 questions; (B) represents the results of ‘Disclosure and Transparency’, which consists of 23 questions; (C) represents the results of ‘Equitable Treatment of Shareholders’, which consists of 6 questions; (D) represents the results of ‘Right of Shareholders’, which consists of 12 questions; (E) represents the results of ‘Role of Stakeholders’, which consists of 13 questions. For each good corporate governance practice, 1 score will be given.