Disclosure in Annual Reports: An Agency Theoretic Perspective in an International Setting

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Disclosure in Annual Reports: An Agency Theoretic Perspective in an International Setting

by

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Abstract

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Over the recent years 'transparency' or better information disclosure has been the buzzword of various corporate governance bodies due to the failures of the system of corporate governance, which arise from an agency relationship. However, there are arguments by 'free market' advocates suggesting that information is voluntarily disclosed.

This study discusses and compares the disclosure of information relating to directors' behaviour in the United Kingdom, Canada, the Netherlands, France, Germany and Sweden. These countries were selected because they represent the developed countries with different accounting systems. Furthermore, they are also the board member countries of IASC and OECD.

'Transparency' relating to directors' behaviour for the six countries were measured using disclosure indices, i.e. the disclosure point average for dichotomous, modified dichotomous, weighted dichotomous and weighted modified dichotomous indices. These weighted indices were established by analysing survey responses of investment analysts.

The results show that there were significant differences in the disclosure of information relating to directors' behaviour among the six countries. There is also a very low level of 'transparency' in all the countries except the United Kingdom.

These results suggest that information relating to directors' behaviour is not voluntarily disclosed and therefore regulation is necessary in order for it to be more transparent as suggested by the various corporate governance bodies.

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Author's Declaration

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award.

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Chapter 1

Introduction

1.1. Introduction

Company failures, business frauds, creative accounting, directors' pay, and the crisis in East Asian economies are issues that arise from the failures of the system by which the companies are directed and controlled, i.e. corporate governance. Even though there may be other reasons for the issues to arise (e.g. by the international currency speculators, as claimed by the Malaysian Prime Minister for the failure of the economies and companies in South East Asia (Berita Harian, 22 August 1999)), corporate governance is thought to be the main cause of the problem. These issues have generated a heated debate and given rise to great concern to the public and taken to the top of the policy agendas by policy makers and regulators/standard setters.

It has been widely believed that problems concerning corporate governance arise from the so-called divorce between ownership and control (the agency relationship) within business organisations. An agency relationship is a relationship between two parties where one party agrees to function on behalf of the other (Radebaugh, 1987), i.e. the director (agent) is supposed to act on behalf of the shareholders (principals). However the failures of corporate governance have revealed the adverse consequences of conflicts of interests and asymmetries of information between the directors and the shareholders. Since market forces and corporate governance monitoring/controlling mechanisms have failed to deal with the fundamental agency problems, in this thesis it is argued that regulations on the disclosure of directors' affairs are essential to remedy information asymmetries and adverse actions by directors.

In response to these problems, policy makers, stock exchanges and the accountancy professions, both at national and international level, formed various corporate governance committees. Interestingly, the common solution proposed by the various committees is 'transparency' or better information disclosure to the shareholders by companies. However, so far no research has been undertaken to measure the 'transparency' i.e. the disclosure of information relating to corporate governance or information relating to directors' behaviour. This is the focus of this study that is to measure the 'transparency' or adequacy of the provision of information on corporate governance or more specifically on information in the company's annual reports relating to directors' opportunistic behaviour. If the disclosure of such information is not transparent or inadequate and there is a significant difference between the practices internationally, then there is a case for policy action (in the form of regulation) to overcome corporate governance problems and directors' opportunistic behaviour.

Section 1.2 of this chapter, 'background of the study,' discusses the framework and focus of the study. Section 1.3, 'area of research', incorporates the research objectives, research approach, definition of directors' affairs and agency perspective, and research hypotheses. Section 1.4, 'organisation of the study' sets out the outline of this study and finally section 1.5 is the summary.

1.2. Background to the study

The number of high profile company failures (for example: Penn Central, Polly Peck, the Bank of Credit and Commerce International (BCCI), Sock Shop, etc.); business frauds and the apparent ease of unscrupulous directors in expropriating other stakeholders' fund (for example: the Maxwell affair, the scandal of Nick Leeson with the Barings Bank, and the recent scandal by stockbroker, Martin Frankel); the very limited role of auditors (for example: the Caparo case); creative accounting; the rapid increase in directors' pay, the methods used to set directors' pay and other components of compensation (for example, in the United Kingdom the senior directors of listed companies received average increases of 17.8% in their remuneration packages over one financial year (Financial Times, 6 August, 1998)); and the recent crisis in East Asia about failed corporate governance practices relating to lending and borrowing are subjects that have generated heated debates (for further discussions see, Keasey and Wright, 1993; Whittington, 1993; Conyon et al, 1995; and OECD, 1998). These issues, which are related to the systems by which companies are directed and controlled, i.e. corporate governance, are the key issues of concern to the public and are therefore important policy items. Problems pertaining to corporate governance go back at least as far as the separation of ownership from control (agency relationship) within business organisations (Keasey and Wright, 1993). This relationship was first foreseen by Berle and Means (1932) and developed by Jensen and Meckling (1976) in the theory of agency.

An agency relationship is defined by Jensen and Meckling (1976, p 308) as 'a contract under which one or more persons (the principal(s) engages another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent'. According to agency theory, this relationship is weakened by a conflict of interest and information asymmetry that arises between principals and agents because of goal incongruencies. These incongruencies occur when the parties to the relationship attempt to maximise their own utilities.

Jensen and Meckling (1976) suggest that the principal can control the actions of agents by incurring monitoring costs designed to limit the opportunistic behaviour of the agent, by instituting contracts that bond the agent's performance with the principals' interests (bonding costs) or by using some combination of monitoring and bonding. They refer to monitoring as not only just measuring or observing the behaviour of the agent, but also controlling the behaviour of the agent through budget restrictions, compensation policies, operating rules, etc. Bonding the agent's performance with the shareholder interests may be accomplished directly by suitable design of the compensation contract.

In the above situation, the principal might demand information relating to the agent's behaviour to be disclosed in the annual reports of the company in order to reduce the costs of monitoring the agent. The principal might also demand information to show that the terms of the bonding contracts have been adhered to (Watts, 1977).

Even though these problems have been a long-standing issue, they have been given high priorities only in the late 1970s after a number of company failures, business frauds, scandals, etc. In the USA, for example, the American Law Institute (ALI) in 1978 formally instituted the corporate governance project, and in 1982, proposed a final draft on the 'Principal of Corporate Governance: Analysis and Recommendations' (Koh, 1994). Other bodies, such as the Cohen Commission, the Financial Executives Institute, the General Accounting Office, the Tradeway Commission, and the Committee of Sponsoring Organisations (COSO) of the Treadway, have all recommended reporting on internal control (Vanasco et al, 1995), which is a component of corporate governance.

In the United Kingdom, the Financial Reporting Council, the London Stock Exchange, and the accountancy profession sponsored the Cadbury Committee in 1991 to look at these issues. The Cadbury Report (1992) noted the following two important statements: (i) 'It is, however, the continuing concern about standards of financial reporting and accountability, heightened by the BCCI, Maxwell and the controversy over director's pay, which has kept corporate governance in the public eye' (preface) and, (ii) 'Had a code such as ours been in existence in the past, we believe that a number of the recent examples of unexpected company failures and cases of fraud would have received attention earlier' (paragraph 1.9). They were concerned at the perceived low level of confidence both in financial reporting and the ability of auditors to provide the safeguards which the users of company reports sought and expected, and referred to the underlying factors of the absence of a clear framework for ensuring that directors kept under review the controls in their business, together with the looseness of accounting standards (Clarke, 1993). The proposal of the Cadbury Committee (1992) focused primarily on the accountability aspects of corporate governance and it relied largely upon improved information to shareholders, continued self-regulation and a strengthening of auditor independence.

The literature shows that the formation of various committees to look at the issues continues to expand world wide, both at national and international level. Examples of efforts to overcome the problems at national level, apart from the above, are: the Vienot Report in France, the Dey Report in Canada, the Greenbury and Hampel Report in the United Kingdom, the Peter Report in the Netherlands, the Bosch Report in Australia, and the Report of the National Association of Corporate Directors Commission on Director Professionalism, and the Business Roundtable Statement on Corporate Governance in the United States (OECD, 1998). Partial listing of corporate governance guidelines and codes of "best practice" of various countries are listed in Appendix 1.

Apart from the initiative taken at the national level, the international bodies such as the International Faculty for Corporate and Capital Market Law, the Organisation for Economic Co-operation and Development (OECD) and the International Accounting Standards Committee (IASC) have also commenced studies in this area. The International Faculty for Corporate and Capital Market Law with the assistance of the *Conservatoire National des Atrs et Meitiers, the Institut National des Techniques Economiques et Comptables and the Universite de Haute-Normandie* organised the Paris Colloquium on Corporate Governance in 1983. The Paris Colloquium was set up to identify problem areas in corporate and capital market law and develop solutions through the exchange of knowledge and ideas within a comparative perspective (Paris Colloquium, 1984, p. 199)

The Business Sector Advisory Group on corporate governance was established in 1996 by the OECD to review and analyse international corporate governance issues and to suggest an agenda and priorities for further OECD initiatives (OECD, 1998). The OECD was also given a mandate by the OECD Council meeting at ministerial level in 1998 to develop a set of standards and guidelines on good corporate governance (OECD, 1999). In response to this, the 'OECD Principles of Corporate Governance' were produced and endorsed by ministers at the OECD Council meeting at ministerial level on 26 -27 May 1999 (OECD, 1999).

The IASC, on the other hand, has adopted a different approach. It has issued standards concerning the presentation of financial statements by companies in countries that adopt the International Accounting Standards. Examples of standards related to the above problems are: International Accounting Standard (IAS) 19 - Retirement Benefit Costs; and IAS 24 - Related Party Disclosure (Cairns, 1995).

There are various recommendations put forward by these bodies/committees to overcome the problems (such as, strengthening the role of internal control, auditor independence, the chairman of board and the chief executive being a different person, appointment of non-executive directors, etc.). However, the common recommendation of these bodies/committees is 'transparency' or better information disclosure to the shareholders by companies. There is also a suggestion that financial reporting is an important element of the system of corporate governance, and some failures of corporate governance may therefore be due to inadequate financial reports (Whittington, 1993). This recommendation is consistent with the argument in agency theory that information is demanded by the principal in order to reduce the agency costs. However, since in an agency relationship there is a conflict of interest and information asymmetry between the principal and the agent, information is not voluntarily disclosed by the agent to the principal. Therefore, in order for the above recommendation to be followed, this study suggests that regulation on the disclosure of such information is required.

This recommendation, however, contradicts the view of the 'free market' advocates, or the anti-regulation group. It is argued by this group that information should be disclosed and produced without regulation. They argue that, since in an agency theoretic framework there is an asymmetry of information and conflict of interest, which create the problem of 'moral hazard', the principal may seek information in order to monitor the agent's behaviour. However, since the generation of the information is costly and the agent has a comparative advantage in its production, he/she will have an interest in providing such information in order to reduce monitoring costs (Watts and Zimmerman, 1978).

In addition this group claims that market forces and the current mechanisms for controlling the agents, such as a company's board of directors, non-executive directors, large shareholders, the threat of proxy fights, hostile takeovers, managerial labour markets, etc., are sufficient in monitoring and disciplining the agent, and suggests that additional regulation on the disclosure of such information is not required.

However, since the failures of corporate governance (discussed earlier) are continuing to the present date, it may be argued that market forces and other controlling mechanisms have failed to overcome the problem in an agency relationship, therefore in this study it is argued that regulation on the disclosure of information relating to directors' affairs is important. Apart from the failure of market forces and various controlling mechanisms to deal with the problems, there are also other explanations, for the need of regulation on the disclosure of information, such as, the belief that information markets will not function effectively and fairly in the absence of government regulation (Cooper and Keim, 1983), the alleged 'public good' nature of such information (Gonedes and Dopuch, 1974), and litigation problems faced by the supplier of the information. These arguments are discussed later in the next chapter.

However due to a variety of economic, social and political factors corporate accounting and information disclosure regulations are different from one country to another (Radebaugh and Gray, 1993). This will be discussed in the next chapter.

1.3. Area of Research.

This study is focused upon the central concerns of agency problems and corporate governance, that is the 'transparency' or the disclosure of information relating to director's affairs in the annual reports of companies.

Despite the amount of research in the area of information disclosure, no empirical studies have been made on information disclosure in relation to directors' affairs (information for monitoring). Prior research on information disclosure has been made on the extent, quality, costs, benefits and the consistency between the preparers and users of information for investment decision-making.

This study examines the quality of disclosure at an international level, i.e. in western developed countries with different accounting systems as developed by Nobes (1983) and which are also represented by being a member of the IASC and OECD. This area is chosen because international regulations are required due to the increasing globalisation of the capital markets. Furthermore, it is the objective of international bodies such as IASC, OECD and EU, to harmonise accounting regulations, standards among its members.

This study also examines the degree of agreement (correlation) between preparers and users of the information. This is to determine the level of agreement between the shareholders and the preparers (companies) on the information relating to directors' behaviour. The finding of no correlation or negative correlation suggests that the companies are not disclosing the information demanded by the shareholders. No attempt will be made to evaluate the costs and benefits of information disclosure relating to directors' affairs. This is due to time and financial constraints on the part of the author. This may be a subject for future research.

This study compares the actual disclosure of information relating to directors' affairs in the corporate annual reports, rather than the formal disclosure required by the legal and professional regulations. Both the voluntary and mandatory disclosure of information will be examined.

1.3.1. Research objectives.

Since there are various arguments put forward by free market advocates (the anti-regulation group) that information is disclosed in an unregulated environment based on market forces, it is the objective of this study to determine whether such arguments are true. The purpose of this is to make recommendations to the policy makers (regulators and standard setters), in particular to the international policy makers, of whether regulation in this area is required in order to overcome the agency/corporate governance problems.

Due the increasing globalisation of the capital markets, there is also increasing demand for the harmonisation of regulations on the disclosure of such information by international policy makers. Taking this point into consideration, this study also seeks to determine whether the harmonisation of the regulations and standards on the disclosure of information relating to directors' behaviour by international policy makers has materialised.

In addition to the above two purposes, this study also attempts to identify the association (correlation) between the disclosure items which are demanded by the users (shareholders) and the items which are disclosed by the suppliers of the information (companies/agents). This is to support or reject the argument made by the opponents of regulations that the companies voluntarily disclose information demanded by the shareholders.

1.3.2. Research approach.

Various approaches have been taken in previous studies to measure the quality of the disclosure of information. In this study the 'disclosure index' is used to measure the quality of disclosure. A low disclosure score indicates poor quality of disclosure, which suggests that regulation is required. In order to justify the need for regulation statistically, in this study the Kruskal-Wallis one-way analysis of variance for three or more unrelated samples is used to test for a significant difference. Where there are significant differences between the sample countries, this will suggest the need for regulation in this area of disclosure. Any significant differences will also suggest there is no harmony between the sample countries in disclosing the information relating to directors' affairs.

In order to determine the association between the disclosure items, which are demanded by the principals, and the items, which are disclosed by the agents, a Spearman rank correlation test is used. A low measure of correlation indicates that there is an information asymmetry between the agent and the principal, i.e. the agent is not disclosing the information, which is demanded by the principal.

1.3.3. Definition of director's affairs and the agency perspective.

1.3.3.1. Director's affairs

As discussed earlier in the chapter, the main purpose of this study is to measure the quality of the disclosure of information relating to directors' affairs or behaviour. The term 'director' in this study refers to a member of the board of directors, and includes executive and non-executive directors. A senior manager who is not a member of the board of directors is excluded from the study. The senior manager is excluded because, in this study, the focus is on the agency relationship between the shareholder and the directors and furthermore, the board of directors is monitoring the senior managers. This represents another level of agency relationship, i.e. between the directors and employees of the company.

In countries with the two tier boards' systems, i.e. a supervisory board and an executive/management board such as in Germany and Sweden, only the members of the executive/management board are considered. This is to avoid complications when comparing information disclosure on directors' affairs in countries with a single tier board system with those of the two tier boards. However, in this study, the terms 'director', 'agent', 'management', 'manager', and 'executive' are used interchangeably.

'Directors' affairs' in this study refer to the matters concerning the directors directly or indirectly. They therefore include directors' remuneration, accountabilities, profiles, service contracts, experiences, transactions with the companies, responsibilities, board structure, internal control, and corporate governance matters.

1.3.3.2. Agency perspective

An agency perspective in the context of this study refers to the demand for information for monitoring purposes or stewardship purposes, as opposed to the well-developed demand for information for investment decision-making purposes.

1.3.4. Hypotheses

The existing literature shows that issues in agency theory or corporate governance have been taken by various bodies both at national and international levels. In agency theory, information relating to the directors' affairs is demanded by the shareholders in order to reduce the monitoring costs which is also the main recommendation of the various corporate governance bodies. These bodies have suggested 'transparency' or better disclosure of information relating to directors' affairs to be disclosed in the annual reports of companies. However, due to the different accounting systems and the emphasis of the corporate governance practices adopted by the sample countries, there is a likelihood of differences in the quality of disclosure of information relating to directors' affairs in those countries. The literature also indicates that there is an information asymmetry between the shareholders and the directors, and the directors are reluctant to disclose such information because of 'free-riders' and litigation problems.

From the above arguments, this study therefore tests the following two main hypotheses:

1. The overall disclosure quality of information relating to directors' affairs is different between the countries.

2. There is no agreement or association (correlation) in the ranking of the disclosure items between each sample country and the investment analysts.

1.4. Organisation of the study

This study is divided into seven chapters. As presented above, chapter 1, 'Introduction', incorporates the background of the study, the area of research, the organisation of the study and a summary. Chapter 2, 'Agency Theory and Regulations', presents the theoretical background of corporate governance and agency theory and their relationship. This chapter also describes the agency theory relationship and the implications for information disclosure. Second part of this chapter discusses the regulations on the disclosure of information and the arguments for and against regulations. Finally this chapter presents the classification of accounting systems.

Chapter 3, 'Regulatory Requirements', describes the disclosure requirements and the level of enforcement of the regulations in the sample countries, i.e. United Kingdom, Canada, Netherlands, France, Germany and Sweden.

Chapter 4, 'Information Disclosure', begins with the definitions of transparency and disclosure. It then discusses disclosure quality and the various methods of measuring disclosure quality. The method adopted in this study, i.e. the disclosure index, is explained in detail.

Chapter 5, 'Data and Methodology', introduces the data and justifies the methodology used in this study. This chapter also critically reviews the methodologies of previous disclosure studies.

Based on the discussion of the earlier chapters, the results are presented and analysed in chapter 6, 'Results and Analysis'. The hypotheses of this study are tested in this chapter.

Finally, chapter 7, 'Summary and Conclusion', summarises and presents the main conclusions of this study. The limitations and areas for future research are also set out and discussed in this final chapter.

1.5. Summary

The author is aware of the problems in corporate governance and the agency relationship, and the need for regulating the disclosure of information relating to directors' behaviours (affairs).

This study is set within the context of accounting systems operating in the western developed countries. This enables a comparison to be made on the disclosure of information relating to directors' behaviours between countries with different accounting systems. The findings of a low level of disclosure quality in these countries and significant differences between the countries will provide justification for policy action and the need for the harmonisation of international accounting standards and disclosure practices in this area. This is the purpose of this study, i.e. to provide research results on the disclosure of information relating to corporate governance and directors' behaviour to the policy makers.

It has been discussed earlier that company failures, business frauds, and creative accounting arise from the failure of corporate governance and the separation of ownership from control (agency theory). In order to understand these concepts more fully, and their relationship to information disclosure, corporate governance and agency theory are reviewed in the next chapter.

Chapter 2

Agency Theory and Regulations

2.1. Introduction

In the previous chapter, the problems associated with corporate governance and the separation of ownership from control (agency relationship) had been said to cause various bodies/committees to recommend greater 'transparency' or better information disclosure to the shareholders by companies. There have been various arguments by 'free market' advocates that information is voluntarily disclosed by companies in order to overcome the agency problems. However, due to failures of the system of corporate governance as reflected by company failures, business frauds, creative accounting, etc., this study suggests that regulation on the disclosure of information relating directors' affairs is necessary to ratify the problems. This chapter intends to explain corporate governance, agency theory and their relationship with information disclosure, and regulation on the disclosure of information. Even though this study is not intended to evaluate corporate governance or to design an agency model on information disclosure, a review of corporate governance and agency theory is thought to be useful, in order to understand the concepts, forms, terms used, problems encountered, and solutions suggested before explaining their relationship with information disclosure and the need for regulation on the disclosure of information.

Corporate governance is described in section 2.2. Section 2.3 discusses in general what are agency theory, the agency relationship, and agency costs. Section 2.4, presents the relationship between agency theory and information disclosure. This section also includes the objective of information disclosure in an agency perspective. Section 2.5, discusses in general the term regulation, the international regulating bodies, the regulatory arguments. The classification of accounting systems is presented in section 2.6. Section 2.7, draws the chapter to a close.

2.2. Corporate governance

2.2.1. What is corporate governance?

In the earlier chapter, issues relating to corporate governance have been said to generate a heated debate. The business world, including company directors and investors, government agencies, academics and the media has all become very interested in the concept of corporate governance (Clarke, 1993). This section considers, in more detail, what corporate governance is and its relationship to agency theory. There is a wide divergence of views on the nature of, and what actually constitutes, corporate governance. For example, from the survey by Bain and Band, (1996, p. 2), governance is seen by some of their respondents in the following ways:

- 'Having an appropriate pay policy for senior people in industry.'
- 'Providing checks and balances to avoid the excesses of top bosses.'
- 'A set of procedures to protect the organisation from fraud or loss due to poor practice.'
- 'Providing checks on the management thus protecting shareholders.'
- 'Curbing the worst excess of a greedy managing class.'
- 'Providing a control climate suitable to the organisation.'

The Financial Times (6 April, 1992) sees corporate governance in the following way: 'corporate governance is all about finding ways to make companies run better.' The Cadbury Report (1992, Para 2.5) and Conyon et al (1995, p. 710) defined corporate governance as the systems by which companies are directed and controlled. Clarke (1993) views corporate governance as the operation of the system of government of companies.

Tricker (1984, p. 7) views governance in the following way: 'If management is about running business, governance is about seeing that it is run properly.' According to Tricker (1984, p. 8), 'corporate governance is concerned with the process by which corporate entities, particularly limited liability companies, are governed, i.e. with the exercise of power over the direction of the enterprise, the supervision and control of executive actions, the concern for the effect of the entity on other parties, the acceptance of a duty to be accountable and the regulation of the corporation within the jurisdiction of the states in which it operates.' Tricker, (1984, p. 7) summarised the corporate governance process into four principal activities:

- Direction: formulating the strategic direction for the future of the enterprise in the long term,
- Executive action: involvement in crucial executive decisions,
- Supervision: monitoring and oversight of management performance, and
- Accountability: recognising responsibilities to those making a legitimate demand for accountability.

The first two activities described management functions (how companies are directed) whereas the latter two are controlling functions (how companies are controlled). These activities fulfil the definition of an agency relationship discussed earlier in Chapter 1, which is the same as the definition used by the Cadbury Report and Conyon discussed above. In this study this definition is used to describe corporate governance, i.e. how companies are directed and controlled, because it is more related to the agency relationship, which is the focus of the study.

2.2.2. Relationship between corporate governance and agency theory

Even though there are various definitions, views, and debates about what is corporate governance, the key elements are concerned with the enhancement of corporate performance via the supervision, or monitoring, of management performance and ensuring the accountability of management to shareholders and other stakeholders because of the conflict of interest and information asymmetry between the agent and the principal. These aspects of governance and accountability are closely interrelated and have introduced a stewardship dimension to corporate governance (Keasey and Wright, 1997). Stewardship is the narrow scope of agency theory (discussed in the section below). The need for the supervision and accountability of directors arises because of the so-called divorce between ownership and control in large enterprises with diffused ownership (Hart, 1995). The divorce, or separation, of ownership from control in the modern diffuse ownership corporation is the characteristic of an agency relationship.

Since the key elements of corporate governance are concerned with supervision, or monitoring, of management performance and ensuring the accountability of management to shareholders (Keasey and Wright, 1997), and arise when there is an agency problem, or conflict of interest (Hart, 1995), it should be no surprise to discover that the issues associated with corporate governance are intimately associated with the general problem of agency. Addressing agency problems, therefore, will cover the issues of corporate governance. In this study, the failure of corporate governance systems is assumed to arise from the inability to curb the agency problems.

2.3. Agency theory

The development of accounting records from the time of Heroninos (AD 249 to 268), who was the manager of the unit of the Appianus estate centred on the village of Theadelphia, shows that the owner of the business was separated from the manager (see Rathbone, 1994). In the modern corporations, the separation of the owner and the manager was first highlighted by Adam Smith in 1776, followed by Berle and Means in 1932 and Jensen and Meckling in 1976. The separation of ownership from the manager, who clearly manages the business, is the general characteristic of an agency relationship.

In the above situation, the manager is required to produce accounting information to the owner, to show that the accountability responsibilities have been satisfactorily discharged. The whole purpose of accounting here is not to measure the rate of profit or loss but to keep accurate records of acquisitions and outgoings, in money and kind, and to expose any losses due to dishonesty or negligence (Higson and Tayles, 1998). In this case, the manager is said to have fulfilled the stewardship demand (Gjesdal, 1981) or is accountable to the owner. This is, however, a narrow scope of agency theory. On a wider scope, agency theory (also referred to as contracting cost theory), that derives from the financial economics literature (Adams, 1994) consists of a complex set of contracts between the owner and the manager (Jensen and Meckling, 1976) and involves very complex mathematical formulations (Bromwich, 1992). These contracts specify the rights of the manager in the organisation, performance criteria on which managers are evaluated, and the payoff functions they face (Fama and Jensen, 1983a). Furthermore according to Walker (1989), agency theory is primarily concerned with these contractual relationships under uncertainty.

Even though the issues of agency theory were first raised by Adam Smith in 1776, this idea was not much developed until about 200 years later when Jensen and Meckling (1976) wrote one of the most influential papers in the area of agency theory (Hunt III and Hogler, 1990). Since then, several agency models have appeared in the literature, such as the principal-agent model, the transaction cost model, and the Rochester model based on the work of Jensen and Meckling (Baiman, 1990).

The key aspect of these various agency models, which is also the main focus of this thesis, centres on the problems associated with an agency relationship, that is, agency problems that arise from the conflict of interest and information asymmetry between the agent and the principal. For example, Jensen (1983), in discussing a different branch of the agency literature, points out that all the agency literature addresses the contracting problem between self-interested maximising parties and use the same agency cost minimising tautology. Baiman (1990), noted that all branches of agency literature provide similar frameworks for: analysing the interaction of self-interested individuals within an economic context, understanding the determinants and causes of the loss in efficiency created by the divergence between co-operative and self-interested behaviour (i.e., the loss from agency problem), and analysing and understanding the implications of different control processes (e.g., budgeting systems, employment contracts, monitoring systems, etc.) for mitigating the efficiency loss from agency problems.

The conflict of interest is based on the assumption that individuals act self-interestedly and the principal and agent have different goals and attitudes toward risk. The principal and agent are assumed to seek to maximise their own best interest subject to the limitations set by the agency structure. Different goals and attitudes toward risk between the principal and the agent arise either because of differences in taste or because action by the agent yields disutility to the agent (Bromwich, 1992).

Information asymmetry, that is the agent has more information than the principal, has resulted in the moral hazard and adverse selection problems. A moral hazard problem arises when the principal cannot observe the agent's action selection and when the preference rankings of the principal and the agent over the set of alternative actions diverge (Walker, 1989). An adverse selection problem arises when an agent has access to information prior to his or her action choice, which cannot be observed by the principal (Walker, 1989).

2.3.1. Agency relationship

As mentioned in the above section, the key issue in all agency models centres on the problems associated with an agency relationship. An agency relationship is defined by Jensen and Meckling (1976, p. 307) as 'a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent'. An example of the agency relationship in the modern corporation is the relationship between equity holders in the corporation (principal) and the management (agent). There are also other agency relationships in a modern corporation, such as the stakeholders-agents relation, employees-management relation etc.

This study discusses that the agency relationship as involving a single agent, even though in modern corporations it may actually involve many agents and principals. This assumption is made in order to ease the presentation of this thesis. This study is also limited to the relationship between equity holders in the corporation (principal) and the director/management (agent).

In an agency relationship, the delegation of the decision-making authority to the agent or the separation of ownership and control causes the agency problems. The decision taken by the agent will affect both the principal and the agent and will usually favour the agent. This happens because the decision process is in the hands of a professional manager whose interests are not identical to those of the shareholder (Fama and Jensen, 1983b) or in another words it arises from the conflicting goals and differing attitudes toward risk on the part of agent and the principal (Eisenhardt, 1989; Nilakant and Rao, 1994). According to Kosnik (1987), since the agent does not own a substantial part of the corporation equity, he or she will not bear the full wealth effects of his or her own decisions.. Under these conditions, the agent is likely to engage in behaviour that benefits his/her personal wealth or power, but this is opportunistic and inefficient from the principal's point of view (Jensen and Meckling, 1976). Examples of such inefficient managerial behaviour are the excessive use of company resources for managerial 'perks', which may range from free lunches to private jets (Jensen and Meckling, 1976), the adoption of a short-term, risk-aversive attitude in strategic investment decisions for the sake of stability and the protection of management's own control position (Lambert and Larcker, 1985), or the excessive pursuit of diversification as a strategy to increase the firm's size and managers' associated prestige and status (Amihud and Lev, 1981).

The problem is worsened due to the difficulty/expense involved in verifying the agent's behaviour (Eisenhardt, 1989; Nilakant and Rao, 1994) because of information asymmetry discussed earlier. The principal is unable to observe the action of the agent because it is not being made transparent to the principal by the agent, i.e. the moral hazard or hidden action problem (Walker, 1989; Bromwich, 1992). Apart from this, the agent also has access to information prior to his or her action choice which cannot be observed by the principal, that is, any private information of the agent is not being made visible to the principal - the adverse selection or hidden information problem (Walker, 1989, Bromwich, 1992).

The agency problem therefore occurs when the desires of the principal and the agent diverge and it is difficult for the principal to verify the agent's behaviour because the principal has limited observational powers. The agency problem also occurs when the principal and agent have different attitudes toward risk. Due to the divergence of interest, different attitudes toward risk and the difficulty on the part of the principal to verify the agent behaviour, the agent is assumed to make decisions which will maximise his or her own utility instead of that of his or her principal. As a result of this the principal will find ways to overcome the problem, such as by demanding information on the agent's behaviour.

2.3.2. Agency Costs

The agency problem discussed above is called agency loss or agency costs (Pratt and Zeckhauser, 1984). Jensen and Meckling (1976) define agency costs as the sum of three components:

1. monitoring expenditure by the principal
2. bonding expenditure by the agent, and
3. the residual loss.

According to Jensen and Meckling (1976), the agency problem can be overcome by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities of the agent. For example, the principal will incur expenses (monitoring costs) to monitor the agent's behaviour in managing the firm through budget restrictions, compensation policies, and operating rules. The principal will also be willing to provide certain incentives for the agent so as to narrow the divergence of interest between the principal and agent. In addition in some situations it will pay the agent to expand resources (bonding costs) to guarantee that he will not take certain actions, which would harm the principals, or to ensure that the principals will be compensated if he does take such actions (Jensen and Meckling, 1976). Bonding the agent's performance with the shareholder interest may be accomplished directly by suitable design of the compensation contract. Despite the costs incurred by both the principal and the agent, that is monitoring and bonding costs, to overcome the conflict of interest, there will be still some divergence between the agent's decision and those decisions, which would maximise the welfare of the principal. This divergence is also a cost to the principal, which Jensen and Meckling (1976) refer to as a residual loss.

In these instances, information relating to the agent's behaviour is demanded by the principal to be disclosed in the annual report of the company in order to reduce the agency costs (Watts, 1977). This is supported by Walker (1989). Walker (1989) argues that since the agency problem stems from some form of information asymmetry, it can be overcome by the provision of improved public information. However, in an unregulated environment, this suggestion cannot be achieved. This is because the distribution of the information is disproportionate and inequitable; thus it will increase the information asymmetry between a relatively well-informed agent and a relatively badly informed principal, rather than overcome the agency problem. Information asymmetries can be expected to remain since it is difficult for shareholders to obtain unbiased information at low cost due to executives' control over the reporting of internal information and their possession of firm and industry-specific knowledge/skills not shared by the owner or external markets analysts (Ezzamel and Watson, 1997). Therefore, in order to overcome these problems, regulations on the disclosure of information on the agent's behaviour are needed. This is the focus of this thesis.

However, the anti-regulation group and supporters of 'market forces' oppose this suggestion. They argue that the agent voluntarily discloses information and there are sufficient controlling mechanisms and 'market forces' to monitor and discipline the agent. These arguments are discussed later in this chapter.

2.4.The relationship between agency theory and information disclosure

In the above section it has been argued that, in an agency relationship information is demanded by the principal in order to monitor an agent's behaviour. Historically, disclosure of information is for an agency or stewardship purpose. For example, the whole purpose of accounting records in ancient Egypt was not to measure the rate of profit or loss but simply to prevent theft, embezzlement, fraudulent conversion and other avoidable losses due to carelessness and the like (de Ste. Croix, 1956).

Stewardship as the objective of accounting records (financial statements) continues through the time of Norman England (in the very early part of the thirteenth century) until the nineteenth century when the emphasis on stewardship had started to change. This is because of the business corporation growing bigger, the number of shareholders increasing in size and the concern for profit by the dispersed owners (Higson and Tayles, 1998). Since then there are various arguments of whether the objective of financial statements is for stewardship or for decision making. The debates on stewardship as an objective of financial statements have been summarised before (e.g. Higson and Tayles, 1998) and are briefly presented below.

Some arguments against stewardship as the objective of financial statements are essentially based on the meaning of the word stewardship. According to Rosenfield (1974, p.133), 'confused terminology and the absence of analysis have deterred accountants from discovering just where it [stewardship] leads'. For example the views of the American Accounting Association committees (AAA, 1966, p. 22) on various dimensions of stewardship, which range from the most elemental level of custodianship to responsibility for acquisition, utilisation and disposition of resources embracing the whole scope of management functions in a business entity, have been argued by Carsberg et al (1974) to be inappropriate. Carsberg et al, (1974, p. 166) felt that 'it may be useful for the sake of clarity, to avoid the use of the word stewardship'. Devine (1985, p. 28) pointed out 'the concept of stewardship is difficult to define, but one of its characteristics is certainly responsible for accomplishing objectives'.

Even though there was support for stewardship as an objective of financial statements with a broader notion (e.g. Ross (1973), Watts and Zimmerman (1986)) the predominantly stated objective of financial statements and financial reporting (as set out in the conceptual framework projects) has been to enable users to take economic decisions (e.g. AAA (1966), AICPA (1973), ASSC (1975), FASB (1978), IASC (1989), ASB (1991)). However stewardship is not totally ignored. It is often used to try and illustrate the sorts of decisions that may be taken. For example the UK's Accounting Standards Board's (ASB) first draft Statement of Principles (1991, p. 100, Para. 12) stated that: 'The objective of financial statements is to provide information about the financial position, performance and financial adaptability of an enterprise that is useful to a wide range of users in making economic decisions' and continued (Para. 14): 'Financial statements also show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it. Those users who wish to assess the stewardship of management do so in order that they may make economic decisions; these decisions may include, for example, whether to hold or sell their investment in the enterprise or whether to re-appoint or replace the management'.

The stance by the ASB has been criticised. For example, Page (1991) argued that stewardship should be the main objective of financial reporting. As a result of the criticisms and an attempt to encapsulate corporate governance in the conceptual framework, in the revised exposure draft (ASB, 1995, p. 35, Para. 1.1), the objective had been altered to specifically include stewardship: 'The objective of financial statements is to provide information about the financial position, performance and financial adaptability of an enterprise that is useful to a wide range of users for assessing the stewardship of management and for making economic decisions'. However this revised exposure draft was now withdrawn.

In the decision-making model, users traditionally use financial statements for making decisions whether to buy/sell/hold their investments. This suggests that investors require information to form their own views of the 'true' values of shares, which they then compare with the current market values to form the basis of an investment strategy with an eye to maximising personal gains (Bartlett and Chandler, 1997). Beaver (1981) earlier argued that shareholder interest in corporate information is related to the individual's portfolio diversification and activity on the stock market, thus, active traders continually seek information that will permit the detection of mispriced securities. In these situations only information relating to the future value of the firm is relevant to the investors. Furthermore, in an efficient capital market, security prices reflect all publicly available information, and an investor will not be able to achieve abnormal returns through analysis of data contained in the annual report.

From the above arguments, explanations other than for decision-making have been put forward to justify shareholder interest in the annual report, such as for stewardship purposes, which is the focus of this study. Arnold (1977) highlights accounting information as being generally historical by nature, and therefore of limited relevance in assessing future worth. However, such information may still have a control value in enabling investors to monitor companies' performance. This view was supported by Gjesdal (1981), who suggested that stewardship objectives imply a preference for historical cost over current value alternatives. However, for decision-making purposes, the current value or the future-oriented information is preferred to the historical cost information. The ASC (1986, p. 11) pointed out '...while historical cost information may appear adequate for stewardship purposes, it may provide unsatisfactory indicators for decision making'. Since financial reports are currently being prepared based on historical cost, it may be suggested that the main objective of financial statements and reports is for stewardship. Judicial support for this view may be found in the Caparo case, where it was decided that the function of audited accounting information was to enable shareholders as a body to exercise control over management, i.e. for stewardship rather than investment decision-making purposes (Bartlett and Chandler, 1997).

It is the author's view that although decision-making is regarded as an important objective for financial reporting, stewardship is a significant issue for many users. Indeed the focus of attention in this thesis is on stewardship, rather that decision-making.

2.5. Regulations

In accounting, disclosure of information is normally referred to as part of corporate financial reporting. It is the reporting of the company's financial position and activities, continuing and contemplated, produced by that company. It may consist of financial quantitative data or financial qualitative data or non-financial data. This information is usually prepared by companies in their annual reports, which are the important sources of information to the shareholders and other users. It is therefore subject to various types of regulation.

Previously, regulation had focused on the specific parts of the annual reports, such as the balance sheet and the profit and loss account. Little emphasis was being given to the information relating to directors' behaviour, except information relating to the directors' remuneration. However, due the increasing number of company failures, business frauds, etc. over the recent years, there has been a greater demand for regulation on the disclosure of information relating to directors' behaviour. For example, as discussed earlier, there are demands for transparency by various corporate governance committees.

Regulation has been defined by Taylor and Turley (1986, p.1) as 'the imposition of constraints upon the preparation, content and form of external financial reports by bodies other than the preparers of the reports, or the organisations and individuals for which the reports are prepared'. Imposing regulation does not necessarily mean an increase in the disclosure of information. Companies were known to provide audited financial information prior to the imposition of regulation. This can be seen when all companies' (listed on the New York Stock Exchange) financial reports were audited by CPA firms back in 1933, i.e. before regulations were imposed (Benston, 1973). Imposing regulation is, however, based on the assumption that companies will not voluntarily provide the amount and type, i.e. the quality of information required by the shareholders and other users. Furthermore, information that is provided voluntarily will vary among companies, thus making inter-company comparisons difficult. The distribution of the voluntarily disclosed information is also asymmetrical, i.e. certain groups will get more information than others. The central concern of regulation is thus to improve the quality, comparability, and distribution of the information, rather than simply to increase the disclosure of information.

There are various systems or forms of regulation to regulate the standard set of information, both at national and international level. At the national level it can be set out by professional bodies (private sector) or by government legislation (public sector) or a mixture of both the professional bodies and government legislation.

At an international level, due to the globalisation of the capital markets, several organisations have attempted to develop an international regulation of corporate reporting. This is the objective of this study, i.e. to recommend to the international organisations whether there should be a regulation on the disclosure of information relating to directors' affairs.. The international organisations in which this study attempts to make recommendation are: the International Accounting Standard Committee (IASC), the Organisation for Economic Cooperation and Development (OECD), and the European Union (EU).

The IASC was formed in 1973 with the objectives: (i) to formulate and publish in the public interest, accounting standards to be observed in the presentation of financial statements and to promote their wide acceptance and observance; and (ii) to work generally for the improvement and harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements (IASC constitution). The IASC also provides a private professional counterpart to the activities of intergovernmental organisations, such as the United Nations (UN), the OECD, and the EU (Radebaugh and Gray, 1993).

The OECD is involved in the development of international business on a global scale. It focuses mainly on the development of industrialised countries of the world. The major objective of OECD is to foster international economic and social development and to this end to provide a 'Code of Conduct', including information disclosure guidelines (OECD, 1979).

On a less global scale, the EU, formerly known as the European Community (EC), has been a major influence in promoting economic integration through the free movement of goods, people, and capital between countries. In order to achieve these goals, it has embarked on a major programme of harmonisation, including measures to co-ordinate the company law, accounting, taxation, capital market and monetary systems in the EU (Radebaugh and Gray, 1993).

The regulatory systems devised by the IASC and the EU are more comprehensive than those developed by the OECD. The OECD is mainly concerned with the disclosure of information in industrialised countries or by multinational companies. The IASC and EU systems deal with measurement as well as disclosure issues, relate to more areas of accounting, and affect more types of companies. However, these two systems are implemented in different ways. The IASC is an international private organisation, whose members are professional accountancy bodies from various countries. Since IASC is an international private organisation, it has no disciplinary power over its worldwide members to comply with the International Accounting Standards (IASs), unlike the national professional bodies, which may enforce compliance with the national standards. The EU, on the other hand, has no problems of enforcement, because the requirements of the EU are inserted into the national legislation of member states.

Given the differences in their objectives, regulatory system, coverage, and the degree of compliance it would be important to recommend to these three organisations, regulation on the disclosure of information relating to directors' behaviour. This is in order to provide a wider coverage of companies and countries with the recommended regulation/standard.

There were many studies on accounting regulation carried out previously, drawing on many different theories and hypotheses to argue the case for and against regulation. However, little academic research has been carried out to provide research results on accounting regulation to help policy makers or standard setters. One reason for this perhaps is the fear that the policy makers or standard setters in their process of promulgating regulations or standards do not use the academic research results. This fear is however reduced following the suggestion made by Swieringa (1998) that research results are important in providing general background, specific alternatives, and justification for choices for the policy makers in promulgating regulations or standards. According to Swieringa (1998, p. 34), 'policy makers are consumers of research information. They are incredible information processing machines. They process information about what is happening, what was done before and how it worked, analyses of alternative courses of action, and ideas about what might be done. Research information alters or confirms their beliefs and helps them accomplish their mission and follow their precepts. Research information can help shape perceptions, examine assertions, assess consequences, and determine the extent of agreement about existing and proposed accounting policies'.

However, Swieringa (1998, p. 34) reminds us that 'in a world of influence attempts and opportunism, research information competes for attention with other information and vested interests'. Another problem Swieringa (1998) raised is concerned with the view that the policy makers and researchers need to understand better each other's perspective about the role of accounting information. According to Swieringa (1998, p. 45) 'policy makers tend to approach the usefulness of accounting information by adopting a measurement perspective that focuses on the primary characteristics of relevance and reliability, the qualities of comparability and consistency, the elements of financial statements, and concepts of recognition and measurement. Researchers, on the other hand, increasingly approach the usefulness of accounting information by adopting an information perspective (e.g., the relation between accounting information and stock prices) or a valuation perspective (e.g., models specifying how accounting information should be translated into securities' prices)'. Due to these differences, Swieringa (1998) suggests that more needs to be done by accounting researchers to educate the policy makers about the information and valuation perspectives, the research questions addressed, and the methods used.

2.5.1. Regulatory arguments

As discussed in the earlier section, the principal demands information on the agent's behaviour and there are various debates on whether there should be a regulation on the disclosure of such information. The assumption made by Jensen and Meckling (1976) that the agent has incentives to incur expenditure to guarantee that he or she will not take certain actions to harm the principal's interest or that he or she will compensate the principal if he or she does, i.e. the bonding costs, is the main point to various debates between pro-regulation and anti-regulation groups. The anti-regulation group and the supporters of 'market forces' agree (e.g. Watts, 1977, Watts and Zimmerman, 1978; Leftwich, 1983) with Jensen and Meckling's view. They argue that information is disclosed in order to show the terms of the bonding contracts have been adhered to, or more directly, it is a requirement of such contracts (Watts, 1977).

However, they point out that in an agency theoretic relationship the agent possesses superior information concerning the company, and the principal cannot directly observe management behaviour (information asymmetry), which creates the problem of 'moral hazard' (discussed earlier). In order to overcome this problem, the principal may seek to ensure that the agent's objectives are congruent with those of the principal by devising incentive schemes. The opponents of regulations argued that the agent might provide information voluntarily in order to reduce the principal's reliance on incentive schemes, which may involve the agent in undesirable risk taking (Taylor and Turley, 1986). In addition, they argue in order to monitor the agent's behaviour the principal may demand information from the agent. However, since the generation of information is a costly exercise and the agent has a comparative advantage in its production, the agent will have an interest in providing such information voluntarily in order to reduce the cost of monitoring the agent-principal relationship (Watts and Zimmerman, 1978). Based on similar reasons, Watts, (1977) argues that the agent will favour an external independent audit. The audit of an agent's financial report to principals provides a signal to principals on the quality of the agent's services, and thereby helps to distinguish the superior agent from the inferior. In the absence of such audited information, it is likely that the quality of service by inferior agents would be exaggerated (Akerlof, 1970). This is supported by Ross (1979) in terms of signalling theory where information is disclosed voluntarily because of the management desire to highlight or signal their superior performance. The reason for this is that good performance will be revealed to the market reflecting their reputation and quality of management services. Good information disclosure may be one aspect of good performance.

The proponents of regulation, to which the author advocates, however have disputed these arguments. The proponents of regulation argue that information would not be voluntarily disclosed, as this contradicts the assumption in agency theory that there is a conflict of interest and information asymmetry between the agent and the principal. According to the agency theoretic view, as discussed earlier, information relating to directors' behaviour is demanded by the principal, but since in an agency relationship there is a conflict of interest and information asymmetry between agent and the principal, the agent therefore wishes not to disclose information sought by the principal. To overcome the information asymmetry problem, Walker (1989) suggests the provision of improved public information. However, in an unregulated environment, that is where information is only voluntarily disclosed, this suggestion cannot be achieved. This is because the distribution of the information is disproportionate and inequitable, thus it will increase the information asymmetry between a relatively well-informed agent and a relatively badly informed principal, rather than overcome the agency problem. Information asymmetries can be expected to remain since it is difficult for shareholders to obtain unbiased information at low cost due to executives' control over the reporting of internal information and their possession of firm and industry-specific knowledge/skills not shared by the owners or external market analysts (Ezzamel and Watson, 1997). A requirement to make such disclosure, either by law or by the standards, may be the effective solution to force the agent to disclose such information. Regulation will also increase the credibility of information disclosed and the confidence of the users (Cooper and Keim, 1983).

Apart from the above arguments, the opponents of regulation also argued that information is voluntary disclosed based on the belief that if a shareholder knows that the managers possess information, and then they will release it (Dye, 1985). Dye (1985) called this the 'disclosure principle' and is based on the adverse selection problem as discussed earlier. This principle assumes that shareholders prefer a manager who adopts policies designed to increase the market value of their shares. Since the market value of the firm before and after each management disclosure is publicly observable, in principle, a shareholder could design incentive contracts, which encourage the manager to release information, which increases the price of the firm. If the manager withholds information and the shareholder knows that the manager has the information, the shareholder will assume that the current market price of the firm overstates the firm's value. This would result in the shareholders revising downward their demands for the firm's share, which in the end would push down the price of the firm until the manager releases the information. Managers would disclose all information, good or bad, in order to prevent the price of their firms' shares from falling (Dye, 1985).

Alternatively, they argue that information is disclosed by companies to compete for scarce risk capital in the market (Choi, 1973a). Disclosure of company information to the capital market would enhance a company's competitive position. Such disclosure would lower the perceived risk associated with investment in the company and thus lower its cost of capital and/or increase its market valuation. Acting in the company or shareholders' interests, management would disclose information to the point where the marginal cost of disclosure equals the marginal benefit. The opponents of regulation also argue that companies would not be able to raise capital, or would have to do so on extremely unfavourable terms, if they did not offer contractual terms (such as the provision of the supply of financial information and its audit) which would enable providers of finance to monitor performance to insure against incompetence or dishonesty by directors (Whittington, 1993).

Another argument for the voluntary disclosure of information, presented by the anti-regulation group, is based on the revelation principle (Myerson, 1979; Harris and Townsend, 1981; and Dye, 1985). According to Dye (1985) this principle assume that any contracts can be rewritten in a way which induces full revelation of all private information held by the parties to it without affecting the payments they receive.

A sceptic may criticise the imposition of regulation on the disclosure of information on the grounds that such uniformity will impair shareholder welfare. This is because all companies are different, and some of the required disclosure will be useless and/or irrelevant or dyfunctional (Benston, 1982).

The proponents of regulation, however, argue that the disclosure of information without the intervention of government regulation is inefficient and unfair (Cooper and Keim, 1983). They argue that regulations take up almost every aspect of our life. For example, a government imposes laws and statutes on its citizens, affecting how they conduct their businesses, pay their taxes, buy their houses, report the births of their children, etc. According to Taylor and Turley (1986, p. 6) ‘a market system can only operate where there is a set of clearly defined rules to govern the way in which market transactions take place’. Without clearly defined rules or in an unregulated market system, insufficient information is produced. This is because an unregulated market system will not be able to achieve competitive price equilibrium for accounting information. The information, which is produced, may be false or misleading and heterogeneous. The provision of voluntary heterogeneous information will be sub-optimal for investors who cannot share information, or are unable to process the information, which they receive (Aivazian and Callen, 1983). Furthermore they argue that, in the past, the production of audited financial information in the absence of regulation did not prevent corporate frauds or indicate company failures. They also argue that previous studies on voluntary disclosure have mixed results. For example, Dye (1983), Jung and Kwong (1988) and Verrecchia (1990) demonstrate that information is voluntarily disclosed, whereas Penno (1997) found that voluntary disclosure of information is not generally true.

The proponents of regulation pointed out that insufficient information being produced could result from several factors. The company may be a monopoly supplier of information about itself. Therefore, it can restrict the disclosure of accounting information about itself, without unduly affecting its competitive position for risk capital with another company or it can charge a high price for such information (Cooper and Keim, 1983).

Another important factor for the information not being sufficiently produced is because of the alleged 'public good' nature of the information (Gonedes and Dupuch, 1974). The availability of a public good to one person will result in others getting the same good equally without incurring any costs. The producers of the goods are unable to eliminate consumption of the goods without payment. Even though the goods are consumed for free, the amount and quality are the same for those who pay for them. Therefore, the goods are not produced because the producers cannot charge all consumers for their consumption and those who do not pay (free riders) will not demand the goods because they know that they can enjoy the benefits without incurring any costs.

Another reason put forward by the pro-regulation group for the insufficient production of information is to avoid lengthy litigation by the users to enforce their rights. To avoid the underproduction of information many countries have refined regulations to protect against litigation abuse in the form of 'safe harbours' for management and directors' actions, as well as safe harbours for the disclosure of information (OECD, 1998). Briefly, safe harbour provisions offer protection from legal liability for specified management/directors' actions and voluntary information that is made. The safe harbour operates by requiring plaintiffs to show that the actions and information lacked a reasonable basis in fact and were not made in good faith (Skinner, 1995).

The costs and competitive disadvantage of information disclosure are also factors that hinder the disclosure of information (Radebaugh and Gray, 1993). There are costs directly associated with voluntary disclosure such as data collection, processing, production and auditing costs (Gray and Roberts, 1986). Companies might produce uniform accounting information if the benefits of doing so, e.g. a reduction in the cost of capital, out-weighted the costs. However, there may be no allocation of gains among firms resulting from the overall uniform accounting system that satisfies both individual and group rationality (Aivazian and Callen, 1983). This problem is intensified by the existence of transaction costs. Moreover, if firms outside the coalition benefit from the uniform system without participation, there is no incentive for them to produce the information voluntarily.

Competitive disadvantage, that is the use of additional information by competitors to the detriment of the corporation disclosing the information, is the most frequently cited objection to increasing disclosure requirements (Radebaugh and Gray, 1993). Competitive disadvantage is an indirect cost, that is disclosure could encourage competitors and reduces the company's ability to generate cash flows expected from inventive and innovative activities (Gray and Roberts, 1986). Therefore the producers of information would object to the disclosure of information unless law or standards impose it on them.

On a different stance the opponents of regulation argue that the various controlling mechanisms are sufficient to monitor and discipline the agent, and align the agent's interest with those of the principal, and therefore additional regulation on the disclosure of information on the agent's behaviour is not important. Examples of controlling mechanisms suggested by this group that can monitor, discipline and align the agent's interest with those of the principal are: a firm's board of directors, large shareholders, compensation contracts, regulatory agencies, proxy fights and hostile takeovers.

The anti-regulation group argue that the board of directors, which is elected by the shareholders, can monitor management at a closer level than the dispersed shareholders can achieve. By monitoring management, the board guards against fraud, waste of assets, under-performance and, more generally, the agency problem (OECD, 1998). The pro-regulation group criticised this argument. They argue that monitoring the agent internally by the board of directors will result in another agency conflict, i.e., between the shareholders and the board of directors. This conflict arises because the directors on the board are agents of the shareholders; furthermore the directors' independence is questionable. This is because the chief executive officer (CEO) and other senior officers of the firm usually sit on the board and often the CEO is the chairman of the board. Specific board structures and practices may assist in promoting independence, such as having a quantitative majority of directors who are not affiliated with management (outside directors), and appointing a non-executive director as board chairman (OECD, 1998). However, the unscrupulous dominant personalities among executive directors could still choose non-executive directors who were not fully independent (Collier, 1997). To minimise the agency problem between the shareholders and the board of directors and to ensure that the independence of the directors are in place, information on the board structures, composition of the board, company transactions with the directors, etc., should be disclosed to the shareholders.

Large shareholders, the opponents of regulation argue, can monitor the agent by exercising their voting rights and participating in the annual general meetings. The large size shareholdings may justify a more assertive use of the voting rights, as the break-even point of fixed-cost/variable-benefit trade-offs will shift (OECD, 1998). The anti-regulation group argues that large shareholders can monitor the directors by exercising their voting rights and participating in annual general meetings. In criticising this, the pro-regulation group pointed out that many shareholders do not make use of their voting rights. For example, Mallin

(1997) in a survey of the top 250 companies, finds that, on average, institutional shareholders' voting level is only 35%. This is partly because the costs of monitoring corporate performance accrue only to the shareholders who are engaged in the monitoring, while the benefits are shared by the entire shareholders' base, that is, the 'free-riders' problem (Grossman and Hart, 1980). The Business Sector Advisory Group on Corporate Governance Report to the OECD (1998) suggests that the large size shareholdings may justify a more assertive use of the voting rights (as the break-even point of fixed-cost/variable-benefit trade-offs will shift). However, many large shareholders or fund managers still have strong incentives to avoid the costs related to more active participation. To encourage shareholders to vote, and participate in annual meetings, detailed information of the directors' activities, in addition to the normal financial information, should be disclosed to the shareholders. Information, such as the directors' profile, qualifications, experiences, ages, other directorships, a committee responsible for nominating the directors, etc., will inform the shareholders of the kind of persons to whom they have entrusted their funds.

A suitably designed compensation contract is claimed to be able to reduce the conflict of interest between the agent and the principal, since it is tied to performance measures of the firm (Lippert and Moore, 1995). Compensation in terms of ordinary shares will increase the equity ownership of the agent in the company. Jensen and Meckling (1976) argue that as the agent's ownership claim falls, his or her fractional claim on the outcomes falls, which will tend to encourage him or her to appropriate larger amounts of the corporate resources in the form of perquisites and his or her incentive to devote a significant effort to creative activities such as searching out new profitable ventures falls. Therefore, the establishment of incentive compensation such as share options schemes, which will increase the ownership of the agent, would align the agent's interest with those of the principal. This point is being criticised by the proponents of regulation by arguing that, since the compensation contracts of the directors are determined by a board committee (remuneration committee), usually comprising of executive and non-executive directors, their independence is questionable. This is because this committee is setting the compensations of their colleagues. Even though there are non-executive directors in the committee, they are usually selected from the executive directors of other organisations. Possibly as a result of this the Greenbury Report (1995) recommended the full disclosure of directors' emoluments and a remuneration committee report in the companies annual reports.

The anti-regulation group also suggests that the regulatory agencies, such as the Stock Exchange can monitor the agent's behaviour, and hence the reliance on information disclosure to monitor the agent is reduced. For example, Lippert and Moore (1995) and Crawford et al (1995) suggest that the regulatory agency is able to monitor the agent's performance; therefore the need for bonding is reduced. In attacking this, the proponents of regulation argue that not all companies are listed; therefore not all companies can be monitored by the Stock Exchange. Furthermore the Stock Exchanges have their Listing Rules, which include the disclosure requirement of certain items. For example, the London Stock Exchange incorporated in their Listing Rules the Cadbury and Greenbury's recommendations on the disclosure of information (Hampel Report, 1998).

The proxy fights and hostile takeovers are said to be able to discipline the agent. Hence, the actual monitoring by the principal is reduced and so there is less demand for information by the principal on the agent's behaviour. Proxy fights are a process whereby the under-performing board of directors is replaced. The standard way proxy fights are conducted is when a dissident shareholder puts up a list of candidates to stand against the directors' list, and tries to persuade other shareholders to support his or her candidates (Hart, 1995). Hostile takeovers can discipline directors, when the 'raider' buys all the shares of the not-properly-managed company and installs new management (Hart, 1995).

Both proxy fights and hostile takeovers as a controlling mechanism were criticised by the pro-regulation group. They argue proxy fights are not a powerful tool to monitor directors for several reasons, such as free-rider problems (discussed above) and also the shareholders may have little incentive to think much about whom to vote for, since their vote is unlikely to make a difference. Usually the shareholder will vote for the incumbent directors on the grounds that 'the devil you know is better than the devil you don't' and company law often allows the incumbent directors to use company funds to promote themselves (Hart, 1995).

They also argue that hostile takeovers are not without their drawbacks. Firstly, there are free-rider problems, i.e. the minority shareholders who believe that their decisions are unlikely to affect the success of the bid and have an incentive not to tender to the raider, since they may be able to obtain a pro-rata fraction of the capital gain by holding on themselves (Hart, 1995). A second drawback with a takeover as a monitoring device is that the raider may face competition from other bidders as well as from minority shareholders to take over the company, whereby it may increase the price of the company. This will reduce the raider's profit or even create a loss, which will discourage the takeover process.

At the extreme end, the anti-regulation group argues that information on the agent's behaviour is not necessary, as agency costs are driven to zero by market forces within and external to the firm (Fama, 1980). Fama (1980) suggests that a form of full ex-post settling up occurs which penalises the agent who deviates from maximising the principal's wealth, and thus the agent is motivated to act in the interest of the principal. Fama (1980) further argues that according to portfolio theory the principal has no special interest in personally overseeing the detailed activities of any firm, since his or her optimal portfolio is likely to be diversified across the shares of many firms.

The pro-regulation group argues that, if the market forces can resolve the agency issues, why have they not done so? Why were there so many company failures, business frauds, creative accounting, and the rapid increase in directors' pay, etc.? They also argue that the debate on market forces, such as that concerning the capital market and the managerial labour markets, to monitor the directors is inconclusive. This is illustrated by the formation of various corporate governance committees at national and international level (discussed earlier) to overcome the agency problems. In most cases 'transparency' is the buzzword of the reports, guidelines, codes of "best practice" and standards of the various national and international bodies. Barely a section or chapter goes without reference to it. For example, the report to the OECD by the Business Sector Advisory Group on Corporate Governance has allocated a chapter, (i.e., chapter 4 of the report), to discuss the disclosure of information in protecting shareholder rights. The report of the Business Sector Advisory Group on Corporate Governance to the OECD (1998) suggests that for the private sector, and specifically the public traded corporations to flourish, policy makers and regulators need to shape a corporate governance environment, which involves protecting the integrity and efficiency of capital markets (thus promoting confidence), by protecting shareholder rights and providing for the disclosure of information. Disclosure is an especially important and efficient means of protecting shareholders. Adequate and timely information enables the shareholders to make a considered judgement about the quality of management and whether or not to use their ownership influence to seek a change in management behaviour (OECD, 1998).

Even though Fama (1980) suggests that in portfolio theory the principal has no special interest in personally overseeing the detailed activities of any firm, the proponents of regulation suggest that disclosure of information can deter the agent from pursuing activities that are not desired by the principals. Quoting the remarks made by Dean Mundheim at the opening session of the Paris Colloquium on Corporate Governance (Paris Colloquium, 1984, p. 205): 'Disclosure, however, also has a very direct impact on corporate conduct. Many years ago Justice Brandeis characterised sunlight as the best disinfectant: people are often prepared to forgo certain activities if they must disclose those activities to the public. I imagine that all of us who have counselled corporate clients that a particular transaction must be disclosed have gotten the reaction: "Well, in that case, let us not do the transaction.'

From the above arguments the author supports the views of the proponents of regulation, and suggests there should be regulations or standards on the disclosure of information relating to directors' behaviour. However in an international setting, which is the focus of this study, the regulations and standards differ from one country to another. This is due to the differences in financial reporting systems in which they operate. The classification of the financial reporting systems is presented in the section below.

2.6. Classification of financial reporting systems

Research on classification of financial reporting systems has been voluminous and varied, drawing on many different theories and hypotheses to group countries according to the common elements and distinctive characteristics of their financial reporting systems. Groups are identified either on the basis of judgement (Muller, 1967), or by the use of statistical techniques such as factor analysis (Da Costa et al, 1978; Frank, 1979; Nair and Frank, 1980), or by a mixture of judgement and statistics (Nobes, 1983; Doupnik and Salter, 1993).

The most common approach of financial reporting systems classification is either based on measuring characteristics other than accounting practices or based on measurements of the accounting practices themselves. According to Nobes (2000) the first approach of classification may be called 'extrinsic' (Muller, 1967; AAA, 1977; Puxty et al, 1987;Gray, 1988; Shoenthal, 1989) and the second may be called 'intrinsic' (Da Costa et al, 1978; Frank, 1979; Nair and Frank, 1980; Nobes 1983, Doupnik and Salter, 1993).

In this study the classification by Nobes (1983) is taken as the framework to determine the differences on the disclosure of information relating to directors' behaviour in different countries. Nobes's classification is adopted in this study because the classifications by the other researchers were 'extrinsic' in nature and/or did not fulfil the properties necessary in classification. According to AAA (1977, p 77- 78) there are four properties necessary in a classification. Firstly, the characteristics of classification should be adhered to consistently. Secondly, a good classification will potentially contain sufficient subsets to exhaust a given universe. Thirdly, all subsets will be mutually exclusive in such a way that no element may fall into more than one of them. Lastly, hierarchical integrity should be observed.

Another problem with the other researchers' classifications is the lack of reliability and relevance of the data for the research problem under investigation (Radebaugh and Gray, 1993). For example, Da Costa et al (1978) and Frank (1979) produced a classification directly based on accounting practices, using the Price Waterhouse (1973) survey. Nair and Frank (1980) extended the work of Frank (1979) by using the 1973 and 1975 Price Waterhouse surveys. Doubts however have been expressed on the use of Price Waterhouse data for the purpose of classification. As pointed out by Nobes (1981), there were problems relating to the Price Waterhouse surveys with respect to (1) data errors, (2) misleading answers, (3) swamping of important questions by trivial ones, and exaggeration of differences between the United States and United Kingdom. Perhaps the fundamental weakness of the surveys was that there was some confusion between the rules (mandatory and non-mandatory) and actual practices, which are often different (Radebaugh and Gray, 1993).

As a result of the above problems, the classifications by other researchers have been criticised for (1) lack of precision in the definition of what is to be classified, (2) lack of a model with which to compare the statistical results, (3) lack of a hierarchy that would add more subtlety to the portrayal of the size of differences between countries, and (4) lack of judgement in the choice of 'important discriminating features' (Nobes, 2000).

2.6.1. Nobes's classification

In an attempt to overcome the above problems and to fulfil the properties necessary in classifications, in 1983, Nobes suggested a classification system as shown in Figure 2.1. Nobes (1983) defined the purpose of his research as the classification of countries by the financial reporting practises of their public companies. The countries chosen were those of the 'developed western world' and the reporting practices were those concerned with measurement and valuation. Public companies were chosen by Nobes (1983) because it is the public companies whose financial statements are generally available and whose practices can be most easily discovered. Nobes (1983) argued that, it is the international differences in reporting between such companies that are of interest to shareholders, creditors, auditing firms, taxation authorities, management and harmonising agencies (such as the IASC or the EC Commission). Nobes (1983) chose measurement and valuation practices because these determine the size of the figures for profit, capital, total assets, liquidity and so on. Furthermore, Nair and Frank (1980) point out that is useful to separate measurement from disclosure practices.

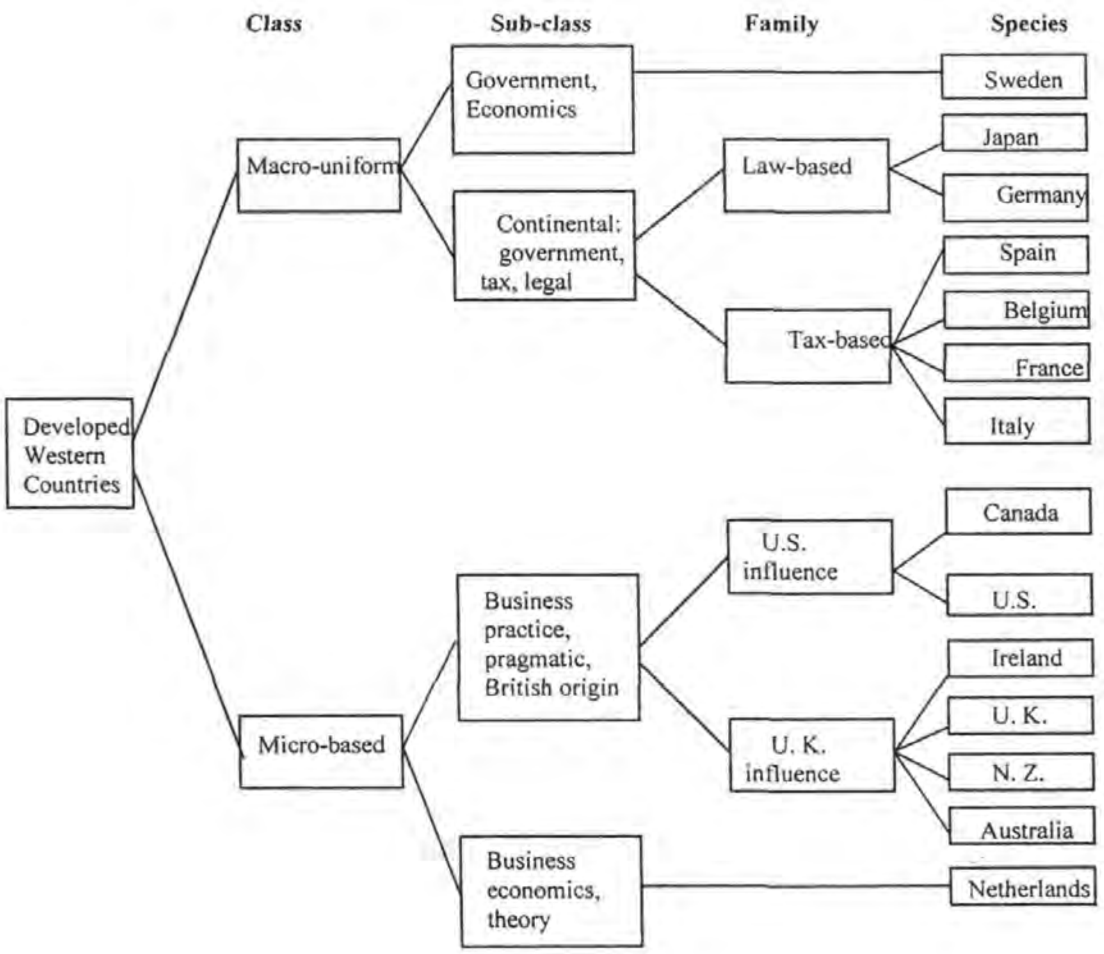

Figure 2. 1
A Hypothetical Classification of Financial Reporting Measurement Practices in Developed Western Countries.

(Source: Nobes (1983), A Judgmental International Classification of Financial Reporting Practices, Journal of Business. Finance and Accounting, Spring, p. 7).

The Nobes's classification system shown in Figure 2.1 was tested by means of a judgemental analysis of measurement and valuation-reporting practices in 14 developed countries. A structural approach to accounting practices was used whereby major features were assessed such as the importance of tax rules, the use of prudent/conservative valuation procedure, the making of replacement cost adjustments, and so on (see Exhibit 2.1). Nine factors were identified as likely to predict which countries would be grouped together. Nobes then scored these factors based on questionnaires and personal judgement. Apart from personal judgement, Nobes also used statistical analysis to support his classification.

1. Type of users of the published accounts of the listed companies
2. Degree to which law or standards prescribe in detail and exclude judgement
3. Importance of tax rules in measurement
4. Conservatism/prudence (e.g., valuation of buildings, stock, debtors)
5. Strictness of application of historic cost (in the historic cost accounts)
6. Susceptibility to replacement cost adjustments in main or supplementary accounts
7. Consolidation practices
8. Ability to be generous with provisions (as opposed to reserves) and to smooth income
9. Uniformity between companies in application of rules

Exhibit 2.1
Factors for Differentiation of Accounting Systems

(Source: Nobes (1983), A Judgmental International Classification of Financial Reporting Practices, Journal of Business Finance and Accounting, Spring, p. 8).

Nobes's classification in Figure 2.1 contains a hierarchy that borrows its label from biology. The classification not only shows which countries are in different categories, but also how close or distant these categories are. For example, Australian accounting, as a member of the UK 'family', is closer to UK accounting than it is to either Canadian or US accounting. However, it is closer to these two than it is to Dutch accounting, by the 'subclasses' involved; but closer to Dutch accounting than French and German accounting, which are entirely different 'classes'.

The micro-based and macro-uniform 'classes' in the Nobes's classification roughly correspond to the two types of legal systems, i.e., common and code law (Choi et al, 1999). Accounting in common law countries is sometimes called non-legalistic or Anglo-Saxon and accounting in code law countries is commonly referred to as legalistic (Choi et al, 1999). According to Choi et al (1999), common law develops on a case-by-case basis with no preconceived design and no attempt to cover all cases in an all-encompassing code. The origin of common law is English case law. In common law countries, accounting rules are not incorporated into statute law; instead, they are established by professional organisations working in the private sector. This permits them to be more adaptive and innovative. On the other hand, the code law is based primarily on Roman law and, subsequently, the Code Napoleon (Choi et al, 1999). In code law countries, compliance with the letter of the law is expected. Codification of accounting standards and procedures appears natural and appropriate in these countries. Thus, accounting rules are incorporated into national laws and they tend to be highly prescriptive and procedural.

Although the methodology used by Nobes fulfilled the necessary properties of classification, his classification is now historical. Part of the problem here is that the date of Nobes's classification was 1980, before the enactment in EU countries of the fourth Directive on Company Law. Directives, which must be incorporated into the laws of the EU member states, are the instruments used to harmonise company law and accounting (Nobes, 2000). The company law Directives of most relevance to accounting is the fourth Directive (i.e. formats and rules of accounting) (Nobes, 2000). Since 9 out of 14 countries classified by Nobes are member of EU, there is a tendency that there is no difference in the financial reporting practices in those countries after the implementation of accounting Directives as laws.

Despite being historical, research studies carried out by Doupnik and Salter (1993, 1995) to test the Nobes's classification provide a large degree of support for the classification, particularly for the initial two-class split.

Another criticism with Nobes' classification is that it is not really evolutionary, although its analogies with biology and use of labels such as 'species' suggest this, and also the objects being classified appear to be countries, which seems misleading (Roberts, 1995).

In order to reduce this problem, in this study the countries selected were based on the 'family' and 'sub-class' and not the 'species' of the Nobes's classification. The selection of countries is discussed in Chapter 5.

2.7. Summary

There are wide divergent views on the nature of and the constitution of corporate governance, but the key elements are concerned with supervision or monitoring and accountability. The need for supervision and accountability arises because of the separation of ownership from control, which is the main characteristic of an agency relationship. Addressing problems in agency theory will therefore directly address the issues of corporate governance.

Agency theory is concerned with the relationship between the agent and the principal. The problems in an agency relationship arise because of conflict of interest and information asymmetry between the agent and the principal. To overcome these problems the opponents of regulation argue that one party to the conflict is willing to incur monitoring and bonding costs (agency costs). They argue that the agents are willing to provide information about them voluntarily. There are also other controlling mechanisms and market forces suggested by the opponents of regulation that can overcome these agency problems, and as such they argue that regulation on the disclosure of information is unnecessary.

However, the proponents of regulation argue that information would not be voluntarily disclosed, as this contradicts the main argument in agency theory. They argue that the information markets will not function efficiently and fairly without regulation. Several factors have been presented by the pro regulation group to provide support for regulation on the disclosure of information, such as the alleged 'public good' nature of the information. They also criticise the controlling mechanisms and market forces as tools to monitor the directors' behaviour, by arguing the various drawbacks of the mechanisms and the market forces.

After analysing the debates between the opponents and proponents of regulation, the author agrees and supports the arguments of the proponents of regulation, and therefore suggests that there should be a regulation on the disclosure of information relating to directors' behaviour in the annual reports of companies.

However, accounting regulations and standards differ from country to country due to the differences in the financial reporting systems in which they operate. There are many research studies on classification of financial reporting systems. However, due to several weaknesses of the classification's methodology adopted by the other researchers, in this study the classification by Nobes is taken as the framework.

Since the focus of this study is on the disclosure of information in an international setting, the regulatory requirements of each of the countries used in this study is set out and discussed in the next chapter.

Chapter 3

Regulatory Requirements

3.1. Introduction

Agency theory and regulations have been reviewed in the previous chapter. It has also been proposed in the previous chapter that the Nobes's classification is taken as the framework of this study. This chapter thus, discusses the regulatory requirements of the sample countries selected from the Nobes's classification. The selection of the sample countries is discussed in Chapter 5.

In section 3.2, the regulatory requirements of the United Kingdom are discussed, followed by the Netherlands, Canada, France, Germany, and Sweden in section 3.3, 3.4, 3.5, 3.6, and 3.7 respectively. Finally, section 3.8 summarised the chapter.

3.2. The United Kingdom

The regulatory requirements of the United Kingdom have been summarised before (e.g. Coopers and Lybrand, (1993); Radebaugh and Gray, (1993); Gordon and Gray, (1994); Mumford, (1995); Chooi et al (1999); Hopwood and Vieten

(1999); Parker, (2000a)). The discussion in this section draws from these references.

The United Kingdom of Great Britain and Northern Ireland is comprised of four countries of England, Scotland, Wales, and Northern Ireland. Even though the United Kingdom has an integrated system of laws, monetary and fiscal policies, and social rules and regulations, important individual differences remain among the four countries. The term Britain is often used for United Kingdom. 'British', 'Anglo', and 'Anglo-Saxon' are often used interchangeably to describe accounting in the United Kingdom.

Accounting in the United Kingdom developed as an independent discipline, pragmatically responding to the needs and practices of business. The major direct influences on UK corporate financial reporting are the company law and professional accountants. The stock exchanges do have a significant influence on accounting practices, but they do not dominate the process of accounting regulation.

3.2.1. Company Law

Britain has no written constitution. The law itself comprises three elements, i.e., (1) those statutes that have been passed by government, (2) the decisions of the courts, either specifically on the matter decided or, with lesser authority, as a matter merely discussed by the court by way of *obiter dicta* not involving a final decision, and (3) a body of 'common law', which is deemed to exist and to be capable of recognition by the courts, even though it has not yet been stated orally or in writing. The regulations governing registered companies in the UK are largely found in the Companies Acts.

United Kingdom was the first country in the world to have Companies Acts containing accounting provisions. Company law has always been 'the most direct and unequivocal influence on financial reporting' in the UK. The Joint Stock Companies Act of 1844 was the first company legislation passed. The UK Companies Act 1985, which consolidated all previous extant Companies Acts (i.e. Companies Acts 1948, 1967, 1976, 1980 and 1981) and is amended by the latest Companies Act, passed in 1989 to recognise the EU Seventh Directive. The requirements of the UK Act apply to all British limited companies, except those few incorporated by royal charter or special Act of Parliament. There are, however, important exemptions for small and medium-sized companies.

The basic requirements of the Act are that all companies shall prepared a balance sheet and a profit and loss account that each comply with the detailed requirements of Schedule(s) 4 and, if appropriate, 4A (the latter applying only to group accounts). While company law did in fact incorporate specific requirements, these were mainly concerned with disclosure, thus leaving matters of accounting treatment to the judgement of the profession. This flexible approach is still preserved in the legal requirement that company accounts must show a 'true and fair view' of a company's results and financial position. This is a principle that overrides the detailed requirement of the law, and accounting standards for that matter, to the extent that additional or, in exceptional circumstances, alternative information should be provided.

Even though the Company Act incorporate specific requirements, the existence of accounting standards (discussed below) in the UK is recognised in Section 256 of the 1985 Act, as amended by Section 19 of the 1989 Act. This Section also empowers the relevant minister to prescribe regulations to recognise standard-setting bodies.

3.2.2. Accounting Profession and Standards

Britain was the first country in the world to develop an accountancy profession, as that would now be recognised. The first professional body was established in Scotland in 1854. Currently there are six major professional bodies of accountants, with a total membership of over 200,000 (this total includes some double counting, as individuals may belong to more than one body). The bodies are: the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), the Institute of Chartered Accountants in Ireland (ICAI), the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA), and the Chartered Institute of Public Finance and Accountancy

(CIPFA). The six accountancy bodies are linked through the Consultative Committee of Accountancy Bodies (CCAB), formed in 1974. The CCAB was formed after an attempt to unite the different bodies failed in 1971.

The ICAEW, ICAS, ICAI and ACCA have members engaged in all principal areas of accounting in the private sector. A significant proportion of members are in public practice, either as principals or staff of accounting firms, but many members are employed in commerce and industry. The members of the other two bodies i.e. the CIMA and CIPFA cannot act as auditors. The CIMA particularly caters for accountants engaged in management accounting in commerce and industry, whereas, members of CIPFA are predominantly employed in local and central government.

The influence of accounting profession on the accounting regulation is of long standing. Professional accountants were influential members of various company law amendment committees. For example, the concept of 'true and fair view' discussed earlier, was first suggested by representative of the ICAEW. The standard setting in UK were also originated from the ICAEW's Recommendations on Accounting Principles, which were issued from 1942 to 1969. In 1970, as a results of criticisms of the accounting standards used in the preparation of company accounts and governmental pressures, the ICAEW set up its own self-regulatory organization, the Accounting Standards Steering Committee (ASSC). This committee was subsequently renamed as the Accounting Standards Committee (ASC), and joined by other five professional accountancy bodies. The ASC promulgated what were called the Statements of Standard Accounting Practice (SSAPs). The role of the ASC was confined to developing SSAPs with adoption and enforcement remaining the responsibility of the six professional bodies.

However, due to dissatisfaction with the standard-setting arrangement of the ASC and the preference to the US-style SEC as reported by the Dearing Committee, in 1990, an independent Accounting Standards Board (ASB) was set up. Unlike the ASC, the ASB has power to issue accounting standards on its own authority. The ASB's standards are termed Financial Reporting Standards (FRSs). The ASB also adopted the existing SSAPs of the ASC and remain in force until replaced by FRS.

Apart from ASB, two new bodies were set up in 1990, i.e., the Financial Reporting Review Panel and the Urgent Issues Task Force (UITF). The task of the Financial Review Panel is to examine material departures by companies from a true and fair view that are brought to its attention. The role of the UITF, on the other hand, is to assist the ASB in areas where an accounting standard or Companies Act provision exists, but where unsatisfactory or conflicting interpretations have developed or seem likely to develop.

Financial Reporting Council (FRC) created by the 1989 Act, independent of the profession, supervises the ASB, Financial Reporting Review Panel and the UITF. Its responsibilities include the general promotion of good financial reporting, guidance on policies and ensuring the adequate funding of ASB. The FRC is also intended to act as a forum for the public advocacy of accounting standards. In this capacity it has jointly initiated and sponsored investigations of the financial aspects of corporate governance (i.e. the Cadbury Committee).

3.2.3. Stock Exchange

As mentioned earlier, the stock exchanges in the UK do have a significant influence on accounting practices, but they do not dominate the process of accounting regulation. The London Stock Exchange (renamed the International Stock Exchange of the United Kingdom and the Republic of Ireland in 1987) dates back to the second half of the seventeenth century, when financial intermediaries (brokers) began to meet, first at the Royal Exchange and then in the coffee houses in order to deal in stocks and shares. The present site of the Stock Exchange dates from 1801.

Unlike the macro-uniform class of countries (discuss in the previous chapter) that rely on banks for their financing, the UK companies rely heavily on the stock market for their long-term finance. This has resulted in a strong emphasis on published information for the use of investors. Despite this, it is not the prime responsibility of the stock market in the UK to protect the interests of the investors. The financial markets in UK are largely self-regulating. The London Stock Exchange, like most of the other markets, is constituted as a private body run by its own membership. The government on the other hand takes a close interest in the operations of financial markets; this is mainly channelled through the Bank of England, which as the government's banker has a special responsibility for financial affairs, playing an important role informally in overseeing self-regulation.

The Stock Exchange itself takes responsibility in the UK for supervising the rules for listing securities, which include the procedures for admission to listing and continuing obligation to regulate the conduct of companies after listing. The Stock Exchange is also concerned to ensure that price-sensitive information about listed securities is made publicly available to all parties promptly, fairly and accurately. Because this clearly includes accounting information, in the case of listed companies, Stock Exchange requirements must be heeded alongside statute law and FRC regulations. Stock Exchange requirements often go beyond the others, for example, requiring corporate governance disclosure in the annual reports of listed companies relating to directors' remuneration, audit committees and internal controls, and a statement that the company is a going concern.

Although the Stock Exchange plays an important role in the regulation of listed companies, it has acquired a reputation for inactivity in enforcing accounting standards. Non-compliance with the Stock Exchange's requirement is reprimanded, and may be threatened with the withdrawal of permission to trade in the company's securities. This threat provides a strong incentive to listed companies to comply.

3.3. Canada

Unlike the UK, there are only a few summaries on regulatory requirements in Canada. This may be arises because Canada is not regarded as a vital country for harmonisation purposes (Mason 1978). Although it is not regarded as vital country, it is selected as the sample country in this study because of the reasons discussed later in Chapter 5. Among the few summaries are Coopers and Lybrand (1993); Beechy (1995); Baylin et al (1996); and Nobes and Parker (2000). The discussion in this section draws from these references.

Canada covers the largest landmass of any country in the world. Although the geography is vast, the population of around 30 million is smaller than that of many European countries. Canada is divided into ten provinces. The provinces are quite powerful relative to the national government. The national legislature is made up of bicameral federal parliament, i.e., the House of Commons of 301 members elected from individual constituencies, and the Senate of 112 members appointed by the prime minister (Financial Times, 12 May 1998). The provincial legislatures are the unicameral legislative assembly of varying size in each of the ten provinces (Financial Times, 12 May 1998).

The criminal legal code is federal jurisdiction, but civil code is provincial. Each province has its own civil legal code, including laws governing business activities within the province. The civil legal codes include Corporation Acts that govern the formation and reporting of corporations within the province, and also include securities acts that govern the trading of securities within the province.

Canada's regulatory framework resembles both that of the United Kingdom (in the importance of company law) and that of the United States (in the importance of a securities commission). Although the importance of a securities commission is recognised, the division of powers under the Canadian Constitution is that there are provincial commissions rather than a federal Securities Exchange Commission (SEC) like in the United States. Even though the provinces governed the formation and reporting of corporations (discussed above), there is also federal company legislation.

According to Baylin et al (1996) the development of accounting rules in Canada developed through six phases. The first phase (1864 to 1946), the main influences were the market and traditions inherited from the United Kingdom. The second phase (1946 to 1967) saw the rise of technical expertise, while the third phase (1967 to 1973), the codification and the establishment of a permanent bureaucracy. The fourth phase (1973 to 1981), a transition from private standard setting by the Canadian Institute of Chartered Accountants (CICA) to more public rule making. The fifth phase (1981 to 1990), the opening-up of an expectations gap, and the sixth phase (1990 onwards) an improvement of the response time of the standard-setters.

3.3.1. Company Law

The earlier Companies Acts in Canada were in the British form. These Acts had little effect on disclosure by commercial and industrial corporations until the 1907 Ontario Business Corporations Act. It was this Act that the federal requirements for financial statement disclosure were based.

Corporations can be chartered under federal law or under any of the individual provincial laws. The laws governing incorporation are called Corporation Acts (Manitoba and Newfoundland), Business Corporation Acts (Canada, Ontario, Saskatchewan, and New Brunswick), or Company Acts (British Columbia, Alberta, Quebec and Nova Scotia). Most Acts require a business corporation to include one of the words 'corporation', 'incorporated', or 'limited' (or an abbreviation thereof) in its name.

The above Acts and Securities Commissions recognised the recommendations containing in the CICA handbook (discussed below). The Canadian Securities Administrators National Policy was the first to recognise the recommendations in 1972. This was followed a few years later by the Canada Business Corporation Act 1975, which transferred the requirements relating to financial statements from the body of the Act to a more easily altered Regulations Section, which requires the statements to conform to generally accepted accounting principles as set out in the CICA Handbook. These requirements were later followed by the Ontario Securities Acts 1978 and other provincial legislations.

According to Drummond and Mason (1992), in general, the Canadian legislation requires financial statements to be prepared in accordance with the standards of the CICA Handbook, which is, therefore, the major source of generally accepted accounting principles. Thus, the adoption of CICA recommendations by various legislations has granted the CICA monopoly in setting accounting standards in Canada.

3.3.2. Accounting Profession and Standards

The earliest professional accountancy bodies were formed in the provinces of Ontario and Quebec in the 1880s, followed by other provinces at the latter dates. The CICA was formed in 1902 with the role to coordinate the autonomous provincial institutes. Thus, no Chartered Accountants qualify with CICA as such. The Chartered Accountants in Canada qualify from one of the provincial institutes. Apart from the Chartered Accountant (CA), Certified General Accountant (CGA), and Certified Management Accountant (CMA) are the professional accounting designations in Canada. The CGA and CMA qualify from the Certified General Accountants Association of Canada (CGAAC) and the Society of Management Accountants in Canada respectively (SMAC).

The ten provinces in Canada regulate their own practices of accounting. In general, there are few or no restrictions on the delivery of accounting services by any accounting designations, but there are limits on the ability of the holders of certain designations to perform the attest function and sign audit opinions. For example in the province of Ontario and Quebec only the Chartered Accountants are permitted to sign audit opinions, whereas, in British Columbia and several other provinces, a holder of any of the professional designations may sign audit opinions. However, the CA firms are considered equivalent to CA or CPA firms in other countries and that have the international partnerships and linkages.

In Canada the main responsibility of accounting standard setting is in the hand of the CICA. The CGAAC and SMAC, however, have a smaller role in accounting standard setting. The CICA began issuing recommendations for good accounting practices in 1946. These recommendations were organised and codified into the CICA Handbook in 1968.

Accounting Standards Board (AcSB), a committee of the CICA, set accounting standards in Canada. AcSB was created in 1991 as the successor to the Accounting Standards Committee. The Board consists of thirteen part-time volunteer voting members who are appointed for three years each. Standards are set through a process that begins with the formation of a task force to examine a particular reporting issue. The task force discusses the basic issue under consideration and prepares a statement of principles. The statement of principles is submitted to the full AcSB for approval. A two-thirds vote is required for approval.

After the statement of principles has been approved, the task force develops specific recommendations in the form of an exposure draft, which again are submitted to the AcSB for approval. After receiving two-thirds approval, the exposure draft is issued for public comment. Following the exposure period (usually about six months), the comments received are evaluated and changes may be made to the proposed recommendations. The proposed recommendations are then submitted to the AcSB for final approval. Usually the revisions are relatively small and the proposed recommendations are submitted to the AcSB for final approval. Upon receiving the necessary two-thirds affirmative vote, the new standard is issued for insertion in the CICA Handbook.

There is no government participation in the standard-setting process, and there is rarely any political pressure. Any expressed views of the securities commissions are taken into account in setting the standards, but the standards are not subject to approval by any government or regulatory agency.

The accounting standards are issued as 'recommendations', but it is important to recognise that the recommendations are really intended as requirements. Any departure from the recommendations must be justified. Within the text of the Handbook, there are italicised and non-italicised paragraphs. The italicised paragraphs are the recommendations, while; the non-italicised are explanations, elaborations, or suggestions.

3.3.3. Stock Exchange

Toronto, Montreal, Vancouver, Alberta, and Winnipeg Stock Exchange are the five stock exchanges in Canada. Among these, Toronto Stock Exchange caters about 75 percent of the trading volume (by value), followed by Montreal another 20 percent. While Vancouver and Alberta Stock Exchange account for almost all the rest. The last stock exchange, Winnipeg, is very small and has a volume of only about 2 million Canadian dollar per year.

As mentioned in the earlier section, the securities commissions in the individual provinces govern the financial reporting requirements of public companies. Among the securities commissions in Canada, the Ontario Securities Commission is the most aggressive regulator, followed by Quebec Securities Commission. Regulation of the Vancouver Stock Exchange is more relax, and companies sometimes choose to list on the Vancouver Exchange for this reason.

The Securities commissions specify the nature of financial reporting, such as the types of financial statements to be issued, the frequency of interim reports, and the content of the Management Description and Analysis report (required by Ontario and Quebec Securities Commission). As discussed earlier, the securities commissions do not promulgate specific accounting standards, but they do enforce the CICA accounting standards.

3.4. The Netherlands

The Netherlands is a small Nordic country. The modern Netherlands is the northern part of what used to be called the Low Countries, the southern part of which comprises the modern Belgium. Although small as it is, there are many summaries on regulatory requirements in the Netherlands in international accounting literatures (e.g. Radebaugh and Gray, 1993; Hoogendoorn, 1995; Buijink and Eken, 1999; Choi et al, 1999; Parker, 2000b). This may be aroused because Netherlands is regarded as one of the six 'vital' countries for the purpose of harmonisation identified by Mason (1978). The discussion in this section draws from the above references.

There are a number of unique features of accounting practice in the Netherlands. Firstly, in the Netherlands accounting theory has strongly influence accounting practice. Accounting theorists there (especially Professor Theodore Limperg of the University of Amsterdam) had advanced the case that the users of financial statements would be given the fairest view of the performance and state of affairs of an individual company by allowing accountants to use judgement to select and present accounting figures. As a result of this, replacement value accounting is being used in the Netherlands, in order to measure the maintenance of the physical capital of the company, which is necessary for its continuity.

Another unique feature of accounting practices in the Netherlands is that the co-operation in the standard-setting process between auditors, companies and users of accounting information. In other countries accounting standard setting is the responsibility of the accounting profession or of government agencies. In the Netherlands, all the three groups must agree with a new standard before it can be published.

The existence of an accounting court is another unique feature of accounting practice in the Netherlands. An accounting court, *Ondernemingskamer* (the Enterprise Chamber), is a division of the High Court of Justice created by the Parliament. The Enterprise Chamber is responsible for administering justice in cases involving financial reporting, as well as other matters relating to the governance of companies in the Netherlands.

In the Netherlands financial reporting regulation consists of three elements, i.e. the civil code, the decisions of the Enterprise Chamber of the Amsterdam Court of Justice, and the Guidelines issued by the Council for Annual Reporting.

3.4.1. Company Law

Financial reporting regulation in the Netherlands is part of the company law. Unlike the UK, company law in the Netherlands is incorporated in the Civil Code, i.e. the Codified Roman Law system or *Jus Civille*. This is similar to other continental European countries, except that the Civil Code traditionally has not provided a detailed framework. For example, the first statutory accounting rule that was published in 1928 (Article 42 of the Civil Code) contained only some requirements for limited liability companies for preparing the asset side of the balance sheet but there were no requirements for the liabilities side, or for the income statement. This situation lasted for more than 40 years, until a radical change took place in 1970. In that year, the first Act on Financial Reporting was published and becoming effective on May 1, 1971.

The Act embodied some general rules for preparing financial statements. The main consideration that governed accounting policies in the formulation of the Act was that they should be generally acceptable (not accepted), and that financial statements should give a true and fair view. It applied to limited liability companies (*naanloze venootschap*, NV), private companies (*besloten vennotschap*, BV), cooperative associations (*cooperatie*), and mutual guarantee associations (*onderlinge waarborgmaatschappij*).

The Act was incorporated in the Dutch Civil Code in 1976 (Book 2, Title 6) with only minor changes in the requirements and was substantially amended because of the adaptation of the Dutch accounting requirements to the EU fourth and seventh Directives. The relevant legislation is now contained in Title 9, Book 2 of the Dutch Civil Code.

3.4.2. Accounting Profession and Standards

The Netherlands was one of the earliest countries to have a professional institute, i.e. in 1895. The *registeraccountants (RA), accountants-administratieconsulent (AA)* and *controllers* dominated the Dutch accounting and auditing profession. The RA (chartered accountant, certified public accountant, accountant who is enrolled in a professional register) is qualified to audit financial statements. RAs are not necessarily in public practice, but can also act as internal or governmental auditors or work in industry or education. The RA is automatically a member of the public professional body, called the *Nederlands Instituut van Registeraccountants* (Dutch Institute of Chartered Accountants).

The AA is not authorised to certify accounts, but provides other services, such as set-up and maintaining accounting records, preparing financial statements, etc. The AA is automatically a member of the Netherlands Organisation of *accountants-administratieconsulent* (NOVAA).

The *Controller* is a new profession. Although it is new, the function of controller actually has existed since the inception of company; it is only recently that a specific qualification as a chartered controller (RC) has been introduced.

The company law in the Netherlands (as mentioned above) demands that financial statements provide insight into the company's financial position and performance, in accordance with norms that are 'acceptable economically'. Guidance as to what are generally acceptable accounting principles is provided by the guidelines (*richtlijnen*; formerly *beshouwingen*, opinions) published by the Council for Annual Reporting (*Raad voor de Jaarverslaggeving (RJ),* formerly *Tripartiete Overleg*).

The professional institute in the Netherlands has never held sole or dominance responsibility for the financial accounting standard-setting process (discussed earlier). Thus as its former name, *Tripartiete Overleg* (Three Party Accounting Standard Committee), indicates, the Council is composed of representative of employers (Council of the Dutch Employers Federation), investment analysts and employees, and accountants (*Koninklijk Nederlands Instituut van Registeraccountants* (Royal Dutch Institute of Registered Accountants)).

The *RJ* is financed two-thirds by *Sociaal-Economische Raad* (Social and Economic Council, the main governmental advisory body in the Netherlands on social and economic matters) and one-third by *Koninklijk Nederlands Instituut van Registeraccountants* (Royal Dutch Institute of Registered Accountants). The authority of the Council is however less than that of the ASB in the United Kingdom.

The guidelines developed and published by the Council have a more formal character and should be regarded as authoritative pronouncements to be taken into consideration by producers of financial statements in choosing generally acceptable accounting policies and in presenting a true and fair view. The guidelines have no legislative status, i.e. companies are not obliged to follow the guidelines, nor need they state that they have been followed. Departures from the guidelines are not referred to in the auditor's report. However the guidelines may be consider as an important frame of reference by the auditor in evaluating financial statements and by the Company Division of the Court of Appeal in arriving at its decisions.

The guidelines incorporate as far as possible the accounting standards of the International Accounting Standard Committee (IASC) and those opinions of the Company Division of the Court of Appeal (and the Supreme Court) that have a general application. In many respect the Dutch accounting guidelines are of an Anglo-Saxon nature, i.e. emphasising the true and fair view, and with a dominant emphasis on 'economic substance' rather than 'legal form'. Although of an Anglo-Saxon nature, they have generally developed independently of accounting standards in the US and the UK.

3.4.3. Stock Exchange

The Amsterdam Stock Exchange (ASE) is the only stock exchange in the Netherlands. There are over 200 companies listed in the ASE, but the four major multinational companies, i.e. Akzo/Nobel, Philips, Royal Dutch Shell and Unilever, dominate dealings. These four companies account for about fifty per cent of the market capitalisation and turnover. Dutch companies raise capital both by share and loan issues on the ASE and from the commercial banks in the form of short and medium term loans.

The ASE is run by the *Vereniging voor de Effectenhandel* (Stock Exchange Association). This Association is responsible for the general policy and takes care of the interests of its members. The Ministry of Finance supervises the rule making and the performance of the Association.

Companies listed in ASE are required to disclose information in accordance with the *Fondsenreglement* (Stock Exchange Regulations) imposed by the *Vereniging voor de Effectenhandel.* These regulations go beyond Title 9 of the Civil Code (discussed earlier). For example, listed companies must published interim financial statements although these need not be audited. Companies are also required to inform the public of the developments that could have a significant influence on the prices of their stocks. In addition, companies issuing shares must publish a prospectus, which gives a *getrouw beeld* (faithful picture) of the position of the issuing company on the balance sheet date of the last financial year for which financial statements were published. The prospectus should also contain information on events of special significance that has taken place after the balance sheet date. The prospectus should specify which financial information in the prospectus has been audited and, if the auditor's report was qualified, the qualification should be included.

In relation to the contents of annual financial statements, the *Vereniging voor de Effectenhandel* does not impose any regulations in addition to Title 9 of the Civil Code. The *Vereniging voor de Effectenhandel* also does not participate in the RJ in drafting the Guidelines for Annual Reporting, except as an observer.

3.5. France

France is a republic situated on the west of the continental Europe. Like many other continental European countries, France's legal system is based on the Codified Roman Law system with a constitution, i.e. it is based on statutes rather than cases, in the legal texts and in contracts. As in the Codified Roman Law countries, company law seems to be the predominant influence on accounting in France. Based on Nobes's classification (discussed in the previous chapter), France is under the macro-uniform, government-driven, and tax-dominated class's accounting system. As the name, macro-uniform, indicates, France is the world's leading advocate of national uniform accounting or plan based accounting (standardise accounting).

As it is the world's leading advocate of national uniform accounting and a 'vital' country identified by Mason (1978), there are many literatures on French accounting regulatory requirements (e.g. Coopers and Lybrand, (1993); Radebaugh and Gray, (1993); Scheid and Walton, (1994); Scheid and Walton, (1995); Chooi et al (1999); Lande and Scheid (1999); Standish, (2000)). The discussion in the section below draws from these references.

3.5.1. Company Law

The law relating to accounting in France can be traced back to the Savary Law in 1673, during the reign of Louis XIV, that required traders to maintain daybooks of their business transactions and prepare an annual list of assets, as well as to keep copies of all letters. The Savary Law was incorporated into the *Code de Commerce* (Commercial Code) in 1807, as the French law was reorganised into the *Code Napoleon* (Napoleonic Code). The next major reform of company law was in 1867, when the *Societe Anonyme* (share-issuing company) was introduced and with it the *Commissaire aux Comptes* (profession of auditor). Various minor changes occurred to the law from this time until 1947, when the emphasis on uniformity strengthens in France. As a result of this, the standardised national code of accounting, the *Plan Comptable General*, was introduced.

This code, which was based on German ideas and developed during the German occupation of 1940- 1945, was implemented in 1947. The *Plan Comptable General* was formulated by the *Commission de Normalisation des Comptabilities*, a government appointed body. The code is the responsibility of the *Conseil Superieur de la Comptabilite*, the French National Accounting Council. The *Plan Comptable General* was intended to promote more effective national economic planning and the contents are extensive, which include a detailed Chart of Accounts, with numeric coding for all of the accounts, rules relating to valuation and profit measurement, model for financial statement presentation, and so on.

Although optional, the 1947 *Plan Comptable General* was implemented by French companies. In 1965 the tax system stipulated that companies should adhere to the *Plan Comptable General* when compiling annual tax returns. However the lack of detail in the *Plan Comptable General* presented problems in determining the figures to be reported. In respond to this, the *Conseil National de la Comptabilite,* the successor of the *Conseil Superieur de la Comptabilite*, in 1965 issued opinions to supplement the 1947 *Plan Comptable General.*

The *Plan Comptable General* was scheduled for revision in 1971but it was held up by discussions on the Fourth European Directive. As a result of this a new *Plan Comptable General* in keeping with the Directive was issued in 1982 and implemented on 1 January 1984. A law reproducing the essentials of the Directive was adopted on 30 April 1983, for implementation on 1 January 1984.

Further laws were passed in 1985 and 1986 to implement the Seventh European Directive on consolidated accounts. This marked a change in the nature of accounting standardisation in France, i.e. an issue, which had previously been optional, now became mandatory.

The acceptance of the European Directives into the French Company Law has resulted in the fact that the *Plan Comptable General* is no longer in the forefront of French accounting standardisation. Accounting laws and decrees no longer makes cross-reference to the *Plan Comptable General* and its reputation is diminishing. Because it is not mandatory, and as it has not been updated since 1982, the *Plan Comptable General* now plays only a minor role in accounting standardisations.

As mentioned above, tax system stipulated that companies should adhere to the *Plan Comptable General* when compiling annual tax returns. Thus, apart from company law and *Plan Comptable General*, taxation is a major influence on French accounting. The tax laws tend to override the accounting rules to the extent that charges deductible for tax purposes must be recorded in the accounts if the tax benefit is to be claimed.

3.5.2. Accounting Profession and Standards

The accounting profession in France is relatively small on a *per capita* population basis and lacking in status compared to the Anglo-Saxon countries. This is because, until the Second World War, companies in France were having closely controlled ownership, often within families. Furthermore, the stock exchange was less important as the channel for mobilising risk capital, with far fewer listed companies and a relatively small aggregate market capitalisation compared with the UK. The separation of the role of statutory auditor from public accounting practice also contributes to the small accounting profession in France.

The establishment of a national French accounting profession, the *Ordre des experts comptables*, took place after the Second World War, as France recognised a need for larger-scale commercial and industrial reorganisation. The formation took place the same time as the state was learning how to standardise financial accounting and reporting, as well as how to regulate auditing.

The practice of public accounting in France is reserved to members of *Ordre des experts comptables*, who might be called 'registered public accountants'. As mentioned earlier, public accountant does not embrace the role of the statutory auditor, which is controlled through a separate professional institution, the *Compagnie nationale des commissaries aux comptes*, (discussed below). The *Ordre des experts comptables* has no authority in the matter of accounting standardisation, even over its own members, the French registered public accountants. Although it has no authority, the *Ordre des experts comptables* is involved in the *Conseil National de la Comptabilite* in revising the *Plan Comptable General* (discussed earlier). Thus, it should not need to have its own separate set of statements on accounting issues. However, the *Ordre des experts comptables* has been issuing its own *Recommandations* since it set up a special committee in 1965 to advice its own members, having failed in its various requests to the *Conseil National de la Comptabilite* to take a position on several points not dealt with in the *Plan Comptable General*. The *Ordre des experts comptables* recommendations closely follow IASs as the *Ordre des experts comptables* is a member of the IASC whereas the *Conseil National de la Comptabilite* is not.

As discussed earlier the role of the statutory auditor is controlled through a separate professional institution, the *Compagnie nationale des commissaries aux comptes*. The *Compagnie nationale des commissaries aux comptes* was established by decree in 1969; to which registered public accountants (as well as those who were previously practising as auditors) could belong. The membership of *Compagnie nationale des commissaries aux comptes* is similar to that of the *Ordre des experts comptables*, since the conditions of enrolment are identical. Throughout its existence, the *Compagnie nationale des commissaries aux comptes* has developed a comprehensive set of auditing standards, which are closely modelled on those in the USA. Apart from developing auditing standards, *Compagnie nationale des commissaries aux comptes* participate indirectly in accounting standardisation by having a number of its members on the *Conseil National de la Comptabilite.*

Unlike the UK, where there are standards sets up by the professional bodies, in France there is no comparable accounting standard. This arises because the detail accounting requirements are provided in the *Plan Comptable General* and later by the law that incorporates the European Union Directives (discussed earlier). Furthermore, although the *Plan Comptable General* fits in a precise way into the structure of French company law, the document itself represents the core statement of French accounting standards.

3.5.3. Stock Exchange

The stock market in France is also relatively small compared to the stock markets in the Anglo-Saxon countries. This reflects the fact that the major sources of finance for the French companies are banks, the government, and family interest. However, more emphasis on investor interests has been given following the establishment of the *Commission des Operations de Bourse* in 1967. This is effectively the French equivalent to the US Securities and Exchange Commission. The *Commission des Operations de Bourse* is responsible for supervision of the principal stock exchange, the Paris Bourse, provincial stock exchanges and the Second Market.

The *Commission des Operations de Bourse* takes an active interest in financial accounting and reporting from the viewpoint of French public companies and in the acceptability of French annual accounts to the international capital markets. Unlike the US Securities and Exchange Commission, it has promoted developments in financial reporting by seeking the cooperation of corporations rather than through the enforcement of regulations.

3.6. **Germany**

The regulatory requirements in Germany have been summarised by many authors (e.g. Coopers and Lybrand, (1993); Radebaugh and Gray, (1993); Ordelheide and Pfaff, (1994); Ballwieser, (1995); Seckler, (1995); Chooi et al, (1999); Ordelheide, (1999); Macharzina and Langer (2000)). The discussion in this section draws from these references.

German accounting regulations and especially, German company/accounting law have only a relative brief history compared with those of other European countries. This is because Germany has seen many changes in the form of the state, ranging from centralised government to fragmentation into numerous small states.

Germany is a social democratic federal state, which, since reunification, consists of sixteen states or *Lander*. The sixteen states are Baden-Wurrtemburg, Bayern

(Bavaria), Berlin, Brandenburg, Bremen, Hamburg, Hessen (Hesse), Mecklenburg-Vorpommern, Niedersachsen (Lower Saxony), Nordrhein-Westfalen (North Rhine-Westphalia), Rheinland-Pfalz (Rhineland Palatinate), Saarland, Sachsen (Saxony), Sachsen-Anhalt, Schleswig-Holstein and Thuringen (Thuringia). The States are not simply administrative units; they have their own constitution, territory and state powers (legislative, executive and judicial).

The legal system in Germany is highly codified and prescriptive, being based on the Roman law system in contrast to the common law system in Anglo-Saxon countries. Based on Nobes's classification Germany is under the macro-uniform, government-driven, and tax-denominated class's accounting system. And similar to France, Germany is another country, which advocates uniform accounting.

There are various features of financial reporting in Germany. Firstly, under the German legal system, financial accounting and reporting are subject to detailed regulation. Another feature peculiar to German accounting is the conservative reckoning of profit in individual accounts, intended to guard against too rosy a view of net assets or net wealth. The strong influence of the prudence principle looks to the interests of creditors by minimising profits rather than making good information available.

The prudence principle and other principles of proper bookkeeping (Grundsatze ordnungsmabiger Buchfuhrung, GoB) that dominate German law tend to encourage a predisposition towards self-financing. Thus, most companies in

Germany regard self-financing and debt financing as more important than adding to the equity by increasing share capital.

Lastly, it should be reckoned that in Germany there is a close connection between commercial accounting and tax accounting. The profit stated in commercial accounts is usually the same as profit for tax purposes.

3.6.1. Company/Accounting Law

Accounting requirements were first codified comprehensively in the *Preubisches Allgemeines Landrecht* (Prussian Civil Code) of 1794, and were based on the French *Code Savary*. In 1861, as part of the process of political integration of the German states, the *Allgemeines deutsches Handelsgesetzbuch* or ADHGB (General German Commercial Code) was introduced. Under this Code every business in Germany was obliged to provide an annual inventory and balance sheet in accordance with the bookkeeping rules.

In 1870, the first *Aktiengesetz, (AktG)* (Stock Corporation Act) introduced the disclosure rules for the financial statements of that type of corporation. The Act made no attempt to set out the formats to be used for the financial statements. Since its establishment, the Act has been reformed several times between 1884 and1897, i.e. the learning phase. In 1884, the Act was amended as the result of various bankruptcies caused by excessive dividend distributions based on overvaluation. The new Act set down the foundations of a valuation system based on prudence, in which capital maintenance became mandatory. Various legal provisions were also established. It became obligatory to publish accounts, and failure to comply would result in sanctions against the management and the supervisory board.

In 1892, the *Gesellschaft mit beschrankter Haftung (GmbH)* (Limited Liability Company Act was established. Some of the obligatory rules of the Stock Corporation Act were taken over but the historical cost principle was restricted to fixed assets. The 1892 Act included specific rules for accounting and for the determination and appropriation of profit but no disclosure requirements.

The last piece of legislation during the learning phase (discussed above) was the Handelsgesetzbuch (HGB) (Commercial Code) of 1897. This Code drew up regulations for non-corporations, obliging them to follow principles of proper bookkeeping and to provide an annual inventory and balance sheet.

The last piece of legislation (Code of 1897) of the learning phase lasted for almost 40 years, without any amendments or new legislations, until the 1930s. However, as the result of failure of a number of large stock corporations in 1930s a major reform to the Stock Corporation Acts was carried out, and was enacted in 1937. The new rules of the Act included a general norm for the preparation of balance sheets and profit and loss accounts, an option to apply either the cost or the attributable value principle for fixed assets, whichever was lower, a definition of production costs, a separate special lower of cost or market principle for securities, the historical cost principle also for current assets, and an obligatory lower of cost or market value principle for current assets. The 1937 Act also set down the basic format for the balance sheet and for the profit and loss account. The German government was authorised to prescribe, without parliamentary approval, other formats for the balance sheet and for the profit and loss account, as well as to prescribe special rules both for the individual accounts of companies belonging to a group and for the group accounts. The 1937 Act also introduced a deadline for the presentation of accounts to the supervisory board and to the general assembly by the managing board. It was during this time the mandatory audit of financial statements was established.

Minor changes to the 1937 Act occurred in 1959, which dealt with the format of the accounts. Another extensive reform of the Act took place in 1965. The Act of 1965 altered the rights of determination and distribution of profits, set down new formats for the balance sheet and the profit and loss account, set down new formats for the balance sheet and the profit and loss account and for the first time established the obligation to prepare, audit and published group accounts as well as the individual accounts of all companies belonging to a group.

It can be seen from the above that all reforms after the learning phase, i.e. after 1897, concentrated on the stock corporation and, to some extent, on the limited liability company. But other forms of business, the sole proprietors and commercial partnerships, still based on the Commercial Code of 1897. It was not until 1969 that the stock corporation law was extended to large companies of other legal forms with the enactment of the *Publizitatsgesetz (PublG)* (Disclosure Act). The introduction of this Act resulted from the failure of group of large companies led by the commercial partnership.

Another change to the German accounting regulation occurred with the introduction of European Union Directives into German Law beginning in 1985. Many new rules were established, especially concerning group accounts and the notes to the accounts. However, according to Ballwieser (1995) the disclosure requirements of the Directives have been totally ignored by some 85-90 per cent of limited liability companies.

The latest accounting legislation in Germany, the *Kapitalaufnahmeerleichterungsgesetz (KAEG)*, was enacted in 1998. The purpose of this legislation was to make easier for German companies to raise capital in international capital markets. Under this law, German listed stock corporations have the choice of applying internationally accepted accounting rules (especially IAS and US-GAAP) in their group accounts. This option is available until 31 December 2004, the German Standards Committee being mandated to adapt German accounting principles to international accounting practice by this date.

3.6.2. Accounting Profession and Standards.

In Germany, professional accounting as in the UK or USA sense does not exist. Professional organisations and activities are primarily auditing oriented. Certified accountants in Germany are called *vereidigte Buchprufer (vBP)*, and certified auditors are called *Wirtschaftsprufer (WP).* However both the *vBP* and *WP* are members of the *Wirtschaftspruferkammer* (Chamber of Auditors). The difference between the two types is that, *vBPs* benefit from simplified admission and examination procedures. They are however allowed to perform only voluntary audits, as well as statutory audits of medium-sized limited liability companies. The *WP* must perform all other statutory audit.

Germany does not have financial accounting standard setting, as it is understood in Anglo-Saxon countries. Financial accounting and reporting standards in Germany are set by the legislature as a consequence of the statute law. However, as mentioned in the above section, the German Accounting Standard Committee was formed in 1998 to produce accounting standards for Germany. It is expected by the year 2004, Germany will have their standards prepared by the Committee and not by the legislature as currently being practiced.

3.6.3. Stock Exchange

The stock market is relatively small in Germany, reflecting the fact that the major sources of finance are banks together with government and family interests. Those corporations that are listed tend to be quite closely held by these interested parties. Thus, the methods of financing of German companies have resulted in a relatively low number of companies traded on the stock exchange, a relatively low equity ratio, and typically high financing via pension accruals.

Since the legal requirements are absolutely supreme in Germany, the stock exchange authorities provide only consultation in various processes of lawmaking that affect accounting and financial reporting. However, unlike the SEC in the USA, these authorities have only a modest influence on accounting lawmaking.

3.7. Sweden

The official name of Sweden is Kingdom of Sweden and it covers an area of 449,964 sq km (Financial times, 14 April 1998). It is a constitutional monarchy state with the King Carl XVI Gustaf as the head of state. However, the king plays no role in government. The legal system is based on the constitution of 1975.

Similar to Canada, there are only a few summaries on the regulatory requirements in Sweden (e.g. Coopers and Lybrand, (1993); Radebaugh and Gray, (1993); Heurlin and Peterssohn (1995); Nobes and Parker, (2000)). The discussion below draws from these references.

Based on the Nobes's classification of accounting system, discussed in the previous chapter, Sweden falls under the macro-uniform, government-driven, and tax-dominated class and within the economic control family.

Since it falls under the micro-uniform, government-driven, and tax-dominated class, similar to France and Germany, the development of accounting in Sweden has been subject to strong legal and taxation influences. However, unlike France and Germany, in Sweden there is also a tradition of involvement by the accounting profession in the standard-setting process. The influence of the stock exchange is also important in respect to accounting and disclosure by large corporation in Sweden. But in contrast to the Netherlands, the overriding influence in Sweden has been the state and committed to the use of accounting information for the purpose of macroeconomic planning and policymaking. Therefore, the tax system has been used aggressively to promote macroeconomic objectives and as such has encouraged a more conservative approach to income measurement.

In term of legal systems, Sweden does not quite fit into either the 'Roman' or the common law systems. Sweden might be said to have 'civil law', which bears a resemblance to Roman law but does not involve such extensive codification. Thus, there are no detailed accounting rules in the commercial codes or accounting plans, like in Germany or France.

3.7.1. Company/Accounting Law

The first law on limited companies in Sweden was the Royal Ordinance on limited companies of October 6, 1848. The 1848 Ordinance was clearly and strongly influence by the French *Code de Commerce*. The ordinance was quite brief, containing only fifteen clauses.

The 1848 Ordinance was replaced by the Companies Act 1895. The 1895 Act included a number of rules concerning the payment, increase and reduction of the share capital, legal reserves, distribution of profits, annual returns, audit, discharge from liability, liquidation, and damages payable by directors. Regarding its content and system, the 1895 Act seems to have been influence by German rather than French legislation.

However, the 1895 Act was not long-lived. Due to various criticisms, such as, the insufficient protection it afforded against unsound corporate activities, a new Act was enacted in 1910, which contained several new features. Similar to the 1895 Act, the German law also influenced the 1910 Act. The impact of German legislation is evidence by the preparatory work, where an account of the German law was given by far the most space.

As the result of the shortcomings in the earlier Act and the fall of the Kreuger Group in the 1930s, Sweden issued a new Company Act in 1944. In the Act, the rules regarding the forms of incorporation and publicity on incorporation were made more stringent. In addition, rules on the limitation of distribution of dividends were introduced to protect creditors. The obligation of the board of directors and managing director to submit annual reports was significantly enhanced. The board's duty of disclosure at general meetings was also enlarged.

The 1944 Act lasted for 30 years with only a few amendments. For example, new rules were introduced through an amendment to the law in 1950, in response to demands by the trade unions. However, the present Companies Act of 1975 replaced the Act 1944 because of the need of close cooperation with the other Nordic countries (Netherlands, Norway, Denmark and Finland). This resulted in largely uniform companies acts in these countries during the 1970s.

Sweden joined the EU in 1995, and implemented the fourth and seventh Directives (accounting) of the EU as laws in the same year. As in the UK and Netherlands, the implementation of the Directives has seen a substantial increase in the legal coverage of accounting. For example, the obstacle to foreign acquisitions of shares in Swedish companies have been removed, the requirements of a minimum share capital has been changed to 100,000 Swedish krona, and there will be two types of limited companies in Sweden, the private limited companies and public limited companies, with different requirements regarding the disclosure of financial information.

Apart from the Companies Act, the law governing accounting matters in Sweden is also embodied in the Accounting Act. The first Accounting Act was in 1855, followed by in 1929 and the present in 1976. Similar to the Companies Acts, every new Accounting Acts add more stringent rules. For example, the new feature of the 1976 Accounting Act is the demand for increased disclosure in the case of understatement of assets in relation to the rules of the law.

The Accounting Act requires generally accepted accounting principles to be followed, but these principles are not defined. Thus the law provides a framework rather than detailed requirements.

In summary, the Accounting Act contains general rules on the preparation of annual accounts, whereas the Companies Act contains special rules, thereby fulfilling a supplementary function in respect of accounting legislation.

3.7.2. Accounting Profession and Standards

The age and size of the professional accountancy body in Sweden are lower than those of the equivalent body in the relatively young country like Canada. This is to be expected for countries that had a Germanic tradition. However, as mentioned earlier, the professional bodies in Sweden have in recent years become involved in formal standard setting.

The *Foreningen Auktoriserade Revisorer (FAR)* is the Swedish Institute of Authorised Public Accountants. The FAR was founded in 1923 with the objective to make recommendations on accounting matters. However, when the Accounting Act 1976 was introduced, a body of experts' known as *Bokforingsnamuden, BFN* (Swedish Accounting Board) was founded for the purpose of developing generally accepted accounting principles. The *BFN*, which is a state body, has been working along side the *FAR*, focusing on accounting issues. The standard setting role of the *FAR* was taken over by the *Redovisningsradet, RR* (Swedish Financial Accounting Standards Council), which was established in 1989. The *BFN, FAR and the Sveriges Industriforbund, SI* together formed the *RR*. The *RR* is independent of the accounting profession, similar to the FASB in the United States. The function of the *RR* is to develop and issue recommendations on financial reporting of public companies.

It is noteworthy that the recommendations issued by the BFN and RR is not mandatory but advisory in the context of company law. In practice, therefore, the approach to accounting standard setting in Sweden seems to be very much consensus-oriented and somewhat flexible despite the legalistic and taxation influences at work.

3.7.3. Stock Exchange

Sweden now has fairly large equity markets, given the size of the population or economy. As at 31 December 1997, there were 245 domestic companies listed in the stock exchange with the market value of domestic equity of 160 billion pounds.

The Stockholm Stock Exchange is the only authorised sock exchange for shares in Sweden. Public companies must apply to the exchange if they wish to be listed there. The *Finansinspektionen* (Financial Supervisory Authority) stipulate the registration requirements of companies to be listed. The *Lag 1992:543 om bors-och clearingverksamhet* (Act governing stock exchange) requires listed companies to provide published information on the company's activities to enable the public to assess the price of the company's shares and information that the stock exchange considers necessary to carry out its obligations under the Act or other ordinances.

According to the rules of the listing contract entered into by all companies listed on the Stockholm Stock Exchange, the company undertakes to publish and also to send to the Stockholm Stock Exchange promptly an approved year-end release setting out all significant fact to be contained in the annual accounts.

3.8. Summary

The review of the regulatory requirements of the sample countries showed that there are differences between them. These differences also support the classification of financial reporting measurement practices by Nobes in 1983.

There are two types of legal systems being followed by the sample countries, the common law system (in UK and Canada) and the codified Roman law system (in Netherlands, France, Germany, and Sweden). In the common law system, the company law were only concerned with disclosure, and leaving other matters to the judgement of the profession. This flexibility is preserved in the law when company accounts were only required to show a 'true and fair view' of a company's results and financial position. The definition of 'true and fair view', however, is not given in the law.

In the codified Roman law countries, company law or commercial codes need to establish rules for accounting and financial reporting. For example, in Germany, company accounting is to a large extent a branch of company law. Both the nature of regulation and the type of detailed rules to be found in a country are affected. In some codified Roman law countries, *dirigisme* (centralisation and a desire to control the economy) results in the existence of an accounting plan. For example in France, the needs of the Economics Ministry, in its role as controller of the French economy, were seen to be well served by the use of accounting plans.

However, not all the codified Roman law countries have detailed accounting plan. The Netherlands, for example, does not have detail accounting plan or uniform accounting as in France and Germany. In the Netherlands accounting theory has strongly influence accounting practice. The accountants are allowed to use judgement to select and present accounting figures so as to give the fairest view of the performance and state of affairs of an individual company. Thus, the accounting practices are based on the generally acceptable accounting principles.

Although Sweden is under the codified Roman law system, there is no accounting plan or code. The laws relating to company and accounting are prescribed in the company act and accounting act.

One difference between codified Roman law and common law countries is that company in the former countries tend to restrict their disclosure to legal requirements. In the common-law countries, the basic disclosures required by law are substantial and lead to considerable uniformity. However, other disclosure required by or recommended by standards are common. This leads to a certain degree of variation.

The strength of the accounting professions and the accounting standards also differ between the sample countries. The United Kingdom, the first country to introduced professional accountancy body, lead the other sample countries with six accountancy bodies. The professional bodies of each country, without state intervention, set the accounting standards in the UK, Canada, Netherlands and Sweden. Germany and France do not have accounting standards, as it is understood in the Anglo-Saxon countries.

Stock exchanges do have do have a significant influence on accounting practices, but they do not dominate the process of accounting regulation. In the UK and the Netherlands, the stock exchange itself takes responsibility in supervising the listed companies in the respective country, whereas in Canada, the securities commissions in the individual provinces govern the financial reporting requirements of listed companies. In France, the *Commission des operations de Bourse* is responsible for the supervision of all companies listed in their stock exchanges. In Germany, since the legal requirements are absolutely supreme, the stock exchange authorities provide only consultation in various processes of lawmaking that affect accounting and financial reporting. In Sweden, listed companies are governed by *Lag 1992:543 om bors- och clearingverksamhet* (Act governing stock exchange).

Since this study is on the disclosure, in the next chapter the literatures on information disclosure will be reviewed.

Chapter 4

Information Disclosure

4.1. Introduction

In the previous chapter regulatory requirements of the sample countries were reviewed. It has been proposed in chapter 1 that problems associated with corporate governance/agency theory demand greater transparency or better information disclosure to the shareholder by the company and this is the focus of this study. Since transparency or the quality of disclosure of information relating to directors' opportunistic behaviours is the concern of this study, this chapter is intended to critically review these topics and previous disclosure studies before discussing the methodology adopted in this study in the next chapter.

The terms 'transparency', 'disclosure', and 'disclosure quality' are discussed in section 4.2. Section 4.3 reviews the works of previous researchers on information disclosure. In this section, the measurement of disclosure quality, the construction of a disclosure index, and the problems and weaknesses associated with the use of a disclosure index are discussed. Section 4.4, summarises the chapter.

4.2. Transparency, disclosure, and disclosure quality.

4.2.1. Transparency

According to the Oxford dictionary (1983), 'transparency' means 'being transparent', and transparent mean 'easily understood, of such a kind that the truth behind it is easily perceived'. To be easily understood depends on the disclosure of relevant, reliable, significant, clear and practical information about a fact or condition.

Transparency is a significant accounting value dimension that stems as much from management as it does from the accountant owing to the influence of management on the quality and quality of information disclosed to outsiders (Jaggi, 1976).

According to Radebaugh and Gray (1993) transparency is opposite of secrecy. They further added, secrecy or confidentiality in business relationships is nevertheless a fundamental accounting attitude and appears to be closely related to conservatism. Both secrecy and conservatism imply a cautious approach to corporate financial reporting.

The OECD (1998) in discussing transparency suggests that, investor confidence and market efficiency depend on the disclosure of accurate, timely information about corporate performance. The disclosed information should be clear, consistent and comparable to enables investors to make educated decisions.

The extent of transparency/secrecy appears to vary across countries with lower levels of disclosure evident in Japan and continental European countries such as France, Germany, and Switzerland, compared to the United States and United Kingdom (Barret, 1976). The differences between the countries in the level of disclosure also seem to be reinforced by the differential development of capital markets and the public ownership of shares (Watts, 1977).

Whatever definitions and explanations about transparency it comes out to mean 'better information disclosure' to the users. In the context of this study, transparency means better or quality information disclosure of directors' opportunistic behaviour.

4.2.2. Disclosure

Disclosure is the process through which an entity communicates with the outside world (Chandra, 1974). Disclosure has been defined by Kohler (1957) as 'a clear showing of a fact or condition on a balance sheet or other financial statement, in footnotes thereto, or in the audit report'. According to Choi, (1973b), these facts or conditions are 'economic information relating to a business enterprise, quantitative or otherwise, which facilitates the making of investment decisions'. However, in the context of this study, the 'facts or conditions' mentioned in the definition are information relating to directors' behaviour, quantitative or otherwise, which facilitate the monitoring or controlling of directors' actions (agency perspective). Disclosure therefore, in this study refers to the qualitative information which does not directly have any impact on the figures included in the annual reports (financial statements) but may affect the monitoring of directors' actions (for example, remuneration committee's report) and quantitative information which affects the results of the annual reports (financial statements) and the monitoring of directors' actions (for example, the amount of directors' remuneration).

In practice, disclosure of information by companies can take several forms. Normally disclosure is considered in relation to the annual reports, even though there are other forms of disclosure, such as, interim reports, 10-K reports, proxy statements, prospectuses, letters to shareholders, employee reports, summary reports and other printed material. However, only the annual report is required to be published by companies in most countries over the world. Other forms of disclosure might be compulsory in one country but not others and, as a result, most of the disclosure studies use only the annual report. The annual report is a useful source of information for decision-making and an important instrument of accountability (Muda, 1991), and controlling managers' actions (stewardship demand) (Gjesdal, 1981).

Many different criteria are available for evaluating information disclosure, such as relevance, reliability, significance, understandability and practicality of the information, but these are really just part and parcel of one overall criterion, that is, usefulness (Snavely, 1967). If information is not useful to someone, we can have little faith in its usefulness (Peasnell, 1973).

The question of what is useful is subjective and may vary with the composition and needs of the users. According to Peasnell (1973), 'usefulness to investors' is an often-quoted criterion for evaluating financial accounting reports. Shareholders are viewed as the legitimate 'public' of financial statements (Peasnell, 1973). Buzby (1974a) suggests that the selection of audience and purpose of evaluating the quality of disclosure should consider which groups and purposes exhibit the greatest use of, and dependency on, financial statements, as well as the homogeneity and information processing capabilities of competing groups. He concludes that professional financial analysts represent the best compromise. This is supported by research findings, which show that individual investors rely most heavily upon information from stockbrokers when making investment decisions (Baker and Haslem (1973) and Baker et al, (1977)). However as pointed out earlier, the focus of this study is not on information for decision making purposes, but information for monitoring the management of firms by the shareholders (agency perspective). Therefore, in the context of this study the usefulness of the information refers to the usefulness to the shareholders. However, due to the difficulty in identifying the shareholders, this study uses investment analysts as surrogates for shareholders. The reason for this is discussed in the data and methodology chapter.

To be useful, the information must have the component of quality. The quality of accounting information depends on several criteria. Choi (1981) suggests that, the disclosure of information, the choice of accounting method and the interpretation of the information are the criteria needed to be considered in determining the quality.

4.2.3. Disclosure quality

According to Verrecchia (1990, p. 365), 'disclosure quality involves the distributional characteristics of an uncertain event'. In the context of this study, 'the event' refers to the directors' affair or behaviour. Deciding on the quality of the disclosure of directors' affairs allows management to influence the level of uncertainty faced by shareholders in monitoring the directors. Disclosure policies, which reduce the quality of information, increase the scope for opportunistic behaviour (Forker, 1992). The quality of disclosure therefore influences the quality of monitoring directors' opportunistic behaviour. Less disclosure impairs control and provides scope for opportunism (Forker, 1992). Opportunism according tc Williamson (1985) refers 'to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, obfuscate or otherwise confuse'.

In order for the information to have the component of quality, firstly the information must be available in the annual reports, secondly the available information must be adequately disclosed and thirdly the available and adequately disclosed information must be important or superior to the users for their intended purposes in the accounting systems from where they came from. Thus the quality of information comprises the elements of availability, adequacy and superiority. The availability of the particular item of information in the annual reports does not necessarily mean that the item is adequately disclosed and the adequately disclosed information does not necessarily imply superiority. For example, the information on directors' remuneration can be disclosed as the total remuneration of all the directors in the annual report (availability) or the detailed remuneration of each individual director together with the comparative figures (adequacy), but this information not necessarily important to the users (superiority).

The characteristics associated with disclosure quality have been discussed by Singhvi and Desai (1971), Moore and Buzby (1972), Buzby (1974a) and Kahl and Belkaoui (1981). It is a relative matter (Singhvi and Desai, 1971) and an abstract concept that cannot be measured directly (Cooke and Wallace, 1989). Most of the previous studies measure quality in term of availability and adequacy of information produced. However there is some confusion with the adequacy element of quality in the previous studies, which used the weights assigned by the users to determine the adequacy of the information. The use of weights assigned by the users in fact determines the superiority of the information not the adequacy. In this study, the availability, adequacy and superiority of the information are considered. The methods used to measure the availability, adequacy and superiority are discussed in the section below and the methods adopted for this study are discussed in detail in the data and methodology chapter.

4.3. Disclosure studies

Studies on disclosure of information have been voluminous and varied, drawing on many different theories, hypotheses and methodologies to argue the reasons for disclosure, the case for or against mandatory/voluntary disclosure (discussed in the previous chapter), and to measure the disclosure levels in annual reports of companies. The latter is the focus of this study, i.e. to measure the extent and quality of information relating to the directors' affairs disclosed in the annual reports of companies in an international setting.

Most of the studies that measure disclosure levels attempt to investigate the association between corporate characteristics (e.g. size, leverage, profit, audit firm, liquidity, etc.) with the disclosure levels (e.g., Singhvi and Desai, 1971; Buzby, 1975; Firth, 1979; Cooke, 1989a, 1989b, 1993; Wallace et al, 1994, and Wallace and Naser, 1995) and only a relatively small number attempt to compare the disclosure levels in different countries (cross national) (e.g., Barret, 1976; and Kahl and Belkaoui, 1981). Some measure the evolution of disclosure levels over a period (e.g. Barret, 1976; Amernic and Maiocco, 1981; and Marston and Robson, 1997), while others measure disclosure levels in a single period (cross-sectional). In some studies, only voluntary information is considered (e.g., Firth, 1979; Chow and Wong-Boren, 1987; Raffournier, 1991; Hossain, et al, 1994; and Botosan, 1997), while the others include both voluntary and mandatory information (e.g. Singvi and Desai, 1971; Choi, 1973b; Barret, 1976; Cooke, 1989a, and Marston and Robson, 1997).

All the previous studies that attempt to measure the disclosure levels use the approach that the information is for an investment decision-making purpose, and not for monitoring or an agency/stewardship purpose. Although some have used agency theory in their studies (e.g., Chow and Wong-Boren, 1987; Ness and Mirza, 1991; and Hossain et al, 1994), this is limited to explaining (the reasons) why a company discloses information for decision making purposes more than that mandated or to see if selected company characteristics are able to explain the differences in disclosure scores. No research that measures disclosure levels so far has attempted to explain why a company discloses information for monitoring or an agency/stewardship purpose more than that mandated or to compare the disclosure levels of information for monitoring purposes in different countries.

In this study, the differences in disclosure levels of information relating to directors' behaviour (for monitoring purposes or from an agency perspective), both voluntary and mandatory, are compared between six western developed countries in a single period (cross-sectional).

4.3.1. Measurement of disclosure levels

Various methods of disclosure studies have been carried out previously. The most common methods used were: (1) to rank various items of information in order of their perceived importance to the producers and different users of financial statements (e.g. Baker and Haslem, 1973; Chandra, 1974; Belkaoui et al, 1977; Benjamin and Stanga, 1977; Chenhall and Juchau, 1977; Firth, 1978; Gray and Roberts, 1986; and Courtis, 1992). This method of disclosure studies simply ranks the perceptions of the users and the preparers of the financial statements, so there is no element of the extent and quality of disclosure being measured, (2) to evaluate the extent and/or quality of disclosure in the annual reports by comparing the observed disclosure with a checklist of desired information (e.g. Cerf, 1961; Singhvi, 1968; Singhvi and Desai, 1971; Choi 1973a; Buzby, 1974b and 1975; Barret, 1975 and 1976; Stanga 1976; Kahl and Belkaoui, 1981; McNally et al, 1982; Robbins and Austin, 1986; Chow and Wong-Boren, 1987; Wallace, 1988; Cooke, 1989a, 1989b, 1991, 1993; Ness and Mirza, 1991; Hossain et al, 1994; Raffournier, 1995; Ahmed, 1996; Inchausti, (1997); Patton and Zelenka, 1997; and Botosan, 1997). Such a list is usually referred to as a 'disclosure index' and has been carried out on annual reports in a single country or in an international setting.

Other methods of disclosure studies used count all the data items (e.g., Brennam, 1995), that is the number of words and numbers shown in the annual reports. This method is more objective than the disclosure index method, which may grades disclosure as excellent, average or poor (Marston and Shrives, 1991). However, measuring information disclosure by counting data items is not satisfactory because there are repetitions of certain numbers and words in annual reports. Moreover, numbers cannot be viewed in isolation as having any information content; they need to be accompanied by explanatory words (Marston and Shrives, 1991). Another method that deviates from the method of counting the words and numbers is to classify the information according to their fineness (e.g Forker, 1992). Forker (1992) did not count the words and numbers, but instead, classified the disclosure quality of share options according to the fineness of the information provided for the number of options granted, the exercise prices and the dates during which they can be exercised.

In this study the method using the disclosure index is used. This is because the method (1) does not measure the extent and quality of disclosure, which is the main objective of this study, and the method of counting all the data items is not satisfactory (as discussed above).

4.3.2. Disclosure index

Disclosure index requires the preparation of extensive lists of selected items, which may be disclosed in company reports (Marston and Shrives, 1991). It can be used to measure the extent and quality of disclosure of a company's annual reports. Items chosen for the index are likely to be a fairly small sub-set of the population of all the items that could be disclosed in the annual reports (Marston and Shrives, 1991).

The disclosure index is the most widely used method to measure the disclosure levels in the previous studies. From the review of the disclosure studies literature, Marston and Shrives (1995) identified 32 studies using a disclosure index, 13 of which had been published in the 1990s.

Previous researchers that have attempted to test theories of disclosure have often used a disclosure index. A disclosure index is used to explain the differences in the level of disclosure. Hypotheses are formulated and various tests (such as univariate and/or multivariate) are used to see if selected company characteristics are successful in explaining different disclosure scores. The selection of explanatory variables can be theory driven, in which case one or more relevant theories are identified and the model follows from the theory (Marston and Robson, 1997). The most frequently used theory in the modelling of the level of disclosure is agency theory, either alone, or in conjunction with other theories (Marston and Robson, 1997). However, not all models are explicitly theory driven, some studies use intuitive reasoning, perhaps involving an ad hoc mixture of theories, a review of the literature and common sense in order to construct their model (Marston and Robson, 1997).

In order to construct a disclosure index, that is selecting a list of items most appropriate for disclosure, most researchers have resorted to a review of the investment, financial and accounting literature or they adopt the items selected by other researchers. In addition, some other items have been included on the basis of the researchers' perceptions of information relevant to the shareholders (Kahl and Belkaoui, 1981). The resulting indices have contained anywhere between 17 (Barret, 1976 and 1977) to 224 items (Cooke, 1989a) covering financial report items and accounting methods (qualitative and quantitative information). However, the items by Cooke (1989a) were grouped into six main groups.

There are two ways in which index items were usually scored in the previous studies; an unweighted index and a weighted index. In an unweighted index (dichotomous scoring), disclosed items are scored as 1, and non-disclosed items are scored 0 (e.g. Wallace, 1988; Cooke, 1989a, 1989b, and 1991; Secord and Purwokusumo, 1993; Ahmed and Nicolls, 1994; Raffournier, 1995; Inchausti, 1997; Patton and Zelenka, 1997; and Botosan, 1997; etc.). In a weighted index, non-disclosed items are scored 0, while disclosed items carry different scores, based on their relative importance (e.g. Singhvi, 1968; Singhvi and Desai, 1971; Choi, 1973b; Buzby, 1974b and 1975; Barret, 1976 and 1977; Kahl and Belkaoui, 1981; Robbins and Austin, 1986; Chow and Wong-Boren, 1987; and Malone et al, 1993). Weights were assigned to each of the disclosure item of information in order to recognise the differences in the importance of their disclosure to the users of that information (Buzby, 1975).

Choi (1973b) used both unweighted and weighted versions of the same index to compare disclosure in two different years. Choi (1973b) found that the use of weights changed the ranking, and even the signs, of the differences in disclosure scores, but made no significant differences to his results. Robbins and Austin (1986) also showed there were no important differences in their empirical results if a simple disclosure index (unweighted) has been used instead of a compound index (weighted). This perspective is also supported by Chow and Wong-Boren (1987, p. 536), who have shown that the Pearson correlation was 0.98 ($p<0.0001$) between the unweighted and weighted index, which in a statistical sense indicates that almost identical results were obtained by using either an unweighted or a weighted index.

In the previous studies, both an unweighted and a weighted index are assumed to assess the availability of information produced, and the second (weighted index) is assumed to incorporate some measure of adequacy and superiority of information. Here is where the confusion mentioned earlier in the above section arises, that is the use of an unweighted index (dichotomous scoring) to determine the availability of the information and a weighted to determine the adequacy and superiority of the information. In fact, the dichotomous index can be modified (modified dichotomous index) to measure the adequacy as well as the availability, i.e. non-disclosed items are scored 0, while disclosed items carry different scores depending on how detailed the disclosure or the fineness of the disclosure is, similar to that adopted by Forker, (1992), but all disclosure items have the same maximum possible score (e.g. 10 points, and it should be noted that this point is not the weight). However, previous studies that have used weights, assigned a weight derived from the survey of users of information as the maximum possible score, which means that the maximum possible score for each disclosure item is not the same. In order to measure the superiority of the information disclosed, the dichotomous index and modified dichotomous index could further be weighted, i.e. by multiplying the dichotomous scores and modified dichotomous scores by the weights (based on the importance of the items to the users of the information) to arrive at a weighted dichotomous index and a weighted modified dichotomous index. This approach is similar to that adopted by Robbins and Austin (1986), which they termed the modified dichotomous index as a unidimensional (simple) index and the weighted modified dichotomous index as a compound index. However, Robbins and Austin, (1986) did not compute the dichotomous and weighted dichotomous indices

The weighted dichotomous index assesses the availability and the superiority of the disclosed information, whereas, the weighted modified dichotomous index assesses the availability, adequacy and superiority of the disclosed information. These approaches are used in this study to measure the disclosure quality, i.e. the dichotomous index, modified dichotomous index, weighted dichotomous index and weighted modified dichotomous index. This approach is discussed in detail in Chapter 5.

In attempting to assign a weight to each item, most researchers have resorted to ask financial analysts to evaluate the importance of each item. This procedure was deemed impractical in an international setting because of the difficulty of identifying such analysts (Kahl and Belkaoui, 1981). Instead, Kahl and Belkaoui (1981) asked fifteen business administration professors of the Faculty of Administration of the University of Ottawa, knowledgeable in international financial reporting, to rank each item on a scale of zero to four, with higher scores indicating greater importance. In view of the possibility that the sample of professors might not be an adequate proxy for users of bank annual reports, they sent the same questionnaire to bank financial analysts. The ranking of items by bank financial analysts was identical to that of the professors with slight but not statistically significant differences in the weights (Kahl and Belkaoui, 1981). In certain cases, researchers adopted disclosure items and weights of the earlier researchers (with modification) (e.g. Choi, 1973b; and Barret, 1976, 1977). In this study the senior investment analysts were used to weigh the disclosure items, which is discussed in detail in the next chapter.

In the previous studies, the disclosure score derived from the disclosure index has been presented in several different ways. The most popular is by totalling the number of disclosure made by different groups, which can be either an unweighted or weighted measurement, and the mean weighted scores of different groups. The highest and lowest individual company scores and the percentage of companies with zero and maximum scores were also presented. McNally et al (1982) and Wallace (1988) presented the 'consistency rating' which relates the average score for an item to its weighting.

In this study, the construction of the disclosure index is discussed in the data and methodology chapter after considering the problems and weakness of the method.

4.3.3. Problems and weaknesses of disclosure index

Even though the disclosure index has been widely used to measure the disclosure quality, it is not without it problems or weaknesses. The problems and weaknesses with a disclosure index have been thoroughly reviewed by Marston and Shrives (1991) and (1995) and by other researchers.

The common problem experienced by previous researchers using a disclosure index is with the problem in awarding scores, that is problems with a partial score and decisions as to whether a non-disclosed item was, in fact, applicable to a particular company. Various methods have been utilised to overcome these problems. For example, to overcome the problem of partial scores, Buzby (1974b, 1975) classified the disclosure items into three groups: (1) contained items which were self contained, (2) consisted of items which could be disclosed in varying degrees of specificity, and (3) items that could be expressed in terms of sub-elements of information. Group (1) items are items that could either be disclosed or not, that is, 1 point for disclosure and a 0 point for a non-disclosure. For group (2) items, the points are awarded based on the detail of the information given. In the case of earnings per shares for the next year, for example, half a point was given if the financial statements provided only a general comment and a full point for a detailed or specific comment. In granting a partial score for group (3) items, Buzby (1974b, 1975) distributed the maximum possible score (mean score used for weighting) among the sub-elements. Although the classification of the items into various groups seems to overcome the problem of a partial score, it is still subjective. For example, a half point granted for a general comment in the case of earnings per share for the next year, does not necessarily mean that the disclosure is half as good as the detailed or specific comment.

In the case of whether certain items may not be applicable to a particular company, Buzby (1974b and 1975) overcame this by selecting the items of disclosure that were relevant to all companies in the sample. However, if this is not possible, or desirable, index scores can be converted into relative scores by dividing the actual score by the maximum score possible for that company (Buzby, 1975). Since in the cases of non-disclosure it is not always clear whether the item is relevant or not, Cooke (1989) decided to read the whole of the annual report and make a suitable judgement as to whether an item was either not disclosed or not relevant to the company.

Another problem with the disclosure index concerns the selection of the items of information. Marston and Shrives (1991) point out that, since the number of items that could possibly be disclosed is very large, practical reasons dictate taking a selection of items. In selecting the items, most researchers have resorted to a review of the investment, financial and accounting literature. They argue that different user groups may view different items as being important. For example, Cooke (1989, p. 115) states that: 'clearly one class of user will attach different weights to an item than another class of user'. According to Marston and Shrives (1991,p. 201): 'information needs of different groups are likely to overlap even though the main focus may differ. For example, financial analysts will be more interested in disclosure relating to financial performance and earnings potential whereas employee groups will be more interested in disclosures relating to employment conditions, remuneration and job prospects'. It is therefore suggested that in selecting the items, the user group must be identified. Dhaliwal (1980) however argued that the items, which comprise the index, might not be correctly specified, even in the context of the investor user group, as they are based to a large extent on the perceptions of the financial analysts. Another criterion that should be considered in selecting the items is the purpose of the information. As discussed earlier, information can be used for decision-making, or for an agency/stewardship or monitoring purpose. Different purposes could lead to the selection of a different set of items.

Another problem occurs when the selection of the items is carried out cross-nationally. For example, Cooke and Wallace (1989) have criticised the use of a disclosure index in a world survey of accounts by Tonkin (1989). The criticism is based on the argument that since there is no theory of financial reporting for the international capital operator, it is, therefore, difficult to assess the relevance, to the users, of the information items evaluated in the disclosure index. Cooke and Wallace (1989) point out that unless one is aware of the needs of such a user, it would be difficult to measure the quality of information found in the annual report of any company.

Apart from the problems mentioned above there are also weaknesses of using a disclosure index. Firstly, it concerns the level of measurement that is whether it is the nominal scale, ordinal scale, the interval scale or the ratio scale. Seigel (1956) notes that in social sciences only the nominal and ordinal scale measurements are commonly achieved and suggests the use of non-parametric statistical tests. Since in the construction of a disclosure index, as mentioned earlier, it is subjective and based on the perception of certain user groups, and so it can only achieve an ordinal scale measurement. Therefore as suggested by Seigel (1956), only the non-parametric statistical tests can be used for the disclosure index measurement. Seigel (1956) also notes that the non-parametric statistical tests are less powerful than the parametric statistical tests. Therefore the statistical analysis derived from the results of a disclosure index measurement is less powerful.

Secondly, the weakness of a disclosure index is associated with the use of weights. Previous researchers assigned weights to their items of disclosure by reviewing the literature and surveying the relevant user group (see for example, Cerf, 1961, Buzby, 1974 and 1975). Cerf (1961) used integers (most probably the median) as the final weighting, whereas Buzby (1974 and 1975) used the means of the weights as the final weighting. Marston and Shrives (1991) notes that, if there is a large number of items in the index one might expect that the weighted and unweighted scores would give the same result. Ashton (1974) indicates that individuals (even experts) have poor insight into their own judgement process and therefore subjective weights are much more evenly distributed across the items than are statistically derived weights. Due to this weakness of the disclosure index, many researchers have restricted their analysis to the unweighted scores (e.g. Cooke, 1989a, 1991,1993; Patton and Zelenka, 1997; and Botosan, 1997). The use of unweighted scores, as suggested earlier in the chapter, will only measure the availability and the adequacy but not the superiority of the disclosure. Marston and Shrives (1991) conclude that, if a weighted index is used, then it is probably advisable to calculate unweighted scores as well to see the effect of the weighting on the ranking of companies.

Even though various problems and weaknesses have been highlighted, many disclosure studies have made use of a disclosure index as a research tool. Marston and Shrives (1991,p. 207) argue that: 'one test of the usefulness of a research tool is the extent to which it is used. In this case it has persisted over time, from 1960s to the present, and has been used by many different researchers. A research tool will not continue to be used if it produced poor results.' This argument is supported by Botosan (1997, p. 335), 'prior studies that use disclosure indices to investigate the determinants of corporate disclosure levels have documented consistently strong and corroborative results. This prior work demonstrates that disclosure indices are a useful research tool.' However, this may be counter argued on the ground that, researchers in their attempt to compete to publish their findings will used what ever methods available, without considering the problems and weaknesses of the method. From the review of disclosure studies literature, many researchers also did not provide evidence supporting its validity and reliability on the use of disclosure index. This can be seen, as discussed earlier, on the misconception on the use of weighted disclosure index by previous researchers.

Although the methodology of disclosure index has been criticised, in this study the method is used. This is because there is no other best suitable method to measure disclosure quality. However, various modifications and improvements on the construction of the disclosure index to overcome the problems are made and it is discussed in the next chapter. The author is aware that, although various modifications and improvements are made, the problems and weaknesses cannot be eliminated completely. Therefore the author would like to remind, care should be taken in using the results of this study.

4.4. Summary

'Transparency', which is the buzzword of the committees and bodies formed to look at the issues of corporate governance, means better information disclosure. Disclosure is a clear showing of a fact or condition on a balance sheet or other financial statement, in footnotes or in the audit report and is the process through which an entity communicates with the outside world. To be useful, the information disclosed must be of quality. Availability, adequacy and superiority are the components of disclosure quality.

The disclosure index is the most widely used method to measure disclosure quality. It is an extensive list of selected items, which may be disclosed in company annual reports or other sources of information. In selecting the disclosure items, most researchers have resorted to a review of investment, financial, and accounting literature or sometimes relied on their own perception. There are two ways in which index items are scored, i.e. unweighted and weighted. However, there is some confusion in the use of weights in previous studies. The unweighted (dichotomous) index measures the availability of the information, whereas, the modified dichotomous index measures the adequacy of the information disclosed. The dichotomous index and the modified dichotomous index can further be weighted to measure the superiority of the information disclosed. However in the previous studies the modified dichotomous index is termed as a weighted index and is used to measure both the adequacy and superiority of information disclosed.

Even though a disclosure index has been widely used to measure disclosure quality, it is not without its problems and weaknesses. The common problem experienced by previous researchers using a disclosure index is concerns the awarding of scores, that is problems with a partial score and the decision as to whether a non-disclosed item was, in fact, applicable to a particular company.

The construction of the disclosure index used in this study is discussed in the next chapter. Apart from the construction of a disclosure index, the data and methodology used in this study are also presented in the next chapter.

Chapter 5

Data and Methodology

5.1. Introduction

The previous chapter reviewed the literature on disclosure studies. This chapter introduces the data and discusses the methodology used in this study. It justifies the selection of countries, companies, and the accounting period. This chapter also discusses the methodological issues in the construction of a disclosure index, a questionnaire survey to weight the index, the reliability and validity of the disclosure index and the statistical analysis used in this study.

In section 5.2, the selection of countries, companies and accounting period are presented and justified. The construction of the disclosure index is discussed in section 5.3. This section describes the selection of disclosure items, the measurement of disclosure quality and the development of a questionnaire to weight the disclosure items. Section 5.4 discusses the reliability and validity of the disclosure index as a measurement tool. The statistical analyses used in this study are presented in section 5.5 and the summary of the chapter is in section 5.6.

5.2. Selection of Countries, Companies and Accounting Period

5.2.1. Selection of Countries

Countries covered in this study were chosen on several criteria. Firstly, each country selected had to be from a 'developed' country as classified by Nobes (1983) (see Figure 2.1). The reasons for selecting Nobes's classification in this study are discussed in Chapter 2. Secondly, within the developed countries in the Nobes' classification, it had to be from a different family or sub-class. Thirdly, the countries must be the current board member countries of the IASC and OECD. An additional criterion, for the selection of the countries, is that the countries had to have many large companies listed on their stock exchanges. These criteria were based on the concept of 'vital countries' proposed by Mason (1978). Mason (1978) suggested that the harmonisation of financial reporting could only be achieved with the support of certain countries. Since this study attempts to recommend a regulation or standard on the disclosure of information relating to directors' behaviour based on the current practices of various countries, it is important to choose the countries that can harmonise the financial reporting as suggested by Mason (1978).

Parker (2000) translated the concept of 'vital countries' as countries with economic significance and accounting significance. They suggest that economic significance can best be judged by listing the home countries of the world's largest companies and the world's largest stock exchanges, whereas accounting significance can be measured by the size of a country's accountancy profession, whether or not its accountancy firms have grown into international firms, are founder membership of the IASC and are acting as host to an international congress of accountants.

However, in this study, an economically significance country is defined as a developed country. This is because developed countries are the home of world's largest companies and the world's largest stock exchanges. In this study the accounting significance country is based on the membership (board member countries) of the IASC (Exhibit 5.1) and OECD (Exhibit 5.2). The membership of the IASC and OECD are set as criteria in selecting the countries in this study because of their objectives to work generally for the improvement and harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements (Nobes, 2000), which is the focus of this study. Other criteria such as the size of a country's accountancy profession, whether or not its accountancy firms have grown into international firms, as suggested by Parker (2000), are not considered in this study because these criteria are interdependent. For example, a strong accountancy profession is unlikely to grow up in a country of little economic importance (Parker, 2000).

Apart from the weaknesses of the classification by other researchers (discussed earlier in Chapter 2), the 'developed' countries as classified by Nobes were taken as the sampling frame in this study because they are the ancestors for most of the

Australia.

Canada.

France.

Germany.

India and Sri Lanka.

Japan.

Malaysia.

Mexico.

Netherlands.

Nordic Federation (includes Denmark, Finland, Iceland, Norway and Sweden).

South Africa and Zimbabwe.

United Kingdom.

United States of America.

International Co-ordinating Committee of Financial Analysts Association.

Swiss Federation of Industrial Holding Companies.

Exhibit 5.1
IASC Board Members for the two and a half year term ending on
31 December 1997.

(Source: Cairns. D. (1995), Guide to Applying International Accounting Standard, Accountancy Books, p. 12.)

Original Member Countries.	Countries became members through accession(at dates indicated).
Austria.	Japan (28th April 1964).
Belgium.	Finland (28th January 1969).
Canada.	Australia (7th June 1971).
Denmark.	New Zealand (29th May 1973).
France.	Mexico (18th May 1994).
Germany.	Czech Republic (21st December 1995).
Iceland.	Hungary (7th may 1996).
Ireland.	Poland (22nd November 1996).
Italy.	Korea (12th December 1996).
Luxembourg.	
Netherlands.	
Norway.	
Portugal.	
Spain.	
Sweden.	
Switzerland.	
Turkey.	
United Kingdom.	
United States of America.	

Exhibit 5.2
Member Countries of the OECD

(Source: OECD (1998), A Report to the OECD by the Business Sector Advisory Group on Corporate Governance, OECD, Paris, p.2).

accounting systems found internationally (Roberts et al, 1996). Prior researches also found that the level of financial disclosure in annual reports is positively related to the efficiency of the capital markets (see for example, Choi, 1973b and Barret 1976).

It may, therefore, be inferred that the more developed the country, the more efficient the capital market and the greater the level of disclosure in the annual reports. The developing and underdeveloped countries were excluded in this study because they are likely to follow the disclosure pattern of their ancestors or their level of disclosure will be very low and be rarely viewed as useful to serve the needs of shareholders.

Within the micro-based class (see Figure 2.1), the Netherlands, United Kingdom and Canada are chosen. Even though the United States of America (USA) fall under the same family as Canada (i.e., having a US influence) and being a member country of both the IASC and OECD, they are.not selected because most of the information relating to the directors' behaviour of companies in the USA are disclosed in the 10-K report. This step is taken to avoid an invalid and biased comparison of the annual reports of companies in the different countries. Under the UK influence family, New Zealand and Ireland are excluded because they are not members of either IASC or OECD or both. Furthermore, New Zealand and Ireland have few large companies as compared with the United Kingdom. Australia is excluded even though it is a member of both the IASC and OECD, because Australia has fewer large companies as compared with the United

Kingdom. The Netherlands is selected because they fall under a sub-class of their own (i.e., the business economics, theory sub-class), and are member of the IASC and OECD. Within the macro-uniform class, France, Germany, and Sweden are selected in this study. France is selected to represent the tax-based family, because the other three countries in the same family (i.e., Belgium, Spain and Italy) are not members of the IASC. Within the law-based family, both the countries (i.e., Japan and Germany) are members of the IASC and OECD and have many large companies. In this situation, the country is selected based on convenience, that is, in favour of Germany. Sweden is selected because it is from a sub-class of its own and is a member of the IASC and OECD.

The countries selected in this study are, the Netherlands, the United Kingdom, Canada, France, Germany, and Sweden.

5.2.2. Selection of companies and accounting periods

The companies used in this study, to represent the countries chosen above, were not selected at random because of the complicated nature of the criteria used in the selection of the sample country and companies. One of the purposes of this study is to make comparisons between the developed countries who are board members of IASC and OECD, with respect to the quality of information relating to directors' behaviour disclosed in the annual reports.

Choi (1981) suggests that, in order to make international comparisons as valid as possible, it is important to match companies by size and activity. The companies in which agency problems are more prominence are usually the larger (based on the number of shareholders) public limited companies. Prior research has demonstrated that agency costs increase with the amount of outside capital (for example, Jensen and Meckling, 1976) and the proportion of outside capital tends to be higher for larger firms (Leftwich et al, 1981). Large public limited companies from the six countries chosen thus formed the population from which the samples were selected. The companies in this study were restricted to large public limited companies so as to increase the homogeneity of the sample. The activity of the companies is not considered in this study based on the assumption that agency problems associated with agency relationship exist in all sectors of the economy (activity).

The largest companies (based on capital employed as a surrogate for the number of shareholders) for the UK, the Netherlands, France, Germany, and Sweden were selected from the list of Europe's Top 1000 of the Times 1000 (1997). The companies from the list were classified according to countries. There were 46 Dutch companies from the list, which is the smallest among the five countries, Sweden 57, France 140, Germany 141, and the UK 283. Since the number of companies from each country was not equal, the Dutch companies were taken as the base sample in which companies from other countries were matched. The Canadian companies were selected from the North America's Top 100 of the Times 1000 (1997). However, due to the small number of Canadian companies that can be matched with the Dutch companies, the Canadian companies from the Toronto, Montreal and Vancouver Stock Exchange (extracted from the internet) were also used. The capital employed of companies from the Toronto, Montreal and Vancouver Stock Exchange were calculated based on the definition used in the Times 1000 (1997, p. 11): 'Capital employed: shareholder's funds plus long-term loans (where separately disclosed) plus intra-group payables plus deferred liabilities excluding (for instance companies) technical reserve'. The capital employed was converted from Canadian dollar to pounds sterling at the average rate in 1996.

The 1996 (between 1 January 1996 to 31 December 1996) annual reports (English version) for the companies selected were requested from the companies themselves. There were 34 annual reports (English version) for each country obtained from the companies (204 annual reports for the entire sample). The companies selected are listed in Appendix 2.

One of the purposes of this study is to analyse the current disclosure practices of the sample countries and it is therefore important to analyse the latest annual reports. However, due to the time constraints of this study, and the reporting lag for the annual report it is impossible to compare the most recent annual report. Alford et al (1993) have identified that the reporting lag for an annual report can vary from 3 months in the United States to 11 months in the Netherlands (when extended by the shareholders). If special extensions are ignored, Germany has the longest annual reporting lag of 8 months among the sample countries. The annual reporting requirements of the sample countries, identified by Alford et al (1993), are as follows: Canada, 140 to 170 days after the fiscal year-end; United Kingdom, 6 months from the fiscal year-end; Netherlands, 5 months; France 4 months; Germany 8 months; and Sweden 6 months from the fiscal year-end. It should also be noted that the English version of the annual reports for the Netherlands, France, Germany, and Sweden are usually published after the annual reports in their own language have been published. Due to these problems, the fiscal year 1996 was chosen for this study. This study limits the analysis to one year because prior research shows that the disclosure policies of companies remain relatively constant over time. For example Lang and Lundholm (1993) identified that firms' disclosure policies may be "sticky" from year to year. They noticed that, from causal observation of annual reports, the general content of annual reports remains relatively constant over time.

Companies' information may be disclosed through various ways. For example, through annual reports, Datastream, trade journals, proxy statements, and interim statements. Lang and Lundholm (1993) using the set of corporate disclosure rankings produced by the Association for Investment Management and Research documented a significant rank-order correlation (with a coefficient of 0.62) between the annual report and other publication disclosure rankings. According to Botosan (1997), this suggests that a measure of disclosure level produced by examining any one aspect of corporate reporting could proxy for the general level of disclosure provided by a firm. The annual report was ranked second in terms of importance after personal interviews by investment analysts and institutional investors in a research conducted by Bence et al (1995). Based on the above assumption and research findings, this study used only the annual reports of companies to measure the quality of disclosure relating to the directors' behaviour since it can serve as a proxy for the amount of disclosure provided by a company across all financial information sources and an important source of financial information to the investment analysts and institutional investors.

Descriptive statistics for the sample companies are provided in Table 5.1. The mean capital employed of the 34 companies from each sample country varied from £2,143,336,000 (Sweden) to £3,191,728,000 for Germany and the standard deviation varied from £2,247,053,000 for Sweden to £4,005,418,000 for Germany. Even though the samples were selected from large companies, the data indicated a wide range of company size (see Table 5.1).

For the entire sample of 204 companies from the six countries, the mean capital employed was £2,953,092,000 with a standard deviation of £3,556,773,000. The company size based on capital employed varied from £308,958,000 (Canada) to £15,420,349,000 in Germany.

	U.K. '000	**Netherlands** '000	**Canada** '000	**Germany** '000	**France** '000	**Sweden** '000
Mean	3,025,245	3,106,510	2,614,318	3,191,728	3,149,865	2,143,336
Std.Dev.	3,607,723	3,787,555	2,616,209	4,005,418	3,761,665	2,247,053
Highest	14,034,000	14,713,516	14,724,970	15,420,349	13,974,571	9,271,968
Lowest	334,300	338,717	308,958	332,569	378,919	341,277

Table 5.1
Descriptive statistics of sample companies

Due to the wide range of company size, a 'one-way analysis of variance' was carried out to test for a significant difference of the company size. The results of the 'One-way Analysis of Variance' are presented in Table 5.2. The F Ratio of .4212 indicates that, at the 5% level of significance, the size of the company is not significantly different.

Source	D.F.	Sum of squares	Mean squares	F Ratio	F Prob.
Between Groups	5	2.6342E+13	5.2685E+12	.4212	.8336

Table 5.2
ONE-WAY Analysis of Variance

5.3. Construction of the disclosure index.

5.3.1. Disclosure index

The construction of the disclosure index has been thoroughly discussed in chapter 4. In the following sections, the methodological issues of the construction of the disclosure index are discussed. The focus of this study is to measure the quality (extent) of information relating to directors' affairs disclosed in the annual reports of companies in an international setting. There are various ways in which the extent of disclosure can be measured in the annual reports. Carpenter et al (1971), for example, measured the extent of disclosure by requesting analysts to rate each item of information along two dimensions based on their perceptions of how much information is currently reported and how much information should be reported. The difference between the two measures for each item would represent a measure of disclosure deficiency. However, due to the difficulties and the weakness of this approach (see Buzby, 1974), most researchers in disclosure studies have used another approach, known as the disclosure index, in their attempt to measure the extent of disclosure (for example, Singhvi and Desai, 1971; Buzby, 1974 and 1975; Barret, 1976 and 1977; Kahl and Belkaoui, 1981; Wiseman, 1982; Firth, 1984; Chow and Wong-Boren, 1987; Cooke, 1989a, 1989b, 1991; Secord and Purwokusumo, 1993; Ahmed and Nicolls, 1994; Raffournier, 1995; Inchausti, 1997; Patton and Zelenka, 1997; and Botosan, 1997).

As mentioned earlier in chapter 4, disclosure indices are extensive lists of selected items, which may be disclosed in company reports (Marston and Shrives, 1991). Many researchers have used a disclosure index since 1961 by Cerf to the present. Despite various arguments on the validity and reliability of disclosure index as a research tool (discussed in earlier chapter), this method is used in this study because there is no other best suitable method to measure disclosure quality. However, various improvements and modifications are made to overcome the problems and weaknesses of disclosure index and are presented in the following sections.

5.3.2. Selection of Disclosure Items

In the discussion of disclosure items' selection, it was noted that the items used in the previous studies were selected by reviewing the investment, financial and accounting literature. These methods are also used in this study together with reviewing the financial reporting practices in the sample countries. The disclosure items in previous studies were usually based, to some extent, on the perceived corporate financial information needs of financial analysts for decision-making purposes. This criterion is not used in this study; instead the disclosure items were based on perceived corporate information needs of shareholders for monitoring directors' behaviour.

The items of information resulting from the selection process were commented on by persons familiar in the field of corporate governance/agency theory, i.e. those who attended the 'Corporate Governance: Developing a Charter for Success' forum held on 1 November 1996 organised by The Institute of Chartered Accountants in England and Wales or those who have written articles in the area of corporate governance (see Appendix 3 for the list of persons participated in commenting the items). They were required to comment on the appropriateness of the items from the point of view of the shareholders to monitor directors' affairs. The 23 disclosure items for this study derived from reviewing the relevant literature and after considering the comments of the above persons listed in Appendix 3 are presented in Table 5.3.

1	Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2	Auditor's report on corporate governance matters.
3	Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4	4. Statement of directors' responsibility in respect of the financial statements.
5	Disclosure of related party transactions between the directors and the company or a statement that there was no related party transaction between directors and the company.
6	Information on the independence of the directors.
7	Directors' other directorship/offices or a statement that there were no other directorships/offices.
8	Directors' date of appointment or year of service.
9	Composition of board of directors.
10	Directors' ages.
11	Directors' qualifications.
12	Details of audit committee.
13	Details of remuneration/compensation committee.
14	Details of internal control.
15	Details of nomination committee.
16	Details of board of director's meeting/working method.
17	Details of directors' salary/fee.
18	Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19	Details of directors' benefits in kind/other fringe benefits.
20	Details of directors' pension schemes.
21	Directors' emoluments (remuneration).
22	Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23	Details of directors' share option scheme.

Table 5.3
Disclosure items relating to directors' behaviour.

The disclosure items used in this study were divided into three groups (see Appendix 4), similar to that used by Buzby (1974 and 1975). Group 1 represented items, which were self-contained. These items were either present or not present in the annual reports without any details of specificity or sub-elements being given (for example item number 8, directors' date of appointment or year of service). Group 2 consisted of those items, which could be disclosed in varying degrees of specificity. For example, item number 9, 'the composition of the board of directors', can be presented in the annual reports by giving all the directors' names together with their photographs or the directors' names and photograph of certain directors or just by giving the directors' names.

The final group represented categories of information, which could be expressed in terms of sub-elements of information. Item 17, details of directors' salary/fee, for example, could be disclosed in sub-elements, i.e. (i) salary/fee of each individual director; (ii) total directors' salary/fee of all the directors for the current year; and (iii) total directors' salary/fee of all directors comparative figures. Development of the relevant sub-elements was based on an extensive review of relevant literature. In this study the sub-elements were limited to the most important items so as to make it manageable to carry out. The list of sub-elements for each of the applicable items could be thought of as a type of minimum disclosure set.

5.3.3. Measurement of Disclosure

A scoring worksheet was developed to measure the quality of disclosure of the 23 items of information in the sample of 204 annual reports of the six countries. The worksheet consisted of a listing, grouping and scoring of the items of information is shown in Appendix 4.

As mentioned in the earlier chapter, there are two ways in which index items are usually scored, i.e., a dichotomous scoring system (disclosed items are scored as 1, and non-disclosed items are scored 0) and a modified dichotomous system (non-disclosed items are scored 0 and disclosed items carry different scores). These scoring systems can be either weighted or unweighted. Researchers in disclosure studies have previously either used the unweighted (e.g., Copeland and Fredericks, 1968; Cooke, 1989a, 1989b, 1991, and Botosan, 1997), or the weighted system (e.g. Singhvi and Desai, 1971; Buzby, 1974b and 1975), or both methods (e.g., Choi, 1973b; Barret, 1976 and 1977, and Chow and Wong-Boren, 1987).

There was however, a misconception in the used of the scoring systems by researchers previously, especially those who used the weighted and both the weighted and unweighted systems. They tended to assume a dichotomous system was the same as an unweighted and a modified dichotomous system was weighted. Both dichotomous and modified dichotomous systems can actually be weighted or unweighted. For example, Buzby (1974b and 1975) and Barret, (1975 and 1976) in their research used the weights assigned by investment analysts as the scores for their disclosure items.

Buzby (1974b and 1975) used the weights assigned by the analysts for his three groups of disclosure items. For group 1 items (items which were self-contained), he gave the maximum weight assigned by analysts for that item if disclosed and zero if not disclosed. In the group 2 items (items which could be disclosed in varying degrees of specificity), full credit (maximum weight assigned for that item) was given for the specific disclosure of that item. A partial credit was given for a less specific disclosure and zero for non-disclosure. The weights assigned by the analysts were split among the sub-elements of the items in his group 3 items. Points were given for every sub-element disclosed and the maximum score equal to the weight assigned to that item.

The use of weights assigned by the analysts as scores for the disclosure items at the early stage (in the worksheet) will complicate the disclosure measurement and make the comparison between the weighted and unweighted scoring systems invalid. Weights should not be used as scores; instead weights should be used as a weighing mechanism to determine the importance or in the context of this study the superiority of the disclosure item. When weights assigned by analysts were used as scores for the disclosure items in the weighted index, this will lead to different maximum scores for each disclosure item, i.e. will vary according to the weights assigned by the analysts. Whereas, for the unweighted index (method used by previous researchers), the maximum scores for each item of disclosure is equal to 1. Since the scores for the two systems are not on the same basis, comparison between the systems can be misleading and invalid. Lang and Lundholm (1993, p. 269) in their conclusion have cautioned against the use of weights as disclosure scores, '...use of these disclosure scores is not without its dangers, particularly because the data are based on analysts' ratings rather than the disclosures themselves'.

To overcome the problem, in this study, the dichotomous index (unweighted), modified dichotomous index (unweighted), weighted dichotomous index, and weighted modified dichotomous index are used to measure the quality of the disclosure of information relating to directors' behaviour. These methods are used because they can measure the three elements of quality, i.e. availability, adequacy, and superiority of disclosure (discussed earlier in chapter 4). The dichotomous index can only measure the availability of disclosure, whereas the modified dichotomous index can measure both the availability and adequacy of disclosure. The weighted dichotomous index measures the availability and superiority. The weighted modified dichotomous index measures all the three elements of quality.

Even though the weighted modified dichotomous index can measure the three elements of quality, the unweighted index was introduced in this study to compensate for three potential limitations of the weightings. First, since these weightings were obtained through a survey and without real economic consequences to the respondents, they may not fully reflect investment analysts' actual use of each item. Second, the investment analyst is only a surrogate for the shareholders. Third, the used of only the United Kingdom investment analysts in this study are only a subset of annual reports users in the world. The perceptions of investment analysts from other countries of the disclosure items may not be the same as those of analysts in the United Kingdom. Therefore, the use of an unweighted dichotomous index and an unweighted modified dichotomous index allows an analysis free of the perceptions of a particular user group.

The dichotomous index (unweighted and weighted) was introduced to overcome the subjectivity of allocating scores to the disclosure items in the modified dichotomous index.

5.3.3.1. Dichotomous index (unweighted and weighted)

For the dichotomous index (unweighted) adopted in this study, an item is scored 1 if it is disclosed, 0 if it is not disclosed and 'NR' if the item is not relevant to the company, for all the 23 disclosure items in the three groups discussed above. The problem of whether to penalise a company for non-disclosure of information that was not relevant to it is discussed later. In the case of the weighted dichotomous index, an item score under the unweighted dichotomous index was multiplied by the weight of that item, as assigned by investment analysts, to arrive at the weighted score of that item.

5.3.3.2. Modified dichotomous index (unweighted and weighted)

In the modified dichotomous index (unweighted) the maximum possible score of 10 points can be given for each disclosure item, depends on the fineness or the specificity of the information on the item disclosed. As mentioned above, in this study the disclosure items were grouped into three groups, i.e. group 1, self-contained items; group 2, items with varying degrees of specificity; and group 3, items which could be expressed in terms of sub-elements (fineness). Each item in group 1 is given 10 points if disclosed, 0 if it is not disclosed, and 'NR' if it is not relevant or applicable to the company (discussed below). For group 2 items, the 10 maximum possible points allocated depend on the degrees of specificity of the item. For example where there are only two degrees of specificity for the item, a maximum of 10 points is allocated to the higher degree, and 5 points for a lower degree of disclosure. If the item is not disclosed, 0 point is given, subject to whether that item is relevant to the company or not. In the case of group 3 items, the maximum 10 points are divided equally between the sub-elements. Scores for this category of items are the sum of every sub-elements disclosed in the annual report. However, if the information on that item is not disclosed at all, 0 point is given, and 'NR' if it is not relevant to the company. Details of the scoring system for each item of disclosure are given in Appendix 4. In the case of the weighted modified dichotomous index, an item score under the unweighted modified dichotomous index was multiplied by the weight of that item, as assigned by investment analysts, to arrive at the weighted score of that item.

5.3.3.3. Not relevant items

It should be noted that previous disclosure studies did experienced a number of practical problems in awarding scores. The major problem was to decide whether a non-disclosed item was, in fact, relevant to a particular company. Certain items of disclosure may not be relevant to a particular company and they should not be penalised for non-disclosure. Singhvi and Desai, (1971) ignored this problem, they assumed that the failure to disclose a particular item was non-disclosure. Buzby, (1974 and 1975) defined the relevance of an item of disclosure to a specific company in terms of whether or not it was included in the annual 10-K report filed with the SEC. Barret (1976 and 1977), however, did not test for relevance, instead he selected the item that was seen as being important enough to investors that omission from the 10-K report alone (or its approximate foreign equivalent) was not viewed as adequate justification for classifying the item as inapplicable. This method is not reliable because there is an element of bias toward those items, which the researcher believes to be relevant and important. Buzby's method of testing that an item is relevant or not relevant seems reliable, but in a cross national disclosure study it is difficult to find the foreign equivalent of the 10-K report. This would lead to an invalid conclusions because the researchers are not comparing like with like.

Cooke (1989a) adopted a different approach. Where there was no mention in the annual report of a disclosure item, it was concluded that the item of disclosure was not relevant to that company, and so the company was not penalised for non-disclosure of information. Cooke (1989a) acknowledged that this procedure introduces an element of subjectivity to the disclosure measurement. Cooke (1989a), however, decided to read the whole of the annual report and make a suitable judgement as to whether an item was either not disclosed or not relevant to the company.

Since this study is carried out in an international setting, the method used by Buzby (1974 and 1975) is not suitable. This study used a combination of the methods adopted by Barret (1976 and 1977) and Cooke (1989a). For items that can either be disclosed or not disclosed (for example item number 10, 'director's age), and items that are viewed as very important in corporate governance literature, such as item number 12, details of 'audit committee', the method used by Barret (1976 and 1977) was followed. For other items, the method adopted by Cooke (1989a), i.e. a thorough review of the whole annual report to identify the applicability of the item, was used.

5.3.3.4. Overall disclosure quality

To measure the overall quality of disclosure, this study used the disclosure points average (DPA) for the unweighted dichotomous index, unweighted modified dichotomous index, weighted dichotomous index and weighted modified dichotomous index. This approach is similar to the 'grade point average' (GPA) used in calculating students' examination grades in most American colleges and universities. In calculating DPA the annual reports are viewed as the examination answer scripts of students and the scoring worksheet as the marking scheme.

DPA for a given company in an unweighted (dichotomous and modified dichotomous) index is defined as the sum of actual scores awarded to the relevant item divided by the sum of relevant items.

$$\text{DPA(unweighted)} = \frac{\sum_{i=1}^{n} D_{ri}}{\sum_{i=1}^{n} \alpha_i}$$

Where D_r = the disclosure score of each relevant item,

α = a zero-one variable representing the level of applicability, and

n = the total number of items (n = 23).

For the weighted (dichotomous and modified dichotomous) index, the DPA for a given firm is defined as the sum of actual scores awarded for each relevant item multiplied by the weight assigned for the relevant item divided by the sum of the relevant weights.

$$\text{DPA(weighted)} = \frac{\sum_{i=1}^{n} D_{ri} W_{ri} \alpha_i}{\sum_{i=1}^{n} W_{ri} \alpha_i}$$

Where D_r = the disclosure score of each relevant item,

α = a zero-one variable representing the level of applicability,

W_r = the median weight assigned by investment analysts for each relevant item, and

n = the total number of items (n = 23).

Examples of the calculations of the unweighted dichotomous DPA, unweighted modified dichotomous DPA, weighted dichotomous DPA, and weighted modified dichotomous DPA are shown below. The unweighted and weighted DPA calculations based on the above methods for all the sample companies are presented and analysed in the next chapter.

5.3.3.5. Individual item disclosure quality

Apart from calculating and comparing the overall disclosure quality of the sample companies, this study also calculates and analyses the disclosure quality of each individual disclosure item for the six sample countries. As discussed earlier, disclosure quality comprises availability, adequacy, and superiority. The weighted index is said to measure the superiority of an item over another item (between the disclosure items). However, in comparing within each individual

Example: Unweighted dichotomous DPA

Company/Country: British Gas/United Kingdom

Disclosure item	Disclosure Score (Dr)	Alpha (α)
1	1	1
2	1	1
3	1	1
4	1	1
5	1	1
6	1	1
7	1	1
8	1	1
9	1	1
10	1	1
11	0	1
12	1	1
13	1	1
14	1	1
15	1	1
16	1	1
17	1	1
18	NR	0
19	1	1
20	1	1
21	1	1
22	1	1
23	1	1
Total	21	22

Unweighted dichotomous DPA = 0.955

Example: Unweighted modified dichotomous DPA

Company/Country: British Gas/United Kingdom

Disclosure item	Disclosure Score (Dr)	Alpha (α)
1	10	1
2	10	1
3	10	1
4	10	1
5	10	1
6	10	1
7	10	1
8	10	1
9	10	1
10	10	1
11	0	1
12	7.5	1
13	10	1
14	5	1
15	7.5	1
16	5	1
17	10	1
18	NR	0
19	10	1
20	10	1
21	5	1
22	10	1
23	10	1
Total	190	22

Unweighted modified dichotomous DPA = 8.636

Example: Weighted dichotomous DPA

Company/Country: British Gas/United Kingdom

Disclosure item	Disclosure Score (Dr)	Weight (W)	Alpha (α)	Wα	Dr Wα
1	1	3	1	3	3
2	1	3	1	3	3
3	1	3	1	3	3
4	1	2	1	2	2
5	1	4	1	4	4
6	1	3	1	3	3
7	1	2	1	2	2
8	1	2	1	2	2
9	1	3	1	3	3
10	1	2	1	2	2
11	0	2	1	2	0
12	1	3	1	3	3
13	1	3	1	3	3
14	1	3	1	3	3
15	1	2	1	2	2
16	1	2	1	2	2
17	1	3	1	3	3
18	NR	4	0	0	NR
19	1	3	1	3	3
20	1	2	1	2	2
21	1	4	1	4	4
22	1	4	1	4	4
23	1	4	1	4	4
Total				62	60

Weighted dichotomous DPA = 0.968

Example: Weighted modified dichotomous DPA

Company/Country: British Gas/United Kingdom

Disclosure item	Disclosure Score (Dr)	Weight (W)	Alpha (α)	Wα	Dr Wα
1	10	3	1	3	30
2	10	3	1	3	30
3	10	3	1	3	30
4	10	2	1	2	20
5	10	4	1	4	40
6	10	3	1	3	30
7	10	2	1	2	20
8	10	2	1	2	20
9	10	3	1	3	30
10	10	2	1	2	20
11	0	2	1	2	0
12	7.5	3	1	3	22.5
13	10	3	1	3	30
14	5	3	1	3	15
15	7.5	2	1	2	15
16	5	2	1	2	10
17	10	3	1	3	30
18	NR	4	0	0	NR
19	10	3	1	3	30
20	10	2	1	2	20
21	5	4	1	4	20
22	10	4	1	4	40
23	10	4	1	4	40
Total				62	542.5

Weighted modified dichotomous DPA = 8.75

item between different countries, the weighted index has no effect because each individual item is of the same superiority (this is shown in the next chapter).

Since the weighted index has no effect, in this study only the unweighted dichotomous index and unweighted modified dichotomous index are calculated and analysed for each individual item. The unweighted dichotomous index for a disclosure item is calculated by taking the percentage of companies disclosing the item, i.e. the number of companies disclosing the item divided by the number of companies where the item is relevant. The unweighted modified dichotomous index for a disclosure item is calculated by taking the percentage of the average disclosure scores awarded to the item against the maximum possible score and after considering not relevant item. Apart from comparing between the countries and the between the disclosure items, the percentage calculated is also used to construct the consensus scores (adopted from Khal and Belkaoui, 1981) and to determine the best practice country for each disclosure item. The results and analyses of the unweighted dichotomous index and the unweighted modified dichotomous index for each individual item for the six sample countries are presented in the next chapter.

5.3.4. Development of the Questionnaire (weighting the disclosure items)

In attempting to assign weights to each item, most previous studies have resorted to asking financial analysts to evaluate the importance of each item. In this study the most appropriate persons to evaluate the importance of the items are the shareholders. However due to the small ownership of shares by individual shareholders (Mallin, 1997) and the lack of interest for them to monitor directors' behaviour, only the institutional shareholders are available for the task. Since the institutional shareholders are not individual persons, the most appropriate persons to evaluate the disclosure items are the analysts employed by the institutional shareholders. This procedure was deemed impractical in an international setting because of the difficulty in identifying such analysts (Khal and Belkaoui, 1981). Therefore, in this study only the investment analysts employed by the UK institutional shareholders and member firms of the London Stock Exchange were asked to evaluate the disclosure items. The use of only the UK analysts can be justified to some extent by a research carried out by McNally et al (1982). McNally et al (1982) found that there is a level of agreement among the external users surveyed in three different countries about the relative importance of disclosing selected items. Furthermore, the London capital markets are generally regarded as having high disclosure requirements, due in part to their relatively long record of experience and expertise (Choi, 1973b).

A mailed questionnaire was sent to 653 senior investment analysts employed by member companies/firms of the Association of British Insurers, the Association of Investment Trust Companies, the London Investment Banking Association and the London Stock Exchange. The addresses of the companies/firms were obtained from the respective associations and the London Stock Exchange.

The questionnaire sought to gather the weight (level of importance) of each disclosure item on directors' affairs usually disclosed in the annual reports of companies. The questionnaire used in this study is included in Appendix 5. The items in the list were randomly numbered so as to remove any possible bias. The questionnaire was subjected to an extensive scrutiny and pilot testing before it was finalised and circulated to the senior investment analysts. To generate a high response rate various recommended stimuli were used, such as, keeping the questionnaire as short as possible (no longer than two sides of A4), sending a follow-up questionnaire, providing the respondent with a stamped self-addressed return envelope, providing a covering letter using a university letter-head (Hussey and Hussey, 1997, Sekaran, 1984, and Zikmund, 1994), offering a summary of the results, and sending out the questionnaires at a time which avoided the holiday season.

Respondents to the questionnaire were requested to indicate the degree of importance of each disclosure item based on a frame of reference of a shareholder monitoring directors' affairs. The expected response was structured on a five-point Likert scale of "0" to "4". A "0" indicates that the item should not appear in the annual report and a "4" indicates that it is absolutely essential that the item appear in the annual report. The weights "1" to "3" indicate varying degrees of intermediate importance. The results of the questionnaire survey together with the response rate are reported in the next chapter.

Non-response bias is a major problem in a mail questionnaire survey. Hussey and Hussey (1997, p.164) noted that: 'Non-response is often crucial in a questionnaire survey because your research design will be based on the fact that you are going to generalise from the sample to the population. If you have not collected responses from all the members of your sample, the data may be biased and thus not representative of the population'. In an attempt to establish whether the response rate had resulted in any bias, the results obtained from the questionnaire survey were examined using the test proposed by Oppenheim (1966). Oppenhiem (1966) suggested that if one assumes that late respondents represent non-respondents, it is possible to detect if non-response bias was present in a sample. The purpose of this test is to establish whether the late respondents, considered as non-respondents, had significantly different scores from the early respondents. Hussey and Hussey (1997) suggest that the responses from the follow-up questionnaires be used to represent the late respondents in checking bias. In this study, the responses from the follow-up and the first three days were identified and median scores obtained for the responses of each items of disclosure. The Mann-Whitney test was carried out to test for any significant difference between the medians of the two sets of responses. The test showed that there was no significant difference between the median for the first three days and the second follow-up (the 2-tailed probability of 0.0706 is more than 0.05). This indicates that there was no evidence of non-response bias for the entire returned questionnaires. However, when the tests were repeated for each item of disclosure between the two sets of responses, there was a significant difference in one of the items (2 tail probability of 0.0195), i.e. item number 3 -

'Information on corporate governance' (see Table 5.3). For the remaining 22 items, there were no significant differences between the two sets of responses. The follow-up responses were used in this study to determine the weights of the items even though there was one item with a significant difference between the two sets of responses. Thus, care should be taken in interpreting the results of the survey.

5.4. Reliability and Validity of the Disclosure Measurement

As mentioned earlier, the disclosure index is a useful research tool, which has been used in disclosure studies by many researchers since 1961. It is a reliable research tool because another researcher can replicate the results and, since the scores are extracted from printed annual reports, which remain constant over time, there is no obstacle to repetition (Marston and Shrives, 1991, p. 197). However, disclosure is not easily measured because the development and application of a disclosure index requires subjective assessments by the researcher applying the technique (Botosan, 1997). Marston and Shrives (1991, p 197) recognising the problem of using a disclosure index state that 'Most of the researchers have proposed the use of a disclosure index without making explicit the fact that this is a testing device designed to provide information about an underlying variable that is not amenable to measurement'. According to Cooke and Wallace (1989, p 51), "...financial disclosure is an abstract concept that cannot be measured directly. It does not possess inherent characteristics by which one can determine its intensity or quality like the capacity of a car'.

Ball and Foster (1982), however, in their review of disclosure studies, observed that there is little evidence of the financial reporting literature having a tradition of detailed discussion of validity issues. It is, therefore, important in this study to assess the validity of the resulting measure. Previous research on the association between the annual report disclosure level and the firm characteristics found that firm size has a statistically significant positive association with the disclosure level. It may therefore be inferred that, if the DPA measures disclosure quality, there should be a significant difference between the large companies and the smaller companies. In this study, a Mann-Whitney U test is used to test for significant differences between the DPA (unweighted dichotomous, unweighted modified dichotomous, weighted dichotomous and weighted modified dichotomous) of large and small companies in the six countries. The first 17 companies for each country are classified as large and the second 17 companies as small (see Appendix 2). The results from the tests show that there is a significant difference between the large and small companies in France (for the weighted modified dichotomous DPA and unweighted modified dichotomous DPA) and the Netherlands (all the four DPAs). The other four countries (the United Kingdom, Canada, Germany, and Sweden) show no significant difference for all the DPAs. The results of the Mann-Whitney tests are shown in Table 5.4. Even though the results of previous studies found that the firm size has a statistically significant positive association with the disclosure level, in this study

United Kingdom	**2-tailed p**
Weighted modified dichotomous DPA	0.1432
Weighted dichotomous DPA	0.0965
Unweighted modified dichotomous DPA	0.4084
Unweighted dichotomous DPA	0.1543
Canada	
Weighted modified dichotomous DPA	0.2087
Weighted dichotomous DPA	0.2485
Unweighted modified dichotomous DPA	0.2214
Unweighted dichotomous DPA	0.3424
Netherlands	
Weighted modified dichotomous DPA	0.0438**
Weighted dichotomous DPA	0.0020*
Unweighted modified dichotomous DPA	0.0327**
Unweighted dichotomous DPA	0.0047*
France	
Weighted modified dichotomous DPA	0.0093*
Weighted dichotomous DPA	0.1170
Unweighted modified dichotomous DPA	0.0439**
Unweighted dichotomous DPA	0.0817
Germany	
Weighted modified dichotomous DPA	0.3522
Weighted dichotomous DPA	0.2394
Unweighted modified dichotomous DPA	0.6543
Unweighted dichotomous DPA	0.4985
Sweden	
Weighted modified dichotomous DPA	0.2087
Weighted dichotomous DPA	0.2273
Unweighted modified dichotomous DPA	0.3096
Unweighted dichotomous DPA	0.2686

* Significance at 1% level.
** Significance at 5% level.

Table 5.4

Significance probabilities from Mann-Whitney U Test: A comparison between large and small companies DPAs

the results show that there is no significant difference between the large and small companies in four countries. This may be because the sample companies are selected from a list of the largest companies in the country and, as presented earlier in the chapter, there is no significant difference in the size of the companies. The small companies used in the tests are actually small among the larger companies. Even though the sample of small companies are actually selected within the large companies in the country and there is no significant difference in the size of the sample companies, the significant different found in two countries (France and The Netherlands) may suggest that the DPA is a valid measure of disclosure quality.

5.5. Statistical Analysis

In the previous disclosure studies using index scores, a mixture of parametric and non-parametric statistical tests were used. The level of measurement achieved with a disclosure index corresponds to an ordinal scale (Marston and Shrives, 1991). Parametric tests are only appropriate when the data are interval or ratio-scaled (Seigel, 1956). Since the level of measurement achieved with a disclosure index only corresponds to an ordinal scale and no assumption is made that the data are normally distributed, in this study the non-parametric statistical tests are used.This study involves three main analyses, i.e. (i) analysis of the overall disclosure quality (DPA) between the sample countries, (ii) analysis of the disclosure quality of each of the disclosure item between the sample countries, and (iii) analysis of ranking of the disclosure items between the sample countries and between the sample countries and the investment analysts.

The first analysis on the DPAs was made between companies in different countries to determine whether the overall quality of disclosure differ significantly between the countries. The appropriate nonparametric test for this purpose is the Kruskal-Wallis one-way analysis of variance (ANOVA) for three or more unrelated samples. This test was used to test for the significant difference because it is more efficient than other suitable nonparametric tests available (Seigal, 1956, p. 193). Furthermore, according to Seigal (1956, p. 192-193), 'Compared with the most powerful parametric test, the F test, and under conditions where the assumptions associated with the statistical model of the parametric analysis of variance are met, the Kruskal-Wallis test has asymptotic efficiency of $3/\Pi = 95.5$ percent'. However, this test only determines whether the groups differ but not which of any two groups differ (Cramer 1998). A number of different nonparametric tests are available for use with ordinal data from two independent samples, of which the Mann-Whitney U test was the most powerful (Seigal, 1956, p. 116). It is also a most useful alternative to the parametric t test when the researcher wishes to avoid the t test's assumption, or when the measurement in the research is weaker than interval scaling (Seigal, 1956, p. 116). Therefore, apart from the Kruskal-Wallis one-way analysis of variance for three or more unrelated samples, the Mann-Whitney U test was used to test for significant difference in the overall disclosure quality between the two independent samples, i.e. between all pairs of countries (15 pairs). The results are reported in the next chapter.

The second analysis on the disclosure quality of each of the disclosure items was made between companies in different countries to determine whether the quality of disclosure of each item differs significantly between the countries. The Kruskal-Wallis one-way analysis of variance for three or more unrelated samples was repeatedly used for each disclosure item to test for a significant difference between the countries and Mann-Whitney *U* tests were used to test for a significant difference between all possible pairs of countries (15 pairs). The justifications for choosing these tests are discussed above. The results are reported in the next chapter.

Finally, the degree of agreement (correlation) of the disclosure items' ranking of importance between the sample countries, and between each sample country and the investment analysts were also analysed. These analyses were carried out by using the Spearman rank correlation. This test was used because according to Seigal (1956, p. 202), 'Of all the statistic based on ranks, the Spearman rank correlation coefficient was the earliest to be developed and is perhaps the best known'. Furthermore, the efficiency of the Spearman rank correlation when compared with the most powerful parametric correlation, the Pearson *r*, is about 91percent (Seigal, 1956, p. 213). The results of this test are reported in the next chapter.

Apart from the above tests, a factor analysis is carried out on the questionnaire survey in order to group the 23 disclosure items to several factors that link or belong together.

5.6. Summary

This chapter presented the data and methodology of the study. This chapter began by justifying the selection of the sample countries, companies and the accounting period. The concept of 'vital countries' was used to select the six sample countries of this study, i.e. United Kingdom, Canada, Netherlands, France, Germany, and Sweden. Based on the assumption that agency problems are more prominent in large public listed companies, the largest companies from the sample countries were identified, matched, and selected. Due to the reporting lag of the annual report and time constraints of this study, the annual reports for the financial year ending in 1996 were requested from the companies themselves.

This chapter continued with the discussions of the methodological issues relating to the construction of the disclosure index, i.e. the selection of disclosure items, the measurement of disclosure quality and the weighting of the disclosure items. The reliability and validity of a disclosure index as a tool for measuring disclosure were also discussed in this chapter. Finally this chapter presented the statistical analyses used in this study.

Based on the data and methodology presented in this chapter, the results are reported and analysed in the next chapter.

Chapter 6

Results and Analysis

6.1. Introduction

In the previous chapter the data and the methodology of this study are presented and justified. In this chapter the results and analysis of the data based on the methodology discussed in the previous chapter are reported and analysed.

Firstly, the results of the questionnaire survey are shown. In this section the median, mean and the rank of the disclosure items based on the perception of the senior investment analysts are reported and analysed. Apart from these, factor analysis is also conducted on the result of the questionnaire survey. Secondly, the actual disclosure (disclosure index) by the sample companies for both the overall disclosure and each individual item are presented. This section also presents the statistical analysis of the disclosure index and the testing of the hypotheses. Thirdly, this chapter shows the degree of agreement, or correlation, between the ranking of the perceptions of the senior investment analysts and the ranking of actual disclosure by the companies of the sample countries. The correlations of the ranking between each possible pair of the sample countries are also presented in this section. The final section summarises the chapter.

6.2. Results of questionnaire survey

The questionnaire administration has been discussed in the previous chapter. In this section the results of the survey are reported. A total of 123 usable responses were received after two follow-up requests, representing a 21.17% response rate. This response rate is considered low compared with those of previous studies (for example, Buzby (1974) 26%, Chandra (1974) 49.6%, Firth (1978) 38%, Mc Nally et al (1982) 44%, and Wallace (1988) 39.2%). However, the rate of 21.17% is considered acceptable, in that Hussey and Hussey (1997) indicated response rates of 10% or less are not uncommon in mail questionnaire surveys. Details of the questionnaire survey response rate are shown in Table 6.1.

Total questionnaires	653
Usable questionnaires	123
Incomplete questionnaires	2
Addressee has gone away (return to sender)	19
Returned but decline to answer	53
Response rate	21.17%

Table 6.1
Details of questionnaire survey response rate

According to Zikmund (1994, p. 208), 'The basic calculation for obtaining a response rate is to count the number of questionnaires returned or completed, then divide this total by the number of eligible people who were contacted or requested to participate in the survey. Typically, the number in the denominator will be adjusted for faulty addresses and similar problems that reduce the number of 'eligible' participants'. In this study the response rate of 21.17% is arrived at after adjusting for faulty addresses and similar problems that reduce the number of 'eligible' participants, i.e. after deducting from the total sample (653), the sample where the addressee has gone away (return to sender) (19) and sample where the addressee declined to answer (53). There are two possibilities when the questionnaires were returned to the sender, either (1) the firm does not operate at the address anymore, or (2) the firm business has closed down. In this study the questionnaires that were returned to the sender were deducted from the total sample based on the assumption that the firm business had closed down. This is because if the firm is not at the address anymore, they will normally inform the Royal Mail to redirect all their mail to their new address. The questionnaires that were returned but the addressee declined to answer were also deducted from the total sample because most of the respondents of this category indicated either, (1) they were no longer trading, (2) there was no investment analyst, or (3) they did not invest in the equity market. Since this study attempts to analyse the perception of the shareholders by using investment analysts as a surrogate, it is important to take the sample that represents the shareholders and therefore the respondents who do not wish to answer because they are not involved with the equity market or making investments should be eliminated from the total sample.

There were only two replies that did not answer all the questions. These two were treated as a non-response and not included in the computation of the weights. Only two replies did not answer all the questions, which suggests that the list was not too long, which is one of the stimuli suggested by many researchers to increase the response rate of a mail questionnaire (for example see Buzby, 1974 and 1975). However, in this study the response rate is low, despite the use of various stimulants for generating a high response rate as discussed in the earlier chapter, probably because it was addressed to the investment analyst (position) of the organisation. In this study, the questionnaires were sent to the position of senior investment analyst and not to the individual (by name) who worked as an investment analyst or members of the Institute of Investment Management and Research (IIMR) because of the difficulty in identifying investment analysts by name. The IIMR has declined to give the list of their members because it is their policy not to release membership details to the member of the public.

As mentioned in the earlier chapter, the purposes of the questionnaire survey were: (1) to assign weights to the disclosure items, (2) to indicate the ranking of the items of information in order of importance by the investment analysts, (3) to group the 23 disclosure items to several factors, and (4) to measure the degree of agreement (consistency) between the weight assigned by the investment analysts and the actual disclosure by the companies of the sample countries and to determine the correlation between the rank by investment analysts and the actual disclosure by the sample companies. The results and analysis of (1), (2), and (3) are presented in this section and (4) are presented towards the end of this chapter.

In the questionnaire survey, the respondents were requested to indicate the degree of importance they attach to each item of information. They were instructed to use a frame of reference, which should be that of a shareholder using the annual reports as a major source of information in monitoring the behaviour of the directors. The expected response was structured on a five-point (0 to 4) Likert scale. A score of '4' indicates that the item is extremely important, tapering down to '0', which indicates that the item is not at all important.

The individual scores assigned by the investment analysts for the importance of disclosing each item of information are shown in Appendix 6.

6.2.1. Weighting of the disclosure items

The individual scores assigned by the investment analysts have been combined together into a single median score and are shown in Table 6.2. The medians were used as weights in the computation of a weighted disclosure index. In this study the median scores were used instead of mean scores because of the nature of the measurement scale of the disclosure items. There are four levels of measurement scales to consider: a nominal (named) scale, an ordinal (ordered)

	Disclosure Items	Median Score
1	Information on the terms of the directors' service contract or a statement stating that there was no service contract.	3
2	Auditor's report on corporate governance matters.	3
3	Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate.	3
4	Statement of directors' responsibility in respect of the financial statements.	2
5	Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.	4
6	Information on the independence of the directors.	3
7	Directors' other directorships/offices or a statement that there were no other directorships/offices.	2
8	Directors' date of appointment or year of service.	2
9	Composition of board of directors.	3
10	Directors' ages.	2
11	Directors' qualifications.	2
12	Details of the audit committee.	3
13	Details of remuneration/compensation committee.	3
14	Details of internal control.	3
15	Details of nomination committee.	2
16	Details of board of directors' meeting/working method.	2
17	Details of directors' salary/fee.	3
18	Details of directors' bonus/performance bonus/profit sharing or other similar payments.	4
19	Details of directors' benefit in kind/other fringe benefits.	3
20	Details of directors' pension scheme.	2
21	Directors' emoluments (remuneration).	4
22	Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.	4
23	Details of directors' share option scheme.	4

Table 6.2
Median scores of the disclosure items

scale, an interval scale and a ratio scale. Even though the items of disclosure were rated, intervals are not necessarily fixed. Since in this study the weights were based on the perceptions of the investment analysts, there is no reason to suppose that an item rated '4' is four times as important as an item rated '1'. Therefore, the weighting of the disclosure items used in this study only achieved the level of measurement of an ordinal scale. Seigal (1956) also noted that in the social sciences nominal and ordinal measurement are commonly achieved. Since, as Hussey and Hussey (1997, p 150) point out the arithmetic mean cannot be calculated with an ordinal scale data, in this study the median (mid-value) of the frequency distribution is used as a weight.

6.2.2. Ranking of the disclosure items.

However, due to several weaknesses of the median, such as: it cannot be used in further statistical calculations (Hussey and Hussey, 1997), the limited range of scale values (Buzby, 1974) and the possibilities of so many ties in the ranking of the disclosure items, in this study both the median and mean scores were used in the ranking of the disclosure items. The ranking of the disclosure items based on the median and mean scores are shown in Table 6.3.

As mentioned earlier, one of the purposes of weighting the disclosure items is to identify, which items in the perceptions of the investment analysts, are very

	Disclosure Items	Median Score	Rank	Mean Score	Rank
1	Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.	4	1	3:59	1
2	Details of directors' share options scheme.	4	1	3.48	2
3	Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.	4	1	3.43	3
4	Directors' emoluments (remuneration).	4	1	3.33	4
5	Details of directors' bonus/performance bonus/profit sharing or other similar payments.	4	1	3.26	5
6	Details of directors' salary/fee.	3	6	3.09	6
7	Information on the terms of the directors' service contract or a statement stating that there was no service contract.	3	6	2.91	7
8	Details of directors' benefit in kind/other fringe benefits.	3	6	2.91	7
9	Information on the independence of the directors.	3	6	2.86	9
10	Details of the audit committee.	3	6	2.76	10
11	Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate.	3	6	2.74	11
12	Details of internal control.	3	6	2.67	12
13	Auditor's report on corporate governance matters.	3	6	2.55	13
14	Composition of board of directors.	3	6	2.55	13
15	Details of remuneration/compensation committee.	3	6	2.53	15
16	Directors' other directorships/offices or a statement that there were no other directorships/offices.	2	16	2.49	16
17	Details of directors' pension scheme.	2	16	2.39	17
18	Statement of directors' responsibility in respect of the financial statements.	2	16	2.28	18
19	Directors' qualifications.	2	16	2.20	19
20	Details of nomination committee.	2	16	2.09	20
21	Directors' ages.	2	16	2.02	21
22	Directors' date of appointment or year of service.	2	16	1.80	22
23	Details of board of directors' meeting/working method.	2	16	1.59	23

Table 6.3
Disclosure items ranked in order of importance.

important and which items are not very important for monitoring the behaviour of the directors. The study of the users' needs of disclosure relating to directors' behaviour is important for policy makers in designing standards or regulations of disclosure in this area. This will enable the policy maker to identify, which disclosure items are highly demanded by the users and which items are not important to the users.

Out of the 23 disclosure items presented to the investment analysts for weighting, 5 items have a median weight of '4', 10 items have a median weight of '3' and 8 items have a median weight of '2'. There are no items with a median weight of '1' or '0'. This in a way indicates that no disclosure items are viewed by the investment analysts as not very important or not important at all for them in monitoring the directors' behaviour. The breakdown of the disclosure items based on their importance is shown in Table 6.4

It can be seen from Table 6.3 that the most important disclosure items in the perception of the investment analysts, with a median score of '4', are the items relating to the compensation of the directors except one, that is, the item concerning related-party transactions. This indicates that the investment analysts require a greater amount of information relating to directors' compensation to be disclosed in the annual reports of the companies. Among the five items with the median score of '4', information relating to the directors' interest in shares and directors' share options scheme, based on the mean score, were ranked top with an average score of 3.59 and 3.48, respectively. Even though information concerning directors' compensation received high scores and was ranked among

Median Score	Number of Items	Percentage
4	5	21.74%
3	10	43.48%
2	8	0.00%
1	0	0.00%
0	0	0.00%

Table 6.4
Breakdown of the disclosure items based on their importance.

the top 6 in the list, it is surprising that information on the details of the remuneration/compensation committee was ranked number 15 with an average score of 2.53. This suggests that investment analysts are more concerned with the actual compensation received by the directors than with on the procedure in setting the compensations.

Of the 23 items in the questionnaire, only 8 received an average score below the mid-point of the range 0.00 to 4.00. Information on the directors' date of appointment and details of board of directors meeting were items ranked at the bottom of the list with an average score of 1.80 and 1.59, respectively.

6.2.3. Factor analysis of the questionnaire survey

Apart from the above analysis, a factor analysis was conducted on the questionnaire survey in order to group the 23 disclosure items to several factors that link or belong together. This analysis, utilising principal component extraction and the varimax rotation technique, was carried out by using the statistical package SPSS for MS WINDOWS release 6.1. Technically factor analysis should be reserved for ratio-scaled data, whereas it can be argued that the Likert-scaled data are ordinal-scaled. However, the intention is primarily to provide a practical way of grouping items of disclosure together, and this provides a reasonable approach.

The factor analysis final statistics are shown in Table 6.5. It can be seen from Table 6.5 that there are five factors extracted for the disclosure items relating to directors' behaviour. The five factors extracted are responsible for 32.3%, 12%, 7.3%, 6.6% and 5.1% of the variation in responses. The communality indicates the strength of the linear association among the disclosure items. It is the squared multiple correlation coefficient between a disclosure item and all of the other variables. The Eigen value shown in Table 6.5 is a measure of standardised variance with a mean of 0 and a standard deviation of 1. Since the variance that each standardised variable contributes to a principal components extraction is 1, a component with an Eigen value of less than 1 is less important than an observed

	Disclosure Items	Communality	Factor	Eigen Value	% of Variance
1	Information on the terms of the directors' service contract or a statement stating that there was no service contract.	.63147	1	7.42965	32.3
2	Auditor's report on corporate governance matters	.66697	2	2.74880	12.0
3	Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).	.70360	3	1.67874	7.3
4	Statement of directors' responsibility in respect of the financial statement.	.57105	4	1.51644	6.6
5	Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.	.57701	5	1.16223	5.1
6	Information on the independence of the directors	.442202			
7	Directors' other directorships/offices or a statement that there were no other directorships/offices.	.50133			
8	Directors' date of appointment or year of service.	.61113			
9	Composition of board of directors	.61310			
10	Directors' ages.	.73128			
11	Directors' qualifications.	.60354			
12	Details of the audit committee.	.55944			
13	Details of remuneration/compensation committee	.65681			
14	Details of internal control.	.77510			
15	Details of the nomination committee.	.55201			
16	Details of board of directors' meeting/ working method.	.30569			
17	Details of directors' salary/fee.	.75290			
18	Details of directors' bonus/performance bonus/profit sharing or other similar payments.	.70792			
19	Details of directors' benefit in kind/other fringe benefits.	.77414			
20	Details of directors' pension scheme.	.59395			
21	Directors' emoluments (remuneration).	.66149			
22	Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.	.81499			
23	Details of directors' share options scheme.	.74891			

Table 6.5
Factor analysis final statistics.

variable, and therefore eliminated from the final statistics of Table 6.5 and hence the blanks in the table.

In order to show which of the disclosure items are linked by the factor analysis, the five factors extracted are orthogonally rotated as shown in Table 6.6. The coefficients in this table represent the correlations between the items and each factor and are termed as "factor loadings". In Table 6.6 it can be seen that only the items, which are highly loaded are recorded, i.e. with a factor loading above 0.5. The poorly loaded items are suppressed in order to help the interpretation of the factor since the high loading items are the ones that primarily decide what the factor might be.

Factor 1 relates the information on the terms of the directors' service contract to the disclosure of related party transactions between directors and the company, the details of directors salary/fee, the details of directors' bonus or other similar payment, details of directors' interest in shares and the details of directors' share option scheme. Although this factor incorporates details of salaries and fees, these are also represented in Factor 3. Factor 1 represents the contracts between the directors and the company, and interests in shares and options.

Factor 2 represents the corporate governance matters. This factor links six disclosure items together, i.e. the auditor's report on corporate governance, the

	Factor/Description	Rotated Factor Loading
	Factor 1: Contracts between directors and company including shares and options.	
1	Information on the terms of the directors' service contract or a statement stating that there was no service contract.	.56436
2	Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.	.60398
3	Details of directors' salary/fee.	.66180
4	Details of directors' bonus/performance bonus/profit sharing or other similar payments.	.71790
5	Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.	.77050
6	Details of directors' share options scheme.	.84373
	Factor 2: Corporate governance matters	
1	Auditor's report on corporate governance matters.	.79408
2	Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate.	.75289
3	Statement of directors' responsibility in respect of the financial statements.	.71550
4	Directors' qualifications.	.51305
5	Details of the audit committee.	.63714
6	Details of nomination committee.	.54450
	Factor 3: Compensations of directors	
1	Details of Remuneration/compensation committee.	.68750
2	Details of directors' salary/fee.	.53595
3	Details of directors' benefit in kind/other fringe benefits.	.84466
4	Details of directors' pension scheme.	.62387
5	Directors' emoluments (remuneration.	.61802
	Factor 4: Directors' profile	
1	Directors' date of appointment or year of service	.68130
2	Composition of board of directors	.71861
3	Directors' ages	.79451
	Factor 5: Internal control	
1	Details of internal control	.78933
	Not represented by any factors	
1	Information on the independence of the directors.	
2	Directors' other directorship/offices or a statement that there were no other directorship/offices.	
3	Details of board of directors' meeting/working.method.	

Table 6.6
Orthogonal factor loading of questionnaire items

information on corporate governance, the statement of directors' responsibility in respect of the financial statement, the directors' qualifications, the details of the audit committee, and the details of the nomination committee.

Factor 3 represents the compensations of the directors. This factor relates the details of the remuneration/compensation committee to the details of directors' salary/fee, the details of directors' benefits in kind, the details of directors' pension scheme and the directors' emoluments. It may be observed that the details of the directors' salaries/fees are more strongly represented in Factor 1, which focuses more on contracts.

Factor 4 represents the directors' profile. It links together the directors' date of appointment, the composition of board of directors and the directors' ages.

Factor 5 represents the internal control and it does not relate to any other items. From Table 6.6 it can also be seen that there are three disclosure items, which are not represented by the five factors extracted, i.e. the information on the independence of the directors, the directors' other directorships/offices and the details of the board's meeting/working method. This is because the factor loading of these items for the five factors extracted are low, i.e. below 0.5. Furthermore the communality (the linear association among the items) of these three items is weak, i.e. .42202 for the information on the independence of the directors, .50133 for the directors' other directorship/offices and .30569 for the details of the board's of directors meeting/working method.

6.3. Actual disclosure by sample companies

As discussed in the earlier chapters, the actual disclosures by companies were measured by the use of a disclosure index. The raw scores of each individual item of disclosure of the sample companies for the six countries, extracted from the worksheets are shown in Appendices 7 to 12 (for the dichotomous score) and Appendices 13 to 18 (for the modified dichotomous score). In this chapter the disclosure index for both the overall disclosure and each individual item disclosure are reported and analysed. The overall disclosures are analysed to determine whether there is any significant difference in the disclosure of information relating to directors' behaviour in the annual reports of the sample countries. Any significant difference in the disclosure of information in relation to the directors' behaviour between the sample countries supports the Nobes' classification of financial reporting practices discussed earlier. This also suggests that there is a lack of harmony in the disclosure of information in the annual reports of companies between the sample countries. The findings of a low overall disclosure score of the sample companies also indicates that it contradicts the arguments by the anti regulation group or the supporters of market forces, that information regarding directors' behaviour are voluntarily disclosed. These findings should be of prime interest especially to the international bodies, such as the IASC, the OECD and the EU, in harmonising the disclosure practices of their members' countries.

The purposes of analysing the individual items of disclosure, firstly, to identify which items are popularly disclosed and which items the companies are reluctant to disclose. This classification establishes the priority and the urgencies in the improvement of disclosure of information in relation to directors' behaviour. Secondly, the purpose is to measure the degree of agreement or correlation between the ranking of perceptions by the investment analysts and the ranking of actual disclosure by companies of the sample countries. Any significant difference between the ranking of the investment analysts and the actual disclosure by companies of the sample countries indicates that there is information asymmetry between the principal and the agent as predicted in agency theory. The second purpose will be presented in section 6.4 of this chapter.

6.3.1. Overall disclosure

As discussed in the data and methodology chapter, the overall disclosure for each company was measured by the use of the disclosure point average (DPA). The DPAs were calculated for (1) the unweighted dichotomous disclosure index (UWDDPA), (2) the unweighted modified dichotomous disclosure index (UWMDDPA), (3) weighted dichotomous disclosure index (WDDPA), and (4) the weighted modified dichotomous disclosure index (WMDDPA).

The method of calculating the disclosure point average for both weighted and unweighted together with an example has already been explained in the data and methodology chapter. In this section, the results of the UWDDPA, UWMDDPA, WDDPA and WMDDPA are presented and analysed. The UWDDPA, UWMDDPA, WDDPA and WMDDPA for the 204 companies from the 6 sample countries are shown in Tables 6.7, 6.8, 6.9 and 6.10, respectively. The percentage of the mean DPAs against the maximum possible score in the sample countries are summarised in Table 6.11.

The above tables show that there were differences in the disclosure practices between the sample countries. As described in the data and methodology chapter, the differences in the overall disclosure in all the sample countries for the four methods of disclosure measurements were tested using the Kruskal-Wallis. The results of the Kruskal-Wallis tests for the four methods of measurements are summarised in Table 6.12. The results show that there were very significant differences between the countries for all four methods of disclosure measurement.

These results in general support the classification made by Nobes (1983) (discussed in Chapter 2). However, Nobes's classification was concerned with measurement and valuation reporting practices, whereas this study is concerned with the disclosure practices of directors' information. The results of significant differences between the sample countries show that there are differences not only

Company*	UWDDPA**					
	U.Kingdom	Canada	Netherlands	France	Germany	Sweden
1	0.87	0.27	0.46	0.41	0.18	0.52
2	0.96	0.50	0.43	0.57	0.14	0.61
3	0.83	0.52	0.39	0.48	0.25	0.36
4	0.87	0.25	0.35	0.25	0.22	0.68
5	0.87	0.64	0.48	0.39	0.33	0.46
6	0.83	0.48	0.35	0.16	0.24	0.36
7	0.74	0.41	0.33	0.57	0.19	0.52
8	0.83	0.59	0.20	0.32	0.18	0.59
9	0.83	0.52	0.30	0.09	0.27	0.52
10	0.87	0.46	0.16	0.59	0.23	0.50
11	0.91	0.36	0.27	0.27	0.35	0.39
12	0.87	0.45	0.20	0.39	0.30	0.48
13	0.87	0.41	0.15	0.32	0.27	0.36
14	0.91	0.60	0.52	0.33	0.27	0.68
15	0.87	0.41	0.21	0.09	0.24	0.17
16	0.91	0.57	0.43	0.41	0.18	0.40
17	0.87	0.46	0.24	0.02	0.24	0.71
18	0.96	0.41	0.27	0.26	0.23	0.44
19	0.96	0.39	0.19	0.10	0.27	0.57
20	0.96	0.48	0.15	0.10	0.20	0.59
21	0.83	0.44	0.19	0.36	0.20	0.55
22	0.65	0.41	0.14	0.24	0.23	0.41
23	0.78	0.36	0.30	0.46	0.27	0.41
24	0.83	0.38	0.19	0.14	0.29	0.44
25	0.83	0.48	0.25	0.29	0.19	0.32
26	0.82	0.26	0.19	0.14	0.25	0.32
27	0.87	0.30	0.29	0.46	0.18	0.50
28	0.82	0.62	0.17	0.05	0.18	0.36
29	0.79	0.38	0.20	0.36	0.30	0.36
30	0.96	0.48	0.24	0.26	0.14	0.64
31	0.87	0.52	0.25	0.35	0.18	0.40
32	0.78	0.55	0.23	0.18	0.23	0.44
33	0.82	0.52	0.24	0.09	0.23	0.36
34	0.83	0.36	0.14	0.38	0.27	0.50

Mean	0.85	0.45	0.27	0.29	0.23	0.47
Std.Dev.	0.07	0.10	0.10	0.16	0.05	0.12
Maximum	0.96	0.64	0.52	0.59	0.35	0.71
Minimum	0.65	0.25	0.14	0.02	0.14	0.17

* The company name is shown in Appendix 2.

** The figure shown here was extracted from Appendices 7 to 12 and the maximum possible score for the UWDDPA is 1point.

Table 6.7

Unweighted dichotomous disclosure point average

Company*	UWMDDPA**					
	U.Kingdom	Canada	Netherlands	France	Germany	Sweden
1	7.68	2.10	2.65	2.77	1.25	3.69
2	8.64	4.05	2.96	3.99	0.71	3.77
3	7.15	3.93	2.60	3.02	1.10	2.91
4	7.43	1.59	3.32	1.44	1.41	4.04
5	7.54	5.10	3.57	3.06	1.98	2.45
6	6.67	3.99	2.21	1.58	1.59	2.91
7	5.80	2.34	2.25	3.84	0.87	3.88
8	7.43	4.72	1.25	1.99	0.61	4.25
9	7.15	3.87	2.05	0.40	1.84	3.64
10	8.04	3.47	0.57	4.20	1.59	2.91
11	7.97	2.37	1.84	1.80	2.15	2.99
12	7.30	3.43	1.04	2.72	1.77	3.42
13	7.79	3.15	0.92	2.73	1.52	3.07
14	7.70	4.41	4.68	2.70	1.92	5.02
15	6.66	2.78	1.10	0.29	1.06	1.16
16	7.63	4.34	2.61	2.35	0.64	3.38
17	7.65	3.92	1.85	1.79	1.11	5.75
18	8.91	2.89	1.90	1.18	1.40	2.99
19	8.19	3.32	1.17	1.00	1.79	3.65
20	8.18	3.14	0.92	0.32	0.92	4.03
21	6.74	3.51	1.05	1.92	1.00	4.67
22	5.04	3.01	0.87	1.03	1.44	3.08
23	6.44	2.44	1.72	2.88	1.97	2.92
24	7.53	2.57	1.35	0.67	1.90	3.13
25	7.19	4.29	1.92	1.56	0.87	2.34
26	6.70	2.02	1.05	0.81	1.42	2.31
27	7.45	1.79	1.71	2.99	1.29	3.55
28	6.97	4.54	1.26	0.17	0.83	2.76
29	7.07	2.93	1.04	2.47	1.42	2.95
30	7.70	3.23	1.57	1.49	0.52	4.62
31	7.86	4.09	1.74	2.11	0.83	3.06
32	6.59	3.37	1.49	1.31	1.16	3.30
33	6.56	3.63	1.83	0.37	1.74	2.41
34	7.61	2.54	0.87	2.14	1.53	3.17
Mean	7.32	3.32	1.79	1.91	1.33	3.36
Std.Dev.	0.76	0.88	0.90	1.10	0.45	0.87
Maximum	8.91	5.10	4.68	4.20	2.15	5.75
Minimum	5.04	1.59	0.57	0.17	0.52	1.16

* The company name is shown in Appendix 2.

** The figure shown here was extracted from Appendices 13 to 18
and the maximum possible score for the UWMDDPA is 10 points.

Table 6.8
Unweighted modified dichotomous disclosure point average

Company*	WDDPA**					
	U.Kingdom	Canada	Netherlands	France	Germany	Sweden
1	0.89	0.26	0.48	0.40	0.19	0.49
2	0.97	0.45	0.46	0.56	0.16	0.61
3	0.86	0.49	0.41	0.46	0.24	0.39
4	0.89	0.26	0.35	0.27	0.23	0.69
5	0.89	0.61	0.49	0.39	0.32	0.47
6	0.88	0.44	0.35	0.19	0.25	0.39
7	0.76	0.36	0.36	0.61	0.19	0.56
8	0.86	0.53	0.26	0.33	0.18	0.58
9	0.82	0.47	0.36	0.11	0.27	0.53
10	0.89	0.42	0.21	0.59	0.23	0.52
11	0.92	0.37	0.29	0.25	0.35	0.44
12	0.89	0.44	0.22	0.44	0.31	0.55
13	0.88	0.44	0.20	0.32	0.27	0.37
14	0.92	0.62	0.56	0.29	0.27	0.69
15	0.85	0.40	0.28	0.11	0.24	0.23
16	0.91	0.61	0.46	0.40	0.18	0.42
17	0.89	0.43	0.29	0.22	0.22	0.71
18	0.97	0.40	0.32	0.30	0.23	0.50
19	0.97	0.39	0.22	0.09	0.27	0.63
20	0.96	0.46	0.20	0.12	0.20	0.58
21	0.82	0.41	0.25	0.41	0.20	0.53
22	0.66	0.40	0.15	0.23	0.21	0.44
23	0.79	0.34	0.32	0.48	0.27	0.42
24	0.83	0.36	0.20	0.16	0.24	0.47
25	0.85	0.42	0.29	0.31	0.19	0.32
26	0.84	0.28	0.22	0.14	0.24	0.32
27	0.86	0.29	0.34	0.44	0.18	0.52
28	0.83	0.58	0.20	0.05	0.18	0.37
29	0.81	0.39	0.19	0.32	0.27	0.37
30	0.96	0.44	0.29	0.27	0.15	0.63
31	0.89	0.48	0.28	0.35	0.18	0.40
32	0.83	0.52	0.25	0.18	0.24	0.46
33	0.81	0.52	0.27	0.11	0.21	0.37
34	0.82	0.37	0.15	0.42	0.27	0.52

Mean	0.87	0.43	0.30	0.30	0.23	0.48
Std.Dev.	0.07	0.09	0.10	0.15	0.05	0.12
Maximum	0.97	0.62	0.56	0.61	0.35	0.71
Minimum	0.66	0.26	0.15	0.05	0.15	0.23

* The company name is shown in Appendix 2.

** The figure shown here was extracted from Appendices 19 to 24 and the maximum possible score for the WDDPA is 1point.

Table 6.9
Weighted dichotomous disclosure point average

Company*	WMDDPA**					
	U.Kingdom	Canada	Netherlands	France	Germany	Sweden
1	7.83	1.92	2.86	2.45	1.37	3.35
2	8.75	3.58	2.88	3.79	0.78	3.50
3	7.42	3.65	2.99	2.77	1.05	3.06
4	7.64	1.55	2.35	1.30	1.59	3.82
5	7.84	4.80	3.64	2.92	1.91	2.20
6	7.39	3.59	2.12	1.89	1.69	2.88
7	5.91	1.97	2.32	3.97	0.78	3.98
8	7.75	4.00	1.64	2.01	0.56	4.07
9	7.09	3.40	1.70	0.51	1.85	3.62
10	8.33	3.17	0.75	3.92	1.53	2.78
11	8.06	2.26	2.18	1.45	2.09	2.92
12	7.49	3.26	1.05	2.92	1.91	3.79
13	7.95	3.38	1.27	2.62	1.61	2.95
14	7.83	4.45	3.81	2.26	1.90	5.01
15	6.59	2.68	1.51	0.35	0.96	1.4
16	7.66	4.51	2.34	2.14	0.60	3.33
17	7.90	3.57	2.12	2.03	0.95	5.58
18	9.09	2.75	2.58	1.31	1.33	2.85
19	8.40	3.26	1.61	0.88	1.75	3.62
20	8.17	2.93	1.27	0.38	0.82	3.38
21	6.52	3.22	1.44	2.01	0.91	4.38
22	5.05	2.9	0.85	1.02	1.21	3.07
23	6.51	2.20	1.78	2.88	1.94	2.76
24	7.56	2.36	1.36	0.76	1.98	3.22
25	7.30	3.79	2.18	1.66	0.76	2.13
26	6.98	2.17	1.10	0.75	1.18	2.14
27	7.41	1.53	2.25	2.66	1.21	3.45
28	7.06	4.06	1.67	0.18	0.73	2.62
29	7.24	2.91	0.91	2.02	1.18	2.86
30	7.80	2.99	2.12	1.56	0.51	4.53
31	8.02	3.64	2.36	1.86	0.73	2.96
32	7.00	3.26	1.83	1.13	1.31	3.29
33	6.51	3.64	2.03	0.42	1.53	2.25
34	7.58	2.46	0.85	2.12	1.56	3.02

Mean	7.46	3.11	1.93	1.85	1.29	3.26
Std.Dev.	0.79	0.82	0.76	1.03	0.48	0.84
Maximum	9.09	4.80	3.81	3.97	2.09	5.58
Minimum	5.05	1.53	0.75	0.18	0.51	1.40

* The company name is shown in Appendix 2.

** The figure shown here was extracted from Appendices 25 to 30
and the maximum possible score for the WMDDPA is 10 points.

Table 6.10

Weighted modified dichotomous disclosure point average

Country	Disclosure Measurement			
	UWDDPA*	UWMDDPA*	WDDPA*	WMDDPA*
United Kingdom	85%	73%	87%	75%
Canada	45%	33%	43%	31%
Netherlands	27%	18%	30%	19%
France	29%	19%	30%	19%
Germany	23%	13%	23%	13%
Sweden	47%	34%	48%	33%

* The figure shown here was the percentage of the mean disclosure point average from Tables 6.7 to 6.10 against the maximum possible score (rounded up).

Table 6.11

The percentage of mean disclosure point average (DPA) against maximum possible score

Methods of disclosure measurements	Cases	Corrected for ties		
		Chi-square	D.F	Significance
1. Unweighted dichotomous disclosure point average (UWDDPA)	204	138.3942	5	0.0000*
2. Unweighted modified dichotomous disclosure point average (UWMDDPA)	204	148.3077	5	0.0000*
3. Weighted dichotomous disclosure point average (WDDPA)	204	137.9776	5	0.0000*
4. Weighted modified dichotomous disclosure point average(WMDDPA)	204	145.2903	5	0.0000*

* Significant at 1% level of significance.

Table 6.12

Kruskal-Wallis One-way ANOVA: All sample countries for the four methods of disclosure measurements.

in the measurement and valuation practices but also in the disclosure practices of directors' information/ corporate governance matters.

Another point to note is that, Nobes carried out his classification in 1980, before the enactments in EU countries of the fourth and seventh Directives on Company Law (the company law Directives of most relevance to accounting), whereas this study is after the enactments. Since all the sample countries are members of EU, except Canada, and the Directives must be incorporated into the laws of member's states, there should not be any differences in their disclosure practices between them. However, as mentioned in earlier chapter, the fourth Directive, is concerned with the formats, accounting principles and basic accounting conventions, and the seventh Directive is regarding consolidated accounting. Up to the date of writing this thesis there is no EU Directive on disclosure of directors' information or corporate governance matters. This may explain why there are differences between the sample countries.

However, the Kruskal-Wallis test shows only whether the six sample countries differ but not which of any two countries differ. Cramer (1998 p. 342) suggests that the Mann-Whitney U test can be used to make comparisons between all possible pairs. In this study, the Mann-Whitney tests were carried out to test for significant differences between each possible pair of countries, for the four methods of disclosure measurement. The results of the tests for each method of disclosure measurement are summarised in Tables 6.13, 6.14, 6.15 and 6.16.

United Kingdom	-				
Canada	0.0000*	-			
Netherlands	0.0000*	0.0000*	-		
France	0.0000*	0.0000*	0.4690	-	
Germany	0.0000*	0.0000*	0.3313	0.0610	-
Sweden	0.0000*	0.6316	0.0000*	0.0000*	0.0000*
	United Kingdom	**Canada**	**Netherlands**	**France**	**Germany**

* Significant at 1% level of significance.

Table 6.13

Significance probabilities from Mann-Whitney U test: Unweighted Dichotomous Disclosure Point Average (UWDDPA).

United Kingdom	-				
Canada	0.0000*	-			
Netherlands	0.0000*	0.0000*	-		
France	0.0000*	0.0000*	0.8830	-	
Germany	0.0000*	0.0000*	0.0154**	0.0519	-
Sweden	0.0000*	0.9706	0.0000*	0.0000*	0.0000*
	United Kingdom	**Canada**	**Netherlands**	**France**	**Germany**

* Significant at 1% level of significance.
** Significant at 5% level of significance.

Table 6.14

Significance probabilities from Mann-Whitney U test: Unweighted Modified Dichotomous Disclosure Point Average (UWMDDPA).

United Kingdom	-				
Canada	0.0000*	-			
Netherlands	0.0000*	0.0000*	-		
France	0.0000*	0.0003*	0.9364	-	
Germany	0.0000*	0.0000*	0.0039*	0.0435**	-
Sweden	0.0000*	0.0622	0.0000*	0.0000*	0.0000*
	United Kingdom	**Canada**	**Netherlands**	**France**	**Germany**

* Significant at 1% level of significance.
** Significant at 5% level of significance.

Table 6.15

Significance probabilities from Mann-Whitney U test: Weighted Dichotomous Disclosure Point Average (WDDPA).

United Kingdom	-				
Canada	0.0000*	-			
Netherlands	0.0000*	0.0000*	-		
France	0.0000*	0.0000*	0.6324	-	
Germany	0.0000*	0.0000*	0.0002*	0.0146**	-
Sweden	0.0000*	0.5560	0.0000*	0.0000*	0.0000*
	United Kingdom	**Canada**	**Netherlands**	**France**	**Germany**

* Significant at 1% level of significance.
** Significant at 5% level of significance.

Table 6.16

Significance probabilities from Mann-Whitney U test: Weighted Modified Dichotomous Disclosure Point Average (WMDDPA).

It can be seen from Tables 6.13 to 6.16 that there were significant differences between the United Kingdom and the other countries for all the four methods of disclosure measurement. For Canada, the results show that there were significant differences with all other countries, except with Sweden, for all methods of disclosure measurement. There were no significant differences between the Netherlands and France for all the methods of measurement. Between the Netherlands and Germany there were significant differences for all methods of measurement, except for the UWDDPA where it revealed no significant difference. The comparisons between France and Germany show that there were significant differences in the WDDPA and WMDDPA but show no significant differences for the UWDDPA and UWMDDPA.

From the above tables it can be seen that there were three groupings of countries in terms of disclosure in annual reports in relation to directors' behaviour. The first group consists of the United Kingdom with the means for UWDDPA, UWMDDPA, WDDPA and WMDDPA of 0.85, 7.32, 0.87, and 7.46, respectively and standard deviations of 0.07, 0.76, 0.07, and 0.79, respectively. There were no companies in the United Kingdom with a disclosure point average below the mid-point for all the four disclosure measurements. This indicated a high level of disclosure quality in the United Kingdom.

The second group comprised Canada and Sweden. The means of UWDDPA, UWMDDPA, WDDPA and WMDDPA for Canada were 0.45, 3.32, 0.43, and

3.11, respectively and for Sweden were 0.47, 3.36,0.48, and 3.26, respectively. Their standard deviation, highest and lowest mean disclosure point average for the four disclosure measurements were also very similar. There were 11 companies in Canada and 13 companies in Sweden with the UWDDPA above the mid-point. In the case of UWMDDPA there were only 1 company in Canada and 2 companies in Sweden with a DPA above the mid-point. For the WDDPA there were 7 companies in Canada and 15 companies in Sweden with a DPA above the mid point and no company in Canada and 2 companies in Sweden in the case of the WMDDPA.

The third group is made up of the Netherlands, France and Germany. The mean UWDDPAs were 0.27, 0.29, 0.23 for Netherlands, France and Germany, respectively. The UWDDPA standard deviations were 0.10 for the Netherlands, 0.16 for France and 0.05 for Germany. There were 4 companies from these three countries with the UWDDPA of above 0.50 (mid-point), i.e., 3 in France and 1 in the Netherlands. No company in Germany had a UWDDPA of above 0.50. The mean UWMDDPA for the Netherlands, France and Germany were 1.79, 1.91 and 1.33, respectively. The UWMDDPA standard deviations were 0.90 for the Netherlands, 1.10 for France, and 0.45 for Germany. No company from these three countries had a UWMDDPA above 5.00 (mid-point). For the weighted disclosure point average, i.e. the WDDPA and WMDDPA, these three countries also showed a very low level of disclosure. In the case of the WDDPA, the means were 0.30 for the Netherlands, 0.30 for France and 0.23 for Germany with standard deviations of 0.10, 0.15 and 0.05, respectively. Only 4 companies from these three countries had a WDDPA above 0.50 (mid-point), i.e., 3 companies from France and 1 company from the Netherlands. The mean WMDDPA for the Netherlands was 1.93, France 1.85 and Germany 1.29 with standard deviations of 0.76, 1.03 and 0.48, respectively. No company from these three countries had a WMDDPA above 5.0. The highest WMDDPA from these three countries was from France, i.e. 3.97. The statistics shown above suggest that the level and quality of disclosure in relation to directors' behaviour of these three countries are very low.

The United Kingdom was at the top end of the list possibly because of the Cadbury and the Greenbury's Reports recommending companies to disclose information on corporate governance matters and directors' remuneration. Another reason is that companies listed on the London Stock Exchange must comply with the requirements set out in the publication *Admission of Securities to Listing* (the 'Yellow Book'), and one of the requirements is the disclosure about corporate governance and directors' remuneration.

Previous disclosure studies also indicated that the United Kingdom and the USA are the leaders in annual report disclosure. For example, according to Barret (1976) the extent of secrecy appears to vary across countries with lower levels of disclosure evident in Japan and continental European countries such as France, Germany and Switzerland, compared to the United Kingdom and United States.

In the case of Sweden, even though there are no corporate governance guidelines or reports, it was in the second group together with Canada, a country with corporate governance guidelines (the Dey's Report). This is consistent with the results of previous disclosure studies, which have included companies from Sweden in their sample has shown a good level of disclosure by companies in this country (see for example, Cairns et al, 1984; and Kahl and Belkaoui, 1981).

Although Sweden is in the same class with France and Germany, in the Nobes' classification, the disclosure level is higher than the two countries. This is expected because, as discussed earlier in Chapter 3, Sweden is a country with strong influence of stock exchange in respect of accounting and disclosure.

Canadian companies disclosed less than United Kingdom companies, even though they have a corporate governance guidelines, because the companies in this country disclose the information in question in the proxy statements and the 10-K report, a requirement for companies listed on the NYSE. It should be noted that 16 out of the 34 companies from Canada were also listed in the USA. However, a statistical test (Mann-Whitney) for a significant difference in the disclosure point average between the companies listed only in Canada and companies listed both in Canada and the USA, reported a 2-tailed probability of 0.5121 indicating that there is no significant difference (at the 5% level of significance) between the companies listed only in Canada and companies listed both in Canada and USA. Instead, on average, the companies listed both in Canada and USA reported a higher disclosure point average.

Another reason for Canadian companies disclosing lower than the British companies, may be due to the securities commissions in the individual provinces govern the financial reporting requirements of the public companies. As discussed in the earlier chapters, the corporate governance guidelines in Canada (the Dey's Report) were set by the Toronto Stock Exchange. Since the sample companies for Canada were selected from Toronto, Montreal and Vancouver Stock Exchanges, not all sample companies will comply with the Dey's Report.

Under all four methods of disclosure measurement, the Netherlands, France and Germany were at the lower end of the ranking. The results is not surprising for France and Germany because, as discussed in Chapter 3, these two countries legal system is highly codified and prescriptive. Companies in these two countries tend to disclose only the items that are prescribed by the law or accounting plan. For example, the French companies are required to disclose certain information under the *Plan Comptable General* and it is often the case that no other additional disclosure is provided except that are required by the Plan.

Small and weak stock exchanges in these two countries also contribute to the low disclosure level of information of directors' behaviour. Since most corporate governance guidelines around the world are incorporated into the stock exchange listing rules, country with weak stock exchange is unable to enforce these rules, thus resulting in low disclosure level. Relating to the small stock exchanges, the major sources of finance for the French and German companies (as discussed in chapter 3) may also lead to the low level of disclosure. Usually banks and the government, as the providers of finance, will appoint their staffs as the directors of the companies. Therefore the banks and the governments are able to get the information direct from the companies without relying on the annual reports.

However, it is surprising for the Netherlands to be grouped together with France and Germany. Although the company law in the Netherlands is incorporated in the Civil Code, similar to France and Germany, the Code has not provided a detailed framework. The Code provides some general rules for preparing financial statements, but the main consideration that governed accounting policies was that they should be generally acceptable and that financial statements should give a true and fair view, similar to the UK practices. Since it is similar to the UK practices and fall under the same class in the Nobes' classification, the Dutch companies should be disclosing similar to that of the UK.

The Netherlands' showing a low level and quality of disclosure may be due to the corporate governance guidelines in this country (Peter's Report) became effective only for annual reports ending after 31 December 1997, whereas the annual reports analysed in this study were for the year ending between January 1996 and December 1996. This means that the companies are not required to follow the guidelines at this point. However, there were companies in the Netherlands that indicated they voluntarily followed the proposed guidelines.

The results of the Kruskal-Wallis test on the overall disclosure quality above are related to the main hypothesis number 1 put forward in chapter 1:

> **H1**: The overall disclosure quality of information relating to directors' affairs is different between the UK, Netherlands, Canada, France, Germany and Sweden.

Table 6.12 (above) reports the significance probabilities from the Kruskal-Wallis One-way ANOVA for the four disclosure measurements. The significance probabilities from Table 6.12 indicate that the hypothesis is not rejected at the 1% level of significance for all methods of disclosure measurement.

This shows that there is no harmony in the practices of disclosing information relating to directors' behaviour or corporate governance matters internationally. The result also supports the classification made by Nobes (1983). The possible reasons for the differences in the disclosure practices have been discussed in the above section.

6.3.2. Individual items

The raw scores of each individual item of disclosure of the sample companies for the six countries, extracted from the worksheets are shown in Appendices 7 to 12 (for dichotomous score) and Appendices 13 to 18 (for modified dichotomous score). Looking through Appendices 7 to 18 can provide an item-by-item feel for the quality of disclosure in the annual reports of the sample companies. There appeared to be great variability in the quality of disclosure between both the 23 disclosure items of information and the six countries.

6.3.2.1. Dichotomous disclosure index

The variability in the number of companies disclosing each item of disclosure in the six countries is presented in Table 6.17. This table shows the scores in a dichotomous measuring system, i.e. 0 for non-disclosure and 1 for disclosure.

From the 23 items evaluated, only one item, i.e. the information on the composition of the board of directors was disclosed by almost all sample companies with 99.57% of companies disclosing. Only one company in Germany did not disclose this item. The auditor's report on corporate governance on the other hand was poorly disclosed by companies in all the countries, with the entire sample percentage of 10.29% (21 companies). All the 21 companies were from the United Kingdom.

The auditor's report on corporate governance is recommended by the Cadbury's Report in the United Kingdom. However, this is a guideline and incorporated

	Entire sample					United Kingdom			Canada			Netherlands			France			Germany			Sweden		
Disclosure Items	Se	A	B	C	Sc	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
1. Information on the terms of the directors' service contract.	204	57	0	27.94%	34	33	0	97.06%	0	0	0.00%	1	0	2.94%	0	0	0.00%	0	0	0.00%	23	0	67.65%
2. Auditor's report on corporate governance matters.	204	21	0	10.29%	34	21	0	61.76%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%
3. Information on corporate governance.	204	93	0	45.59%	34	34	0	100.00%	31	0	91.18%	15	0	44.12%	10	0	29.41%	1	0	2.94%	2	0	5.88%
4. Statement of directors' responsibility in respect of the financial statements.	204	77	0	37.75%	34	34	0	100.00%	31	0	91.18%	0	0	0.00%	11	0	32.35%	1	0	2.94%	0	0	0.00%
5. Disclosure of related party transactions between directors and the company.	204	70	0	34.31%	34	26	0	76.47%	7	0	20.59%	17	0	50.00%	2	0	5.88%	14	0	41.18%	4	0	11.76%
6. Information on the independence of the directors.	204	31	0	15.20%	34	7	0	20.59%	16	0	47.06%	0	0	0.00%	7	0	20.59%	0	0	0.00%	1	0	2.94%
7. Directors' other directorship/offices.	204	116	0	56.86%	34	33	0	97.06%	33	0	97.06%	0	0	0.00%	17	0	50.00%	0	0	0.00%	33	0	97.06%
8. Directors' date of appointment or year of service.	204	89	0	43.63%	34	32	0	94.12%	10	0	29.41%	0	0	0.00%	13	0	38.24%	1	0	2.94%	33	0	97.06%
9. Composition of board of directors.	204	203	0	99.51%	34	34	0	100.00%	34	0	100.00%	34	0	100.00%	34	0	100.00%	33	0	97.06%	34	0	100.00%
10. Directors'ages.	204	82	0	40.20%	34	32	0	94.12%	3	0	8.82%	10	0	29.41%	2	0	5.88%	2	0	5.88%	33	0	97.06%
11. Directors' qualifications.	204	58	0	28.43%	34	14	0	41.18%	14	0	41.18%	0	0	0.00%	0	0	0.00%	14	0	41.18%	16	0	47.06%
12. Details of audit committee.	204	96	0	47.06%	34	33	0	97.06%	34	0	100.00%	11	0	32.35%	13	0	38.24%	2	0	5.88%	3	0	8.82%
13. Detail of remuneration/compensation committee.	204	97	0	47.55%	34	32	0	94.12%	29	0	85.29%	10	0	29.41%	18	0	52.94%	0	0	0.00%	8	0	23.53%
14. Details of internal control.	204	76	0	37.25%	34	34	0	100.00%	31	0	91.18%	6	0	17.65%	2	0	5.88%	0	0	0.00%	3	0	8.82%
15. Details of nomination committee.	204	72	0	35.29%	34	23	0	67.65%	22	0	64.71%	8	0	23.53%	11	0	32.35%	2	0	5.88%	6	0	17.65%
16. Details of board of directors meeting/working method.	204	105	0	51.47%	34	16	0	47.06%	12	0	35.29%	26	0	76.47%	13	0	38.24%	32	0	94.12%	6	0	17.65%
17. Details of directors' salary/fee.	204	78	0	38.24%	34	32	0	94.12%	0	0	0.00%	1	0	2.94%	15	0	44.12%	0	0	0.00%	30	0	88.24%
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	204	47	71	35.34%	34	28	5	96.55%	0	18	0.00%	0	26	0.00%	0	7	0.00%	0	11	0.00%	19	4	63.33%
19. Details of directors' benefits in kind/other fringe benefits.	204	47	80	37.90%	34	32	2	100.00%	1	12	4.55%	0	26	0.00%	0	23	0.00%	0	12	0.00%	14	5	48.28%
20. Details of directors' pension schemes.	204	72	12	37.50%	34	30	2	93.75%	1	3	3.23%	0	2	0.00%	1	5	3.45%	33	0	97.06%	7	0	20.59%
21. Directors' emolument(remuneration).	204	160	0	78.43%	34	34	0	100.00%	0	0	0.00%	34	0	100.00%	24	0	70.59%	34	0	100.00%	34	0	100.00%
22. Details of directors' interest in shares.	204	84	0	41.18%	34	33	0	97.06%	6	0	17.65%	4	0	11.76%	8	0	23.53%	0	0	0.00%	33	0	97.06%
23. Details of directors' share option scheme.	204	94	85	78.99%	34	32	2	100.00%	17	9	68.00%	17	9	68.00%	19	9	76.00%	0	33	0.00%	9	23	81.82%

Se - Entire sample size.

Sc - Sample size for each country.

A - Number of companies disclosing the item (see Appendices 7 to 12).

B - Number of companies where the item of information is not applicable (see Appendices 7 to 12).

C - Percentage of companies disclosing the item. This figure was determined by taking A divided by (S minus B).

Table 6.17

Dichotomous disclosure index of each item.

into the Listing Rules of the Stock Exchange. Therefore this piece of information is not mandatory, and hence only 21 companies disclosing.

The distribution of the percentage of companies disclosing the items is shown in Table 6.18. From Table 6.18 it can be seen that the items were disclosed by most of the companies in the United Kingdom, with 7 items disclosed by all the companies (100%) and only 3 items disclosed by less than 50% of the companies. Sweden is second with 10 items that were disclosed by more than 50% of the companies, followed by Canada (9 items), the Netherlands (5 items), France (5 items) and Germany (3 items). The Netherlands was rank higher than France even though it has 5 items disclosed by more than 50% of the companies because 2 of the items were disclosed by all the companies in the Netherlands as compared with only 1 in France.

It is not surprising for the companies in the United Kingdom to lead because as mentioned earlier, the United Kingdom are the leader in annual report disclosure. Apart form this, the Cadbury and Greenbury's Reports also contributed to the high disclosure by the companies in the United Kingdom.

Analysing the entire sample column of Table 6.17 and 6.18 indicate that there was a lack of consensus in terms of the annual reports' disclosure of items relating to the directors' behaviour internationally. Kahl and Belkaoui (1981) use the percentage of companies disclosing an item, i.e. the number of companies reporting the item divided by the number of companies for which a given

Percentage of company disclosing	Number of items						
	Entire sample	United Kingdom	Canada	Netherlands	France	Germany	Sweden
100%	0	7	2	2	1	1	2
90% to <100%	1	10	4	0	0	3	4
80% to <90%	0	0	1	0	0	0	2
70% to <80%	2	1	0	1	2	0	0
60% to <70%	0	2	2	1	0	0	2
50% to <60%	2	0	0	1	2	0	0
40% to <50%	6	2	2	1	1	2	2
30% to <40%	8	0	1	1	5	0	0
20% to <30%	2	1	2	3	3	0	2
10% to <20%	2	0	1	2	0	0	3
>0% to <10%	0	0	3	2	4	6	4
0%	0	0	5	9	5	11	2
Total	23	23	23	23	23	23	23

Table 6.18
Distribution of dichotomous disclosure index

information item was applicable, to determine the relative importance of each item of information. The percentage disclosing each item of information is split to provide consensus scores in terms of items showing high, moderate and low consensus. Kahl and Belkaoui (1981) suggest that this classification establishes the priorities and urgencies for the improvement of international financial reporting. The low consensus items should be of prime interest to the International Accounting Standards Committee in standardising the financial reporting practice internationally (Kahl and Belkaoui, 1981). Kahl and Belkaoui (1981) however did not explain how to classify the consensus scores into high, moderate and low consensus. The consensus score was simply split by taking the first 10 highest scores as high, the next 10 as moderate and the remaining 10 as low, out of the 30 items of information evaluated.

In this study, the approach used by Kahl and Belkaoui was adopted because it can provide guidance to international regulators on which items that were popularly disclosed and which items that were not so popularly disclosed by companies internationally. However the consensus score is divided only into above average and below average. The consensus score of 50% and above is classified as above average and the score below 50% as below average. The consensus score classification for the entire sample is shown in Table 6.19. The above average consensus score in Table 6.19 indicates a large number of sample companies disclosing such information, whereas the below average consensus score shows a small number of sample companies disclosing the item.

Rank	Disclosure Items	Consensus scores
	Above average consensus	
1	Composition of board of directors.	99.51%
2	Details of directors' share option scheme.	78.99%
3	Directors' emolument(remuneration).	78.43%
4	Directors' other directorship/offices.	56.86%
5	Details of board of directors meeting/working method.	51.96%
	Below average consensus	
6	Detail of remuneration/compensation committee.	47.55%
7	Details of audit committee.	47.06%
8	Information on corporate governance.	45.59%
9	Directors' date of appointment or year of service.	43.63%
10	Details of directors' interest in shares.	41.67%
11	Directors'ages.	40.20%
12	Details of directors' pension schemes.	38.54%
13	Details of directors' salary/fee.	38.24%
14	Details of directors' benefits in kind/other fringe benefits.	37.90%
15	Statement of directors' responsibility in respect of the financial statements.	37.75%
16	Details of internal control.	37.25%
17	Details of directors' bonus/performance bonus/profit sharing or other similar payments.	35.34%
18	Details of nomination committee.	35.29%
19	Disclosure of related party transactions between directors and the company.	34.31%
20	Directors' qualifications.	28.43%
21	Information on the terms of the directors' service contract.	27.94%
22	Information on the independence of the directors.	15.20%
23	Auditor's report on corporate governance matters.	10.29%

Table 6.19
Dichotomous index consensus scores.

The result shows only 5 items with consensus scores of above 50%, suggesting the arguments by the anti regulation group that information regarding directors' behaviour is voluntarily disclosed is not true. The above average consensus scores range from 51.96% to 99.51%. There were 18 below average consensus score items, with scores ranging from 10.29% to 47.55%. This large number of below average consensus score items indicates that there is lack of consensus or harmony among the sample countries. This, in a way, suggests that international accounting standards are required in this area of information disclosure. The list of below average consensus scores items should be of interest to international standards setters and regulators such as the IASC, the OECD and the EU, since their objective is to harmonise the reporting practices among their members. This result should also be of prime interest to the OECD, which is currently looking into the issues of corporate governance (OECD, 1998).

However care should be taken in using the above results, since it was based on a dichotomous measuring system, i.e. without taking into consideration the views of the users (superiority) and the adequacy of the information disclosed. To overcome this problem in this study a modified dichotomous system was used, where non-disclosure were scored 0 and disclosure varies from greater than 0 to 10, measuring the adequacy of disclosure. The modified dichotomous index of each item was then weighted with the median score of the investment analysts to measure the superiority of disclosure i.e. to take into consideration the importance of the item in the perception of the investment analysts.

6.3.2.2. Modified dichotomous disclosure index

It was mentioned in earlier chapters that there is some confusion in the use of weights in disclosure studies. Previous disclosure studies that used weights have allocated the median or mean scores from questionnaire surveys of users to the disclosure items (for example, Singhvi and Desai, 1971; Choi, 1973; Buzby, 1974 &1975; Barret, 1976 & 1977, Kahl and Belkaoui, 1981; and McNally et al, 1982). Those who used weights in their disclosure studies claimed that they take into consideration that some items of information are relatively more important than others. For example Barret (1977, p 9) suggests that the weighted data can be compared with the 'possible index score' in order to determine how extensively the average firm discloses the particular item in question.

However, in this study the points allocated for each disclosure item are not the median or mean score of the users, but a maximum point of 10 for each item. The maximum point is then distributed depending on the degree of specificity (fineness) or the sub-elements of the item disclosed by a particular company to arrive at the modified dichotomous index for each item. It should be stressed here that the points allocated to each item are not the weights but simply a score to measure the adequacy of disclosure. The score for each item is then multiply by the median weights assigned by investment analysts to arrive at the weighted modified dichotomous disclosure index for each item. This weighted index reflects the importance of each disclosure item. However, in this study, the weighted modified dichotomous disclosure index for each individual item will not be analysed because the weights assigned by the analysts have no effect when analysing each individual item (as discussed in the earlier chapters). This can be seen from the mean column in Appendices 13 to 18 (modified dichotomous index) having the same value as the mean column in Appendices 25 to 30 (a weighted modified dichotomous index).

The modified dichotomous disclosure index (unweighted) for each item is presented in Table 6.20 and for comparison purposes, the weighted disclosure index, calculated using methods adopted by most of the previous researchers is presented in Table 6.21. It can be seen from column B in Tables 6.20 and 6.21 (the percentage of the mean score for each item against a possible index score for each item) is exactly the same. This also shows that the importance of each item based on the perceptions of the users has no effect when analysing each individual item, i.e. whatever point is used will produce exactly the same result. Therefore, in this study, only the unweighted modified dichotomous disclosure index is used to analyse the quality of each individual item.

Column B in Table 6.20 measures the quality of disclosure for each item, i.e. in term of how extensive is the average firm disclosure for each item, whereas column C in Table 6.17 measures the percentage of companies disclosing each item. It should be noted that the percentage in column B Table 6.20 is not equivalent to the percentage of column C in Table 6.17, wherever the disclosure item has various degrees of specificity or sub-elements.

	Possible index score*	Entire sample		U.Kingdom		Canada		Netherlands		France		Germany		Sweden	
Disclosure Items		A	B	A	B	A	B	A	B	A	B	A	B	A	B
1. Information on the terms of the directors' service contract.	10	2.79	27.94%	9.71	97.06%	0.00	0.00%	0.29	2.94%	0.00	0.00%	0.00	0.00%	6.76	67.65%
2. Auditor's report on corporate governance matters.	10	1.03	10.29%	6.18	61.76%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
3. Information on corporate governance.	10	4.56	45.59%	10.0	100.00%	9.12	91.18%	4.41	44.12%	2.94	29.41%	0.29	2.94%	0.59	5.88%
4. Statement of directors' responsibility in respect of the financial statements.	10	3.77	37.75%	10.0	100.00%	9.12	91.18%	0.00	0.00%	3.24	32.35%	0.29	2.94%	0.00	0.00%
5. Disclosure of related party transactions between directors and the company.	10	3.43	34.31%	7.65	76.47%	2.06	20.59%	5.00	50.00%	0.59	5.88%	4.12	41.18%	1.18	11.76%
6. Information on the independence of the directors.	10	1.52	15.20%	2.06	20.59%	4.71	47.06%	0.00	0.00%	2.06	20.59%	0.00	0.00%	0.29	2.94%
7. Directors' other directorship/offices.	10	5.69	56.86%	9.71	97.06%	9.71	97.06%	0.00	0.00%	5.00	50.00%	0.00	0.00%	9.71	97.06%
8. Directors' date of appointment or year of service.	10	4.36	43.63%	9.41	94.12%	2.94	29.41%	0.00	0.00%	3.82	38.24%	0.29	2.94%	9.71	97.06%
9. Composition of board of directors.	10	6.16	61.61%	6.55	65.54%	4.59	45.94%	5.90	58.97%	5.26	52.56%	5.36	53.56%	9.31	93.07%
10. Directors'ages.	10	3.91	39.05%	9.28	92.81%	0.88	8.82%	2.76	27.65%	0.21	2.10%	0.59	5.88%	9.71	97.06%
11. Directors' qualifications.	10	1.49	14.87%	2.13	21.32%	1.85	18.48%	0.00	0.00%	0.00	0.00%	2.86	28.61%	2.08	20.84%
12. Details of audit committee.	10	2.99	29.90%	6.32	63.24%	6.69	66.91%	1.54	15.44%	2.57	25.74%	0.29	2.94%	0.51	5.15%
13. Detail of remuneration/compensation committee.	10	3.42	34.19%	9.34	93.38%	5.51	55.15%	1.47	14.71%	3.01	30.15%	0.00	0.00%	1.18	11.76%
14. Details of internal control.	10	1.91	19.12%	5.29	52.94%	4.56	45.59%	0.88	8.82%	0.29	2.94%	0.00	0.00%	0.44	4.41%
15. Details of nomination committee.	10	2.24	22.43%	4.63	46.32%	4.19	41.91%	1.25	12.50%	2.06	20.59%	0.29	2.94%	1.03	10.29%
16. Details of board of directors meeting/working method.	10	3.97	39.71%	2.94	29.41%	2.35	23.53%	6.18	61.76%	2.79	27.94%	8.09	80.88%	1.47	14.71%
17. Details of directors' salary/fee.	10	2.27	22.71%	7.11	71.10%	0.00	0.00%	0.20	1.96%	1.86	18.62%	0.00	0.00%	4.46	44.58%
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	10	1.65	16.48%	6.96	69.56%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	2.93	29.29%
19. Details of directors' benefits in kind/other fringe benefits.	10	1.39	13.93%	7.03	70.31%	0.11	1.14%	0.00	0.00%	0.00	0.00%	0.00	0.00%	1.21	12.13%
20. Details of directors' pension schemes.	10	1.93	19.26%	7.89	78.91%	0.16	1.61%	0.00	0.00%	0.09	0.86%	2.79	27.94%	0.62	6.21%
21. Directors' emolument(remuneration).	10	4.28	42.78%	9.61	96.08%	0.00	0.00%	4.85	48.53%	2.57	25.74%	3.09	30.88%	5.54	55.43%
22. Details of directors' interest in shares.	10	2.72	27.21%	9.56	95.59%	0.59	5.88%	0.29	2.94%	0.74	7.35%	0.00	0.00%	5.15	51.47%
23. Details of directors' share option scheme.	10	3.95	39.52%	9.38	93.75%	4.40	44.00%	3.70	37.00%	3.85	38.50%	0.00	0.00%	2.39	23.86%

* The figure shown here was the maximum possible score can be awarded to an item in the scoring worksheet (see Appendix 3)

A - The figure shown here was the mean of the raw score (Appendices 13 - 18) after taking into consideration the not applicable items.

B - The figure shown here was the percentage of A against possible index score.

Table 6.20

Unweighted modified dichotomous disclosure index of each individual item.

Disclosure Items	Possible index score*	Entire sample		U.Kingdom		Canada		Netherlands		France		Germany		Sweden	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B
1. Information on the terms of the directors' service contract.	3	0.838	27.94%	2.91	97.06%	0.00	0.00%	0.09	2.94%	0.00	0.00%	0.00	0.00%	2.03	67.65%
2. Auditor's report on corporate governance matters.	3	0.309	10.29%	1.85	61.76%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
3. Information on corporate governance.	3	1.368	45.59%	3.00	100.0%	2.74	91.18%	1.32	44.12%	0.88	29.41%	0.09	2.94%	0.18	5.88%
4. Statement of directors' responsibility in respect of the financial statements.	2	0.755	37.75%	2.00	100.0%	1.82	91.18%	0.00	0.00%	0.65	32.35%	0.06	2.94%	0.00	0.00%
5. Disclosure of related party transactions between directors and the company.	4	1.373	34.31%	3.06	76.47%	0.82	20.59%	2.00	50.00%	0.24	5.88%	1.65	41.18%	0.47	11.76%
6. Information on the independence of the directors.	3	0.456	15.20%	0.62	20.59%	1.41	47.06%	0.00	0.00%	0.62	20.59%	0.00	0.00%	0.09	2.94%
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.	2	1.137	56.86%	1.94	97.06%	1.94	97.06%	0.00	0.00%	1.00	50.00%	0.00	0.00%	1.94	97.06%
8. Directors' date of appointment or year of service.	2	0.873	43.63%	1.88	94.12%	0.59	29.41%	0.00	0.00%	0.76	38.24%	0.06	2.94%	1.94	97.06%
9. Composition of board of directors.	3	1.848	61.61%	1.97	65.54%	1.38	45.94%	1.77	58.97%	1.58	52.56%	1.61	53.56%	2.79	93.07%
10. Directors'ages.	2	0.781	39.05%	1.86	92.81%	0.18	8.82%	0.55	27.65%	0.04	2.10%	0.12	5.88%	1.94	97.06%
11. Directors' qualifications.	2	0.297	14.87%	0.43	21.32%	0.37	18.48%	0.00	0.00%	0.00	0.00%	0.57	28.61%	0.42	20.84%
12. Details of audit committee.	3	0.897	29.90%	1.90	63.24%	2.01	66.91%	0.46	15.44%	0.77	25.74%	0.09	2.94%	0.15	5.15%
13. Detail of remuneration/compensation committee.	3	1.026	34.19%	2.80	93.38%	1.65	55.15%	0.44	14.71%	0.90	30.15%	0.00	0.00%	0.35	11.76%
14. Details of internal control.	3	0.574	19.12%	1.59	52.94%	1.37	45.59%	0.26	8.82%	0.09	2.94%	0.00	0.00%	0.13	4.41%
15. Details of nomination committee.	2	0.449	22.43%	0.93	46.32%	0.84	41.91%	0.25	12.50%	0.41	20.59%	0.06	2.94%	0.21	10.29%
16. Details of board of directors meeting/working method.	2	0.794	39.71%	0.59	29.41%	0.47	23.53%	1.24	61.76%	0.56	27.94%	1.62	80.88%	0.29	14.71%
17. Details of directors' salary/fee.	3	0.681	22.71%	2.13	71.10%	0.00	0.00%	0.06	1.96%	0.56	18.62%	0.00	0.00%	1.34	44.58%
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	4	0.659	16.48%	2.78	69.56%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	1.17	29.29%
19. Details of directors' benefits in kind/other fringe benefits.	3	0.418	13.93%	2.11	70.31%	0.03	1.14%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.36	12.13%
20. Details of directors' pension schemes.	2	0.385	19.26%	1.58	78.91%	0.03	1.61%	0.00	0.00%	0.02	0.86%	0.56	27.94%	0.12	6.21%
21. Directors' emolument(remuneration).	4	1.711	42.78%	3.84	96.08%	0.00	0.00%	1.94	48.53%	1.03	25.74%	1.24	30.88%	2.22	55.43%
22. Details of directors' interest in shares.	4	1.088	27.21%	3.82	95.59%	0.24	5.88%	0.12	2.94%	0.29	7.35%	0.00	0.00%	2.06	51.47%
23. Details of directors' share option scheme.	4	1.581	39.52%	3.75	93.75%	1.76	44.00%	1.48	37.00%	1.54	38.50%	0.00	0.00%	0.95	23.86%

* Median weight assigned by investment analysts (see Table 5.2)

A - The figure shown here was determined by taking the mean of the raw score (Appendices 13 - 18) divided by the maximum possible score (10) multiply by the possible index score*

B - The figure shown here was the percentage of A against possible index score.

Table 6.21

Weighted disclosure index of individual disclosure item.

Analysing the data contained in Table 6.20 shows that there were no major differences in the results presented in Table 6.17. For the entire sample, disclosure item number 9, i.e. the 'composition of board of directors' leads the 23 disclosure items with a quality of disclosure of 61.61%. At the bottom of the list is the 'auditor's report on corporate governance' with a disclosure quality of 10.29%. These results were similar to that of the dichotomous index presented earlier. There were however only two items with a percentage of over 50 in the modified dichotomous disclosure index as compared with five items under the dichotomous index.

The United Kingdom leads among the sample countries with 19 items achieving a the disclosure quality of above 50%, followed by Sweden with 7 items, Canada 5 items, Netherlands 3 items, and Germany and France with 2 items. Even though both France and Germany has two items with disclosure a quality of above 50%, France was ranked bottom because the two items were in the range of 50% to <60%, whereas for Germany one of the items was in the range of 80% to <90% and one item was in the range of 50% to <60%. The distribution of the disclosure quality is shown in Table 6.22.

There was however slight variations at the lower end of the ranking of the countries when compared with the dichotomous index discussed earlier. Under the dichotomous index Germany was rank bottom of the list, followed by France at number 5 and Netherlands at number 4. However after taking the quality of

Percentage of disclosure quality	Number of items						
	Entire sample	United Kingdom	Canada	Netherlands	France	Germany	Sweden
100%	0	2	0	0	0	0	0
90% to <100%	0	8	3	0	0	0	4
80% to <90%	0	0	0	0	0	1	0
70% to <80%	0	4	0	0	0	0	0
60% to <70%	1	4	1	1	0	0	1
50% to <60%	1	1	1	2	2	1	2
40% to <50%	3	1	5	2	0	1	1
30% to <40%	6	0	0	1	4	1	0
20% to <30%	5	3	3	1	6	2	3
10% to <20%	7	0	1	3	1	0	5
>0% to <10%	0	0	4	4	5	6	5
0%	0	0	5	9	5	11	2
Total	23	23	23	23	23	23	23

Table 6.22
Distribution of unweighted modified dichotomous disclosure index.

disclosure into consideration (the modified dichotomous index), France was at the bottom of the list, followed by Germany and Netherlands at numbers 5 and 4, respectively. The top of the list remains the same, for both the dichotomous index and the modified dichotomous disclosure index, with United Kingdom at the top followed by Sweden and Canada.

The consensus scores based on the modified dichotomous disclosure index are shown in Table 6.23. These consensus scores measure the relative importance of each item of information after taking the disclosure quality into consideration, i.e. the consensus in terms of the quality of disclosure not the just the number of companies disclosing such items. It shows slight variations from that under the dichotomous index consensus scores. The dichotomous index consensus scores discussed in the section above showed that there were five items with above average consensus scores, however under the modified dichotomous consensus scores, there were only two items with above average consensus scores. The two items were 'composition of board of directors' and 'directors' other directorship/offices'. This small number of items with above-average consensus scores indicates that information disclosed by the sample companies was not detailed or adequate. As suggested earlier standard setters/regulators should be concerned with the items that fall under the below-average consensus scores category. They should also consider the degree of specificity and the sub-elements of each disclosure item in designing standards or regulations.

Rank	Disclosure Items	Consensus scores
	Above average consensus	
1	Composition of board of directors.	61.61%
2	Directors' other directorship/offices.	56.86%
	Below average consensus	
3	Information on corporate governance.	45.59%
4	Directors' date of appointment or year of service.	43.63%
5	Directors' emolument(remuneration).	42.78%
6	Details of board of directors meeting/working method.	39.71%
7	Details of directors' share option scheme.	39.52%
8	Directors'ages.	39.05%
9	Statement of directors' responsibility in respect of the financial statements.	37.75%
10	Disclosure of related party transactions between directors and the company.	34.31%
11	Detail of remuneration/compensation committee.	34.19%
12	Details of audit committee.	29.90%
13	Information on the terms of the directors' service contract.	27.94%
14	Details of directors' interest in shares.	27.21%
15	Details of directors' salary/fee.	22.71%
16	Details of nomination committee.	22.43%
17	Details of directors' pension schemes.	19.26%
18	Details of internal control.	19.12%
19	Details of directors' bonus/performance bonus/profit sharing or other similar payments.	16.48%
20	Information on the independence of the directors.	15.20%
21	Directors' qualifications.	14.87%
22	Details of directors' benefits in kind/other fringe benefits.	13.93%
23	Auditor's report on corporate governance matters.	10.29%

Table 6.23

Unweighted modified dichotomous disclosure index consensus scores

The consensus scores described above measure the degree of consensus for the entire sample. It does not test for significant differences between the practices in the sample countries for each disclosure item. In this study, Kruskal-Wallis tests were carried out to test for the differences between the six sample countries for each disclosure item. The results of the tests are summarised in Table 6.24. From Table 6.24 it can be seen that there were very significant differences between the sample countries for all the 23 disclosure items. The very high level of significance for all the 23 disclosure items implies that there were inconsistencies in quality of disclosure of information relating to directors' behaviour within the sample countries, which may suggest that information is not voluntarily disclosed in the absent of regulation. This test however shows only whether the six sample countries differ but not which of any two countries differ. Cramer (1998 p. 342) suggests that the Mann-Whitney U test can be used to make comparisons between all possible pairs. The results of these comparisons may help regulators and standard setters to identify the country with a 'best practice' disclosure, which enables them to adopt or adapt to their standard or regulation. However in this study the Mann-Whitney U tests were not carried out on all the 23 disclosure items for all the possible pairs, but only on the items that were viewed to be important and very important by the investment analysts (i.e. items with a median score of 3 and 4 in Table 6.2). There were 15 items with a median score of 3 and 4 in Table 6.2. The other 8 disclosure items were ignored in this study because the investment analysts viewed them as less important.

Disclosure Items	Cases	Corrected for ties		
		Chi-square	D.F	Significance
1. Information on the terms of the directors' service contract.		156.6291	5	.0000*
2. Auditor's report on corporate governance matters.		115.8529	5	.0000*
3. Information on corporate governance.		118.4232	5	.0000*
4. Statement of directors' responsibility in respect of the financial statements.		155.7946	5	.0000*
5. Disclosure of related party transactions between directors and the company.		53.6716	5	.0000*
6. Information on the independence of the directors.		44.2489	5	.0000*
7. Directors' other directorship/offices.		156.7045	5	.0000*
8. Directors' date of appointment or year of service.		126.4808	5	.0000*
9. Composition of board of directors.		41.3544	5	.0000*
10. Directors'ages.		138.2068	5	.0000*
11. Directors' qualifications.		39.1573	5	.0000*
12. Details of audit committee.		116.6293	5	.0000*
13. Detail of remuneration/compensation committee.		124.0119	5	.0000*
14. Details of internal control.		150.8685	5	.0000*
15. Details of nomination committee.		50.0018	5	.0000*
16. Details of board of directors meeting/working method.		63.9128	5	.0000*
17. Details of directors' salary/fee.		143.6099	5	.0000*
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.		91.9314	5	.0000*
19. Details of directors' benefits in kind/other fringe benefits.		103.7605	5	.0000*
20. Details of directors' pension schemes.		150.5903	5	.0000*
21. Directors' emolument(remuneration).		169.6145	5	.0000*
22. Details of directors' interest in shares.		165.5673	5	.0000*
23. Details of directors' share option scheme.		65.5343	5	.0000*

* Significant at 1% level of significance

Table 6.24

Kruskal-Wallis One-way ANOVA : All Sample Countries

Since one of the objectives of this study is to identify best practice in the disclosure of information relating to directors' behaviour, comparisons were made with the country that produced the best practice for each disclosure item (the item with a median score of 3 and 4) and not for all the possible pairs. The best practice for each item was determined by comparing columns B of the six sample countries in Table 6.20. The country with the highest percentage of mean raw score against a possible index score (i.e. column B in Table 6.20) was chosen as the best practice. Out of the 15 important and very important items, 12 items of best practice were from the United Kingdom, 2 from Canada and 1 from Sweden. The Mann-Whitney U test for two independent samples was used to compare the best practice country with the other countries (pair-wise) for each of the 15 items. The results of the significance of the probabilities from the Mann-Whitney U test to compare the country with best practice with the other countries are presented in Table 6.25.

For the 12 items where the United Kingdom had the best practice, the Mann-Whitney U test comparing United Kingdom with Canada shows significant differences in eleven items. For the United Kingdom and the Netherlands, the United Kingdom and France, and the United Kingdom and Germany there were significant differences in all the 12 items. Comparing the United Kingdom with Sweden shows significant differences in eleven of the twelve items. Comparing Canada's 2 best practice items with other countries show significant differences in both the items and in all the countries except with the United Kingdom where only 1 item shows a significant difference. Comparing the only item where

Disclosure Items	**Median score**	**U. Kingdom**	**Canada**	**Netherlands**	**France**	**Germany**	**Sweden**
1. Information on the terms of the directors' service contract.	3	**B.P.(97.06%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0016*
2. Auditor's report on corporate governance matters.	3	**B.P.(61.76%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
3. Information on corporate governance.	3	**B.P.(100.00%)**	0.0787	0.0000*	0.0000*	0.0000*	0.0000*
4. Disclosure of related party transactions between directors and the company.	4	**B.P.(76.47%)**	0.0000*	0.0246**	0.0000*	0.0033*	0.0000*
5. Information on the independence of the directors.	3	0.0220**	**B.P.(47.06%)**	0.0000*	0.0220**	0.0000*	0.0000*
6. Composition of board of directors.	3	0.0002*	0.0000*	0.0000*	0.0000*	0.0000*	**B.P.(93.07%)**
7. Details of audit committee.	3	0.4652	**B.P.(66.91%)**	0.0000*	0.0000*	0.0000*	0.0000*
8. Detail of remuneration/compensation committee.	3	**B.P.(93.38%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
9. Details of internal control.	3	**B.P.(52.94%)**	0.0262**	0.0000*	0.0000*	0.0000*	0.0000*
10. Details of directors' salary/fee.	3	**B.P.(71.10%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0518
11. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	4	**B.P.(69.56%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0025*
12. Details of directors' benefits in kind/other fringe benefits.	3	**B.P.(70.31%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
13. Directors' emolument(remuneration).	4	**B.P.(96.08%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
14. Details of directors' interest in shares.	4	**B.P.(95.59%)**	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
15. Details of directors' share option scheme.	4	**B.P.(93.75%)**	0.0000*	0.0000*	0.0000*	0.0318**	0.0000*

B.P.(%) - Best Practice (percentage of the mean modified dichotomous raw score).
* - Significant at 1% level of significance.
** - Significant at 5% level of significance.

Table 6.25
Significance probabilities from Mann-Whitney U test: A comparison of the country with best practice, with other countries.

Sweden had the best practice revealed that there were significant differences between Sweden and all the other countries.

The high level of significance between the best practice country with other countries for all the important and very important items indicates that there were inconsistencies or a lack of harmony in the disclosure of information relating to directors' behaviour in an international setting. This finding also support the arguments that information will not be adequately disclosed in the absent of regulation. In this case the United Kingdom had 12 best practice items out of 15 items under consideration and a high level of significance is because the Cadbury's and Greenbury's recommendations were publicly endorsed in the United Kingdom and incorporated in the Listing Rules (Hampel Report, 1998, para. 1.5). Without these endorsement and Listing Rules it is doubt that the United Kingdom companies will disclose this information adequately and voluntarily in their annual reports.

6.4. Degree of agreement between actual disclosure by companies and investment analysts' perceptions

The degree of agreement between the actual disclosure by companies of the sample countries with the investment analysts' perceptions was analysed by comparing the ranking of the percentage of disclosure index (mean) against the maximum possible score with the ranking of the percentage of investment analysts' mean weight against the maximum possible score. The ranks for the 23 disclosure items of the six sample countries (unweighted dichotomous and unweighted modified dichotomous) and the investment analysts are presented in Tables 6.26 and 6.27. As shown in the above section, the weighted index was not ranked because it produced the same results as the unweighted one.

An examination of the data in Tables 6.26 and 6.27 indicate that both the dichotomous and modified dichotomous methods showed a remarkable lack of agreement in the ranking of the disclosure items between the sample countries and the investment analysts. Since both methods of measurement showed a disagreement with the investment analysts' ranking and since the dichotomous method determines only the availability of information, whereas the modified dichotomous method determines both the availability and adequacy of information disclosed (discussed in earlier chapters), in this study only the modified dichotomous index is discussed. Apart from comparing between the ranking of actual disclosure by companies of the sample countries and the investment analysts' ranking, this study also compares the ranking of the actual disclosure by companies between each possible pairs of countries. This comparison seeks to identify the differences between the actual disclosures by the companies with what the investment analysts consider desirable. The objective of this comparison also seeks to identify the differences in the rankings between the sample countries. The higher the differences between the rankings, the higher the degree of disagreement between actual disclosure and what the investment analysts expected. The higher the differences between the rankings of the actual disclosures by company in the sample countries, the higher the degree

	U. Kingdom		Canada		Netherlands		France		Germany		Sweden		I. Analysts	
Disclosure Items	A	Rank	A	Rank	A	Rank	A	Rank	A	Rank	A	Rank	B	Rank
1. Information on the terms of the directors' service contract.	97.06%	8	0.00%	19	2.94%	13	0.00%	19	0.00%	13	67.65%	9	72.75%	7
2. Auditor's report on corporate governance matters.	61.76%	20	0.00%	19	0.00%	15	0.00%	19	0.00%	13	0.00%	22	63.75%	13
3. Information on corporate governance.	100.00%	1	91.18%	4	44.12%	6	29.41%	12	2.94%	10	5.88%	20	68.50%	11
4. Statement of directors' responsibility in respect of the financial statements.	100.00%	1	91.18%	4	0.00%	15	32.35%	10	2.94%	10	0.00%	22	56.50%	18
5. Disclosure of related party transactions between directors and the company.	76.47%	18	20.59%	14	50.00%	5	5.88%	15	41.18%	5	11.76%	17	85.75%	3
6. Information on the independence of the directors.	20.59%	23	47.06%	10	0.00%	15	20.59%	14	0.00%	13	2.94%	21	71.50%	9
7. Directors' other directorship/offices.	97.06%	8	97.06%	3	0.00%	15	50.00%	5	0.00%	13	97.06%	3	62.25%	16
8. Directors' date of appointment or year of service.	94.12%	13	29.41%	13	0.00%	15	38.24%	7	2.94%	10	97.06%	3	45.00%	22
9. Composition of board of directors.	100.00%	1	100.00%	1	100.00%	1	100.00%	1	97.06%	2	100.00%	1	63.75%	13
10. Directors'ages.	94.12%	13	8.82%	16	29.41%	8	5.88%	15	5.88%	7	97.06%	3	50.50%	21
11. Directors' qualifications.	41.18%	22	41.18%	11	0.00%	15	0.00%	19	41.18%	5	47.06%	12	55.00%	19
12. Details of audit committee.	97.06%	8	100.00%	1	32.35%	7	38.24%	7	5.88%	7	8.82%	18	69.00%	10
13. Detail of remuneration/compensation committee.	94.12%	13	85.29%	7	29.41%	8	52.94%	4	0.00%	13	23.53%	13	63.25%	15
14. Details of internal control.	100.00%	1	91.18%	4	17.65%	11	5.88%	15	0.00%	13	8.82%	18	66.75%	12
15. Details of nomination committee.	67.65%	19	64.71%	9	23.53%	10	32.35%	10	5.88%	7	17.65%	15	52.25%	20
16. Details of board of directors meeting/working method.	47.06%	21	35.29%	12	76.47%	3	38.24%	7	94.12%	4	17.65%	15	39.75%	23
17. Details of directors' salary/fee.	94.12%	13	0.00%	19	2.94%	13	44.12%	6	0.00%	13	88.24%	7	77.25%	6
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	96.55%	12	0.00%	19	0.00%	15	0.00%	19	0.00%	13	63.33%	10	81.50%	5
19. Details of directors' benefits in kind/other fringe benefits.	100.00%	1	4.55%	17	0.00%	15	0.00%	19	0.00%	13	48.28%	11	72.75%	7
20. Details of directors' pension schemes.	93.75%	17	3.23%	18	0.00%	15	3.45%	18	97.06%	2	20.59%	14	59.75%	17
21. Directors' emolument(remuneration).	100.00%	1	0.00%	19	100.00%	1	70.59%	3	100.00%	1	100.00%	1	83.25%	4
22. Details of directors' interest in shares.	97.06%	8	17.65%	15	11.76%	12	23.53%	13	0.00%	13	97.06%	3	89.75%	1
23. Details of directors' share option scheme.	100.00%	1	68.00%	8	68.00%	4	76.00%	2	0.00%	13	81.82%	8	87.00%	2

A - The figure shown here was the percentage of the mean of the raw score (Appendices 7-12) against the possible index score (1).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.26

Ranking of dichotomous score and investment analysts' score.

	U. Kingdom		Canada		Netherlands		France		Germany		Sweden		I. Analysts	
Disclosure Items	**A**	**Rank**	**A**	**Rank**	**A**	**Rank**	**A**	**Rank**	**A**	**Rank**	**A**	**Rank**	**B**	**Rank**
1. Information on the terms of the directors' service contract.	97.06%	3	0.00%	19	2.94%	12	0.00%	19	0.00%	13	67.65%	5	72.75%	7
2. Auditor's report on corporate governance matters.	61.76%	18	0.00%	19	0.00%	15	0.00%	19	0.00%	13	0.00%	22	63.75%	13
3. Information on corporate governance.	100.0%	1	91.18%	2	44.12%	5	29.41%	7	2.94%	8	5.88%	18	68.50%	11
4. Statement of directors' responsibility in respect of the financial statements.	100.0%	1	91.18%	2	0.00%	15	32.35%	5	2.94%	8	0.00%	22	56.50%	18
5. Disclosure of related party transactions between directors and the company.	76.47%	12	20.59%	13	50.00%	3	5.88%	15	41.18%	3	11.76%	14	85.75%	3
6. Information on the independence of the directors.	20.59%	23	47.06%	6	0.00%	15	20.59%	11	0.00%	13	2.94%	21	71.50%	9
7. Directors' other directorship/offices.	97.06%	3	97.06%	1	0.00%	15	50.00%	2	0.00%	13	97.06%	1	62.25%	16
8. Directors' date of appointment or year of service.	94.12%	7	29.41%	11	0.00%	15	38.24%	4	2.94%	8	97.06%	1	45.00%	22
9. Composition of board of directors.	65.54%	16	45.94%	7	58.97%	2	52.56%	1	53.56%	2	93.07%	4	63.75%	13
10. Directors'ages.	92.81%	10	8.82%	15	27.65%	7	2.10%	17	5.88%	7	97.06%	1	50.50%	21
11. Directors' qualifications.	21.32%	22	18.48%	14	0.00%	15	0.00%	19	28.61%	5	20.84%	11	55.00%	19
12. Details of audit committee.	63.24%	17	66.91%	4	15.44%	8	25.74%	9	2.94%	8	5.15%	19	69.00%	10
13. Detail of remuneration/compensation committee.	93.38%	9	55.15%	5	14.71%	9	30.15%	6	0.00%	13	11.76%	14	63.25%	15
14. Details of internal control.	52.94%	19	45.59%	8	8.82%	11	2.94%	16	0.00%	13	4.41%	20	66.75%	12
15. Details of nomination committee.	46.32%	20	41.91%	10	12.50%	10	20.59%	11	2.94%	8	10.29%	16	52.25%	20
16. Details of board of directors meeting/working method.	29.41%	21	23.53%	12	61.76%	1	27.94%	8	80.88%	1	14.71%	12	39.75%	23
17. Details of directors' salary/fee.	71.10%	13	0.00%	19	1.96%	14	18.62%	13	0.00%	13	44.58%	8	77.25%	6
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	69.56%	15	0.00%	19	0.00%	15	0.00%	19	0.00%	13	29.29%	9	81.50%	5
19. Details of directors' benefits in kind/other fringe benefits.	70.31%	14	1.14%	18	0.00%	15	0.00%	19	0.00%	13	12.13%	13	72.75%	7
20. Details of directors' pension schemes.	78.91%	11	1.61%	17	0.00%	15	0.86%	18	27.94%	6	6.21%	17	59.75%	17
21. Directors' emolument(remuneration).	96.08%	5	0.00%	19	48.53%	4	25.74%	9	30.88%	4	55.43%	6	83.25%	4
22. Details of directors' interest in shares.	95.59%	6	5.88%	16	2.94%	12	7.35%	14	0.00%	13	51.47%	7	89.75%	1
23. Details of directors' share option scheme.	93.75%	8	44.00%	9	37.00%	6	38.50%	3	0.00%	13	23.86%	10	87.00%	2

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.27

Ranking of modified dichotomous score and investment analysts' score.

of disagreement between them. To support the findings statistically Spearman rank correlation coefficients were calculated between the ranking of each sample country and the investment analysts' ranking, and between the rankings of each possible pairs of country. The Spearman correlation coefficients for the modified dichotomous index (unweighted) are shown in Table 6.28.

The results of the Spearman correlation coefficients are also used to test the main hypothesis number 2 posed in chapter 1, that is:

> **H2:** There is no agreement or association (correlation) in the ranking of the disclosure items between each sample country and the investment analysts and between each possible pairs of countries.

This hypothesis is further broken-up into the following hypotheses:

> H1: There is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and the investment analysts.
>
> H2: There is no agreement or association (correlation) in the ranking of the disclosure items between Canada and the investment analysts.
>
> H3: There is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and the investment analysts.
>
> H4: There is no agreement or association (correlation) in the ranking of the disclosure items between France and the investment analysts.

	I. Analysts	U. Kingdom	Canada	Netherlands	France	Germany	Sweden
I. Analysts	- - -						
U. Kingdom	0.1933 N(23) Sig 0.377	- - -					
Canada	-0.3085 N(23) Sig 0.152	0.1078 N(23) Sig 0.624	- - -				
Netherlands	0.1264 N(23) Sig 0.566	0.0349 N(23) Sig 0.874	0.1521 N(23) Sig 0.488	- - -			
France	-0.1694 N(23) Sig 0.440	0.332 N(23) Sig 0.122	0.7206 N(23) Sig 0.000	0.3679 N(23) Sig 0.084	- - -		
Germany	-0.4022 N(23) Sig 0.057	-0.1169 N(23) Sig 0.595	0.0635 N(23) Sig 0.774	0.5058 N(23) Sig 0.014	0.1841 N(23) Sig 0.400	- - -	
Sweden	0.0156 N(23) Sig 0.944	0.3374 N(23) Sig 0.115	-0.2609 N(23) Sig 0.229	0.147 N(23) Sig 0.503	0.1677 N(23) Sig 0.444	0.1028 N(23) Sig 0.641	- - -

(Coefficient/ (Cases)/ 2-tailed significance)

Table 6.28
Modified dichotomous index Spearman correlation coefficients

H5: There is no agreement or association (correlation) in the ranking of the disclosure items between Germany and the investment analysts.

H6: There is no agreement or association (correlation) in the ranking of the disclosure items between Sweden and the investment analysts.

H7: There is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and Canada.

H8: There is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and the Netherlands.

H9: There is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and France.

H10: There is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and Germany

H11: There is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and Sweden.

H12: There is no agreement or association (correlation) in the ranking of the disclosure items between Canada and the Netherlands.

H13: There is no agreement or association (correlation) in the ranking of the disclosure items between Canada and France.

H14: There is no agreement or association (correlation) in the ranking of the disclosure items between Canada and Germany.

H15: There is no agreement or association (correlation) in the ranking of the disclosure items between Canada and Sweden.

H16: There is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and France.

H17: There is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and Germany.

H18: There is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and Sweden.

H19: There is no agreement or association (correlation) in the ranking of the disclosure items between France and Germany.

H20: There is no agreement or association (correlation) in the ranking of the disclosure items between France and Sweden.

H21: There is no agreement or association (correlation) in the ranking of the disclosure items between Germany and Sweden.

6.4.1. United Kingdom

The findings reported in the above sections for each individual item shows that United Kingdom disclosed the most information in terms of the number of companies disclosing (availability) and the adequacy of disclosure. However the above analysis did not consider the need of the users (i.e. the investment analysts). Comparing the rankings of disclosure by the United Kingdom companies and the ranking of the perceptions of the investment analysts for the 23 disclosure items showed that there was a disagreement in most of the items. The differences in the rankings between the United Kingdom companies and the investment analysts are shown in Table 6.29. From Table 6.29 it can be seen that there are only 5 items where the rankings differ by 3 or less places. This, in a

	U. Kingdom		Investment Analysts		Difference in rank
Disclosure Items	A	Rank	B	Rank	
1. Information on the terms of the directors' service contract.	97.06%	3	72.75%	7	4
2. Auditor's report on corporate governance matters.	61.76%	18	63.75%	13	-5
3. Information on corporate governance.	100.0%	1	68.50%	11	10
4. Statement of directors' responsibility in respect of the financial statements.	100.0%	1	56.50%	18	17
5. Disclosure of related party transactions between directors and the company.	76.47%	12	85.75%	3	-9
6. Information on the independence of the directors.	20.59%	23	71.50%	9	-14
7. Directors' other directorship/offices.	97.06%	3	62.25%	16	13
8. Directors' date of appointment or year of service.	94.12%	7	45.00%	22	15
9. Composition of board of directors.	65.54%	16	63.75%	13	-3
10. Directors'ages.	92.81%	10	50.50%	21	11
11. Directors' qualifications.	21.32%	22	55.00%	19	-3
12. Details of audit committee.	63.24%	17	69.00%	10	-7
13. Detail of remuneration/compensation committee.	93.38%	9	63.25%	15	6
14. Details of internal control.	52.94%	19	66.75%	12	-7
15. Details of nomination committee.	46.32%	20	52.25%	20	0
16. Details of board of directors meeting/working method.	29.41%	21	39.75%	23	2
17. Details of directors' salary/fee.	71.10%	13	77.25%	6	-7
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	69.56%	15	81.50%	5	-10
19. Details of directors' benefits in kind/other fringe benefits.	70.31%	14	72.75%	7	-7
20. Details of directors' pension schemes.	78.91%	11	59.75%	17	6
21. Directors' emolument(remuneration).	96.08%	5	83.25%	4	-1
22. Details of directors' interest in shares.	95.59%	6	89.75%	1	-5
23. Details of directors' share option scheme.	93.75%	8	87.00%	2	-6

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.29

Differences in ranking between the United Kingdom companies and investment analysts.

way, indicates that there was no agreement or very low agreement between the actual disclosure by the United Kingdom companies and what the investment analysts desired. The results of the Spearman rank correlation coefficient (see Table 6.28) of 0.1933 and the 2-tailed significance probability of 0.377 tend to support the view that there is no agreement or a very low positive correlation between the ranking of the actual disclosure by the United Kingdom companies and the ranking on the importance of the items by the investment analysts. Based on these results, the hypothesis (H1) that there is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and the investment analysts is not rejected. This result supports the arguments in agency theory (discussed in the earlier chapters) that there is information asymmetry between the principal and the agent.

There were 13 items with negative ranking differences, i.e. the items where the analysts considered them important but were not popularly disclosed by the companies. The negative rankings vary from -1 to -14. The policy makers and standard setters in the United Kingdom should consider the items with a higher negative difference in setting or improving the standards and regulations on the disclosure of information relating to directors' behaviour. This is necessary in order for the companies to serve better the needs of the shareholders (investment analysts).

However it must be noted that the differences in ranking between the companies and the investment analysts should not be looked in isolation in proposing standards or regulations. The quality of disclosure of each item should also be considered (i.e. column A of Table 6.29). As can be seen from column A of Table 6.29, only four items had a percentage of below 50%. This indicates that United Kingdom companies produce a high quality of disclosure of information relating to directors' behaviour, even though there were many items with negative ranking differences. This is because of the slight variation in the quality of disclosure by the United Kingdom companies for each item. Therefore, it may be suggested that policy makers and standard setters should also look at the items with negative ranking differences and with a low disclosure quality.

6.4.2. Canada

The rankings of the actual disclosure by companies in Canada show disagreement with that desired by the investment analysts. The differences in the ranking between the Canadian companies and the investment analysts are shown in Table 6.30. Only 2 items had rankings that differed by 3 or less places. The results of the Spearman rank correlation showed that there was a low negative correlation (a coefficient of -0.3058 and a 2-tailed significance probability of 0.152) between the rank of actual disclosure by Canadian companies and the rank of importance by the investment analysts. These results supported the argument that there is a disagreement between the two rankings. Based on these results, the hypothesis (H2) that there is no agreement or association (correlation) in the

Disclosure Items	Canada		Investment Analysts		Difference in rank
	A	Rank	B	Rank	
1. Information on the terms of the directors' service contract.	0.00%	19	72.75%	7	-12
2. Auditor's report on corporate governance matters.	0.00%	19	63.75%	13	-6
3. Information on corporate governance.	91.18%	2	68.50%	11	9
4. Statement of directors' responsibility in respect of the financial statements.	91.18%	2	56.50%	18	16
5. Disclosure of related party transactions between directors and the company.	20.59%	13	85.75%	3	-10
6. Information on the independence of the directors.	47.06%	6	71.50%	9	3
7. Directors' other directorship/offices.	97.06%	1	62.25%	16	15
8. Directors' date of appointment or year of service.	29.41%	11	45.00%	22	11
9. Composition of board of directors.	45.94%	7	63.75%	13	6
10. Directors'ages.	8.82%	15	50.50%	21	6
11. Directors' qualifications.	18.48%	14	55.00%	19	5
12. Details of audit committee.	66.91%	4	69.00%	10	6
13. Detail of remuneration/compensation committee.	55.15%	5	63.25%	15	10
14. Details of internal control.	45.59%	8	66.75%	12	4
15. Details of nomination committee.	41.91%	10	52.25%	20	10
16. Details of board of directors meeting/working method.	23.53%	12	39.75%	23	11
17. Details of directors' salary/fee.	0.00%	19	77.25%	6	-13
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	0.00%	19	81.50%	5	-14
19. Details of directors' benefits in kind/other fringe benefits.	1.14%	18	72.75%	7	-11
20. Details of directors' pension schemes.	1.61%	17	59.75%	17	0
21. Directors' emolument(remuneration).	0.00%	19	83.25%	4	-15
22. Details of directors' interest in shares.	5.88%	16	89.75%	1	-15
23. Details of directors' share option scheme.	44.00%	9	87.00%	2	-7

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.30

Differences in ranking between the Canada companies and the investment analysts.

ranking of the disclosure items between Canada and the investment analysts is not rejected.

Similar to that reported for the United Kingdom, the regulators and standard setters in Canada should consider the list of items with high negative ranking differences and a low disclosure quality.

In contrast to the disclosure quality in the United Kingdom, the Canadian companies disclosed less information relating to directors' behaviour. From the 23 items surveyed only 5 items had a disclosure quality of above 50%. The possible reason for this low level of disclosure, as discussed in the previous section, is because the Canadian companies disclosed these types of information in the proxy statements and the 10-K Report. However, the regulators and standard setters in Canada should consider proposing disclosure standards or regulations on the items with negative ranking differences and a low disclosure quality in the annual reports, since not all companies produced the proxy statements and the 10-K Report. Furthermore, previous researches also found that annual reports were ranked at the top as financial information sources for the users (for example, Bence et al (1995), p. 22) and are widely used for decision-making purposes.

6.4.3. Netherlands

The differences in the ranking between the Dutch companies and the investment analysts are shown in Table 6.31. There were 8 items where the rankings differed by 3 or less places. Even though there were 8 items where the rankings differed by 3 or less places, the results of Spearman rank correlation showed that there was a low positive correlation (a coefficient of 0.1264 and a 2-tailed significance probability of 0.566) between the rank of actual disclosure by the Dutch companies and the rank of importance by the investment analysts. These results indicate that there is a very low degree of agreement between the two rankings, which implies that what do the analysts desire is not being provided by the disclosing companies in the Netherlands. These results also support hypothesis H3, that there is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and the investment analysts.

In order for the shareholders to be better served with information relating to directors' behaviour, the regulators and standard setters in the Netherlands should consider the items with high negative ranking differences and the items with a low disclosure quality. In the Netherlands there were only 3 items where the disclosure quality was 50% and above. There were 9 items with a disclosure quality of 0.00% (see column A of Table 6.31), i.e. not disclosed at all by the Dutch companies. There were 8 items with negative ranking differences in the Netherlands.

Disclosure Items	Netherlands		Investment Analysts		Difference
	A	Rank	B	Rank	in rank
1. Information on the terms of the directors' service contract.	2.94%	12	72.75%	7	-5
2. Auditor's report on corporate governance matters.	0.00%	15	63.75%	13	-2
3. Information on corporate governance.	44.12%	5	68.50%	11	6
4. Statement of directors' responsibility in respect of the financial statements.	0.00%	15	56.50%	18	3
5. Disclosure of related party transactions between directors and the company.	50.00%	3	85.75%	3	0
6. Information on the independence of the directors.	0.00%	15	71.50%	9	-6
7. Directors' other directorship/offices.	0.00%	15	62.25%	16	1
8. Directors' date of appointment or year of service.	0.00%	15	45.00%	22	7
9. Composition of board of directors.	58.97%	2	63.75%	13	11
10. Directors'ages.	27.65%	7	50.50%	21	14
11. Directors' qualifications.	0.00%	15	55.00%	19	4
12. Details of audit committee.	15.44%	8	69.00%	10	2
13. Detail of remuneration/compensation committee.	14.71%	9	63.25%	15	6
14. Details of internal control.	8.82%	11	66.75%	12	1
15. Details of nomination committee.	12.50%	10	52.25%	20	10
16. Details of board of directors meeting/working method.	61.76%	1	39.75%	23	22
17. Details of directors' salary/fee.	1.96%	14	77.25%	6	-8
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	0.00%	15	81.50%	5	-10
19. Details of directors' benefits in kind/other fringe benefits.	0.00%	15	72.75%	7	-8
20. Details of directors' pension schemes.	0.00%	15	59.75%	17	2
21. Directors' emolument(remuneration).	48.53%	4	83.25%	4	0
22. Details of directors' interest in shares.	2.94%	12	89.75%	1	-11
23. Details of directors' share option scheme.	37.00%	6	87.00%	2	-4

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.31

Differences in ranking between the Netherlands companies and the investment analysts.

As discussed in the previous section, there is one possibility why the Dutch companies' disclosure quality was very low for most of the items. The possibility is that the annual reports used in this study were for the year ended in 1996, whereas the report on corporate governance (Peter's Report) was recommended to the Dutch companies for annual reports ended in 1997. Regulators and standard setters in the Netherlands should consider the guidelines of the Peter's Report and the actual disclosure in the annual reports by the Dutch companies after the year 1997 before drafting any standards or regulations in this area of disclosure.

6.4.4. France

In the case of France, there were 12 items with negative ranking differences between the companies and the investment analysts and there were only 2 items with a disclosure quality of 50% or above. For five items there was no disclosure at all, i.e. a disclosure quality of 0.00%. The details of the differences in ranking between the French companies and the investment analysts and the mean percentage against the maximum possible score are shown in Table 6.32. The Spearman rank correlation between the rank of actual disclosure and the rank of the investment analysts shows that there was a low negative correlation with a coefficient of -0.1694 and a 2-tailed significance probability of 0.440. This indicated that there was no agreement in France between what the companies produce and what is demanded by the shareholders (investment analysts) in

Disclosure Items	France		Investment Analysts		Difference in rank
	A	Rank	B	Rank	
1. Information on the terms of the directors' service contract.	0.00%	19	72.75%	7	-12
2. Auditor's report on corporate governance matters.	0.00%	19	63.75%	13	-6
3. Information on corporate governance.	29.41%	7	68.50%	11	4
4. Statement of directors' responsibility in respect of the financial statements.	32.35%	5	56.50%	18	13
5. Disclosure of related party transactions between directors and the company.	5.88%	15	85.75%	3	-12
6. Information on the independence of the directors.	20.59%	11	71.50%	9	-2
7. Directors' other directorship/offices.	50.00%	2	62.25%	16	14
8. Directors' date of appointment or year of service.	38.24%	4	45.00%	22	18
9. Composition of board of directors.	52.56%	1	63.75%	13	12
10. Directors'ages.	2.10%	17	50.50%	21	4
11. Directors' qualifications.	0.00%	19	55.00%	19	0
12. Details of audit committee.	25.74%	9	69.00%	10	1
13. Detail of remuneration/compensation committee.	30.15%	6	63.25%	15	9
14. Details of internal control.	2.94%	16	66.75%	12	-4
15. Details of nomination committee.	20.59%	11	52.25%	20	9
16. Details of board of directors meeting/working method.	27.94%	8	39.75%	23	15
17. Details of directors' salary/fee.	18.62%	13	77.25%	6	-7
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	0.00%	19	81.50%	5	-14
19. Details of directors' benefits in kind/other fringe benefits.	0.00%	19	72.75%	7	-12
20. Details of directors' pension schemes.	0.86%	18	59.75%	17	-1
21. Directors' emolument(remuneration).	25.74%	9	83.25%	4	-5
22. Details of directors' interest in shares.	7.35%	14	89.75%	1	-13
23. Details of directors' share option scheme.	38.50%	3	87.00%	2	-1

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.32

Differences in ranking between the France companies and the investment analysts.

relation to the information relating to directors' behaviour. These results are also consistent with the hypothesis (H4) that there is no agreement or association (correlation) in the ranking of the disclosure items between France and the investment analysts.

Similar to the approach taken with the other countries, the regulators and standard setters in France should be concerned with the items with high negative rank differences and items with a low percentage mean against a maximum possible score (a low disclosure quality) in order to fulfil the needs of the shareholders.

Even though in France companies are recommended to follow the Vienot Report on corporate governance since 1995, their annual reports show a poor disclosure of information relating to directors' behaviour. There are two possibilities for this poor showing of the French companies: (1), as discussed in the earlier section, they are required to disclose certain information under the 'Plan Comptable General' and it is often the case that no additional disclosure is provided with respect to items covered in detail by the 'Plan' (Barret, 1977 p. 9) and (2) the recommendations of the Vienot's Report on corporate governance was not incorporated in the listing rules of their stock exchange. This also support the argument proposed earlier, that information relating to directors' behaviour is not voluntarily disclosed without regulation.

6.4.5. Germany

The differences in ranking for the German companies and the percentage mean against a maximum possible score are presented in Table 6.33. Analysing the 'difference in rank' column of Table 6.33 suggests that there is a disagreement between the rankings. The Spearman rank correlation coefficient, to establish whether there is a degree of agreement between ranking of actual disclosure by German companies and the ranking of importance by the investment analysts, confirmed that there is no agreement between the rankings, with a moderate negative correlation coefficient of -0.4022 and a 2-tailed significance probability of 0.057. These results indicate that the shareholders are not getting the information on directors' behaviour that they desire. These findings should be of prime interest to the regulators and standard setters in Germany in order to improve the disclosure of information relating to the directors' behaviour in the companies' annual reports. These results suggest, following hypothesis (H5), that there is no agreement or association (correlation) in the ranking of the disclosure items between Germany and the investment analysts. This can be interpreted that the shareholders in Germany are not getting the information relating to directors' behaviour that they desired. The reason for this may be due to lack of regulations or guidelines on corporate governance in Germany to encourage companies to disclose such information. This is inline with the argument of this thesis proposed in earlier chapters that the information is not voluntarily disclosed without the intervention of regulatory bodies.

Disclosure Items	Germany		Investment Analysts		Difference in rank
	A	Rank	B	Rank	
1. Information on the terms of the directors' service contract.	0.00%	13	72.75%	7	-6
2. Auditor's report on corporate governance matters.	0.00%	13	63.75%	13	0
3. Information on corporate governance.	2.94%	8	68.50%	11	3
4. Statement of directors' responsibility in respect of the financial statements.	2.94%	8	56.50%	18	10
5. Disclosure of related party transactions between directors and the company.	41.18%	3	85.75%	3	0
6. Information on the independence of the directors.	0.00%	13	71.50%	9	-4
7. Directors' other directorship/offices.	0.00%	13	62.25%	16	3
8. Directors' date of appointment or year of service.	2.94%	8	45.00%	22	14
9. Composition of board of directors.	53.56%	2	63.75%	13	11
10. Directors'ages.	5.88%	7	50.50%	21	14
11. Directors' qualifications.	28.61%	5	55.00%	19	14
12. Details of audit committee.	2.94%	8	69.00%	10	2
13. Detail of remuneration/compensation committee.	0.00%	13	63.25%	15	2
14. Details of internal control.	0.00%	13	66.75%	12	-1
15. Details of nomination committee.	2.94%	8	52.25%	20	12
16. Details of board of directors meeting/working method.	80.88%	1	39.75%	23	22
17. Details of directors' salary/fee.	0.00%	13	77.25%	6	-7
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	0.00%	13	81.50%	5	-8
19. Details of directors' benefits in kind/other fringe benefits.	0.00%	13	72.75%	7	-6
20. Details of directors' pension schemes.	27.94%	6	59.75%	17	11
21. Directors' emolument(remuneration).	30.88%	4	83.25%	4	0
22. Details of directors' interest in shares.	0.00%	13	89.75%	1	-12
23. Details of directors' share option scheme.	0.00%	13	87.00%	2	-11

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.33

Differences in ranking between Germany companies and the investment analysts.

As discussed in the earlier sections, German companies disclosed the least information relating to directors' behaviour in the companies' annual reports amongst the six sample countries. It can be seen in column A of Table 6.33 that there were 11 items with 0.00% score. There were 8 items with negative rank differences between the companies' actual disclosure ranking and the investment analysts' ranking, indicating that the investment analysts viewed the items more important compared with that produced by the companies. As suggested earlier regulators and standard setters should consider the items with negative rank differences and items with a low disclosure quality in drafting standards and regulations on disclosure relating to directors' behaviour in Germany.

6.4.6. Sweden

Among the sample countries, Sweden was ranked second behind the United Kingdom in the overall disclosure and individual item disclosure. Even though Swedish companies show a high level of disclosure of information in relation to directors' behaviour, the Spearman correlation coefficient of 0.0156 and the 2-tailed significance of 0.944 indicate that there was no significant correlation or a very very low correlation between the ranking by the investment analysts and the ranking of actual disclosure by the Swedish companies. Based on these results, the hypothesis (H6) that there is no agreement or association (correlation) in the ranking of the disclosure items between Sweden and the investment analysts is not rejected. The result of no correlation suggests that there is room for improvement for the Swedish policy makers and standard setters to consider. As suggested with the other countries earlier, the regulators and standard setters should consider the items with high negative rank differences and a low percentage score to improve the standards or regulations on disclosure of directors' information in Sweden. There were 7 items where the percentage score was above 50% and only 2 items with percentage scores of 0.00% (see Table 6.34). Form Table 6.34 there were 13 items with the negative rank differences.

The result of no correlation between the ranking of the investment analysts and the ranking of the percentage of actual disclosure by companies may be due to no corporate governance guidelines or reports recommending disclosure of information relating to directors' behaviour in Sweden. Even though there is no report on corporate governance in Sweden, the results of only 2 items with 0.00% of actual score against a maximum possible score, indicate that certain companies in Sweden are disclosing information relating to directors' behaviour voluntarily.

Disclosure Items	Sweden		Investment Analysts		Difference in rank
	A	Rank	B	Rank	
1. Information on the terms of the directors' service contract.	67.65%	5	72.75%	7	2
2. Auditor's report on corporate governance matters.	0.00%	22	63.75%	13	-9
3. Information on corporate governance.	5.88%	18	68.50%	11	-7
4. Statement of directors' responsibility in respect of the financial statements.	0.00%	22	56.50%	18	-4
5. Disclosure of related party transactions between directors and the company.	11.76%	14	85.75%	3	-11
6. Information on the independence of the directors.	2.94%	21	71.50%	9	-12
7. Directors' other directorship/offices.	97.06%	1	62.25%	16	15
8. Directors' date of appointment or year of service.	97.06%	1	45.00%	22	21
9. Composition of board of directors.	93.07%	4	63.75%	13	9
10. Directors'ages.	97.06%	1	50.50%	21	20
11. Directors' qualifications.	20.84%	11	55.00%	19	8
12. Details of audit committee.	5.15%	19	69.00%	10	-9
13. Detail of remuneration/compensation committee.	11.76%	14	63.25%	15	1
14. Details of internal control.	4.41%	20	66.75%	12	-8
15. Details of nomination committee.	10.29%	16	52.25%	20	4
16. Details of board of directors meeting/working method.	14.71%	12	39.75%	23	11
17. Details of directors' salary/fee.	44.58%	8	77.25%	6	-2
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.	29.29%	9	81.50%	5	-4
19. Details of directors' benefits in kind/other fringe benefits.	12.13%	13	72.75%	7	-6
20. Details of directors' pension schemes.	6.21%	17	59.75%	17	0
21. Directors' emolument(remuneration).	55.43%	6	83.25%	4	-2
22. Details of directors' interest in shares.	51.47%	7	89.75%	1	-6
23. Details of directors' share option scheme.	23.86%	10	87.00%	2	-8

A - The figure shown here was the percentage of the mean of the raw score (Appendices 13 - 18) against the possible index score (10).

B - The figure shown here was the percentage of mean investment analysts' score against possible score (4).

Table 6.34

Differences in ranking between Sweden companies and the investment analysts.

6.4.7. Summary of the correlation between sample countries' ranking and investment analysts' ranking

The summary of the correlation between the six sample countries' ranking and the investment analysts' ranking discussed in above sections is shown in the diagram below.

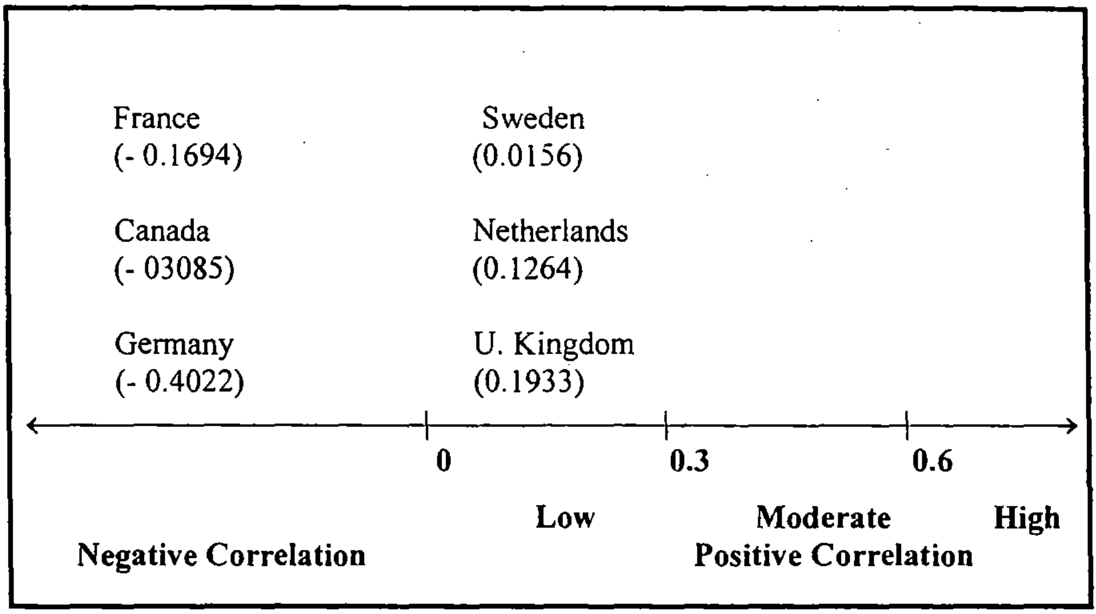

Diagram 6.1

The correlation between sample countries' ranking and investment analysts' ranking

The diagram above indicates that there is no agreement between what is being produced by the companies in the sample countries with what is perceived as important by the investment analysts. These findings should be useful in guiding the national and international regulators and standard setters in promulgating a regulation or standard in this area of disclosure.

6.4.8. Correlation in the ranking between each possible pair of the sample countries

In this section, the correlation between the ranking of actual disclosure by companies in 15 possible pairs of sample countries are analysed. It is not intended in this section to compare the actual differences in the ranking of the disclosure items between the countries since individual disclosure items between countries have been analysed and discussed in the above section. The correlation between the rankings in 15 pairs of sample countries is analysed to test the hypotheses H7 to H21 above. The purpose of this analysis is to determine the level of harmony between each pair of the sample countries on the rankings of the information relating to directors' behaviour. A higher correlation coefficient indicates a high level of harmony between the pair and vice-versa. The Spearman correlation coefficients for the 15 pairs of countries are shown in Table 6.28 above.

There is a very low positive correlation in the ranking of the disclosure items between the United Kingdom and Canada (Spearman correlation coefficient of 0.1078 and 2-tailed significance probability of 0.624). This indicates that hypothesis (H7), that there is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and Canada, is not rejected.

Regarding the association between the United Kingdom and the Netherlands, the Spearman correlation coefficient is 0.0349 and the 2-tailed significance probability is 0.874. These show that there is a very low degree of agreement between these two countries. Therefore, the hypothesis (H8), that here is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and the Netherlands, is not rejected.

In the case of the United Kingdom and France, there is a moderate correlation between the rankings (Spearman correlation coefficient of 0.332 and 2-tailed significance probability of 0.122). Therefore, the hypothesis (H9), that there is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and France, is rejected.

Hypothesis (H10), that there is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and Germany, is not rejected because there is a negative correlation between the two countries (Spearman correlation coefficient is - 0.1169 and 2-tailed probability 0.595)

For the United Kingdom and Sweden, the hypothesis (H11), that there is no agreement or association (correlation) in the ranking of the disclosure items between the United Kingdom and Sweden, is rejected. There is a moderate correlation between the two countries (Spearman correlation coefficient is 0.3374 and 2-tailed significance probability is 0.115).

As to the relationship between Canada and the Netherlands there is a low positive correlation (Spearman correlation coefficient is 0.1521 and 2-tailed significance probability is 0.488). Therefore, hypothesis (H12), that there is no agreement or association (correlation) in the ranking of the disclosure items between Canada and the Netherlands, is not rejected.

Hypothesis (H13), that there is no agreement or association (correlation) in the ranking of the disclosure items between Canada and France, is rejected because the Spearman correlation coefficient between these two countries is 0.7206 and significance probability is 0.000.

As to the association between Canada and Germany the hypothesis (H14), that there is no agreement or association (correlation) in the ranking of the disclosure items between Canada and Germany, is not rejected because there is a very low correlation coefficient between them (Spearman correlation coefficient is 0.0635 and 2-tailed significance probability is 0.774).

There is a negative correlation between Canada and Sweden (Spearman correlation coefficient is - 0.2609 and 2-tailed significance probability is 0.229). This resulted in hypothesis (H15), that there is no agreement or association (correlation) in the ranking of the disclosure items between Canada and Sweden, being accepted.

Between the Netherlands and France there is a moderate positive correlation of 0.3679 and 2-tailed significance probability of 0.084. Therefore, hypothesis

(H16), that there is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and France, is rejected.

The Netherlands and Germany also have a moderate positive correlation, therefore hypothesis (H17), that there is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and Germany, is rejected. The Spearman correlation coefficient is 0.5058 and 2-tailed significance probability is 0.014 between these two countries.

However for the Netherlands and Sweden there is a low positive correlation, therefore, the hypothesis (H18), that there is no agreement or association (correlation) in the ranking of the disclosure items between the Netherlands and Sweden, is not rejected. The Spearman correlation coefficient between these two countries is 0.1470 and the 2-tailed significance probability is 0.503.

France and Germany also show a low correlation with the Spearman correlation coefficient of 0.1841 and 2-tailed significance probability of 0.400. This indicates that hypothesis (H19), that there is no agreement or association (correlation) in the ranking of the disclosure items between France and Germany, is not rejected.

France and Sweden show a similar result with those of France and Germany. The Spearman correlation coefficient is 0.1677 and 2-tailed significance probability is 0.444 indicate that hypothesis (H20), there is no agreement or association (correlation) in the ranking of the disclosure items between France and Sweden, is not rejected.

For Germany and Sweden there is also a low positive correlation (Spearman correlation is 0.1028 and 2-tailed significance probability is 0.641), which suggest that hypothesis (H21) that there is no agreement or association (correlation) in the ranking of the disclosure items between Germany and Sweden, is not rejected.

The hypotheses H7 to H21 and the Spearman correlation coefficient between the 15 pairs of the sample countries are summarised in diagram 6.2 below. From diagram 6.2 it can be seen that there are two pairs of countries with a negative correlation, i.e. Canada and Sweden, and United Kingdom and Germany. This indicates that the companies in Canada and Sweden, and in United Kingdom and Germany have a different emphasis on the importance of each of the disclosure item.

There are 8 pairs of countries with a low correlation coefficient indicating that there is low degree of agreement in the rankings of information relating to directors' affairs in the annual reports of companies in these countries. These low levels of agreement and negative correlation between the countries suggest a lack of harmony in the rankings of the disclosure items. This piece of information is considered to be useful to the regulators and standard setters, especially international regulators and international standard setters, such as the OECD, EU

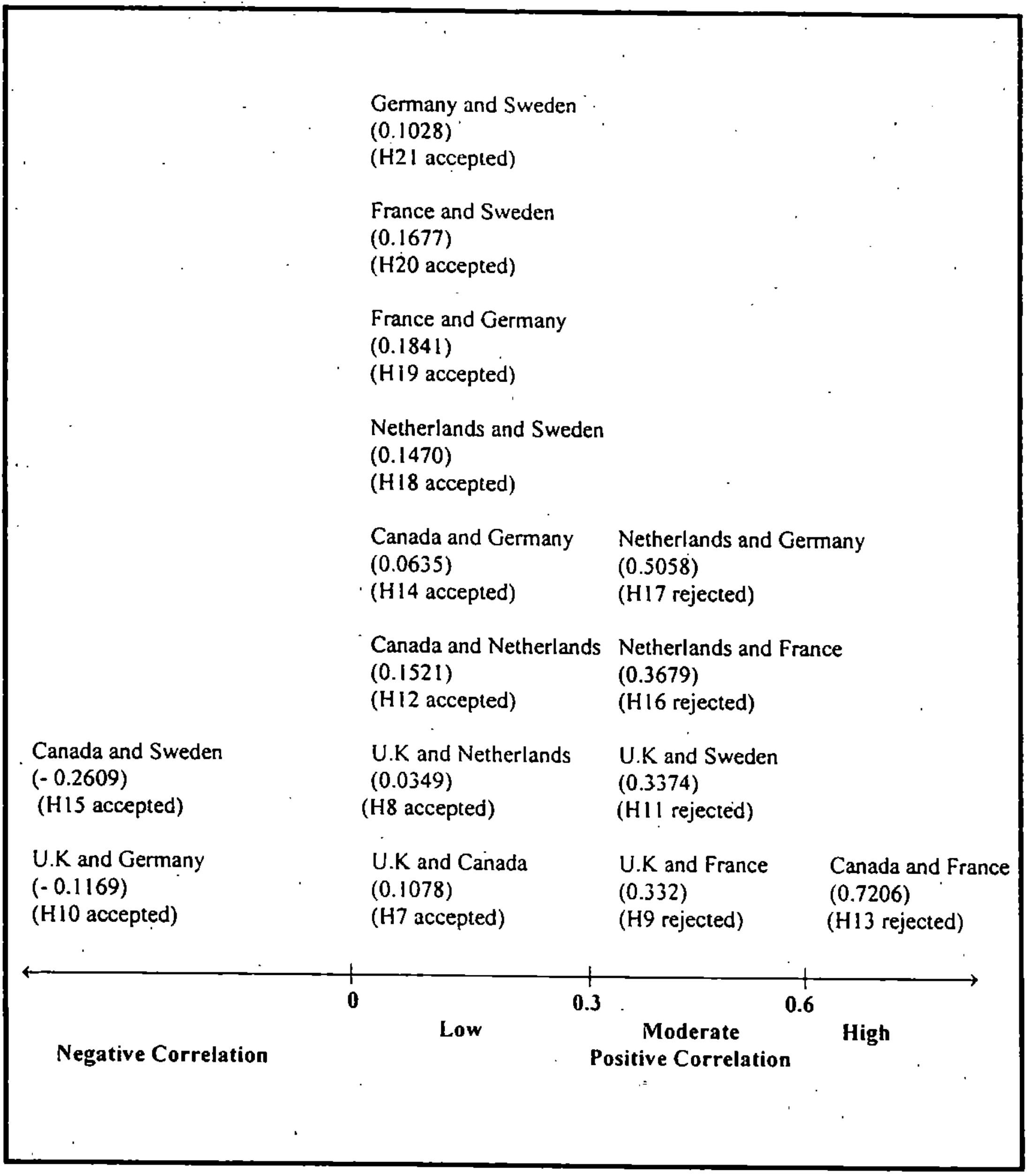

Diagram 6.2

Summary of hypotheses H7 to H21 and Spearman correlation coefficient between 15 pairs of sample countries

and IASC, in helping their efforts to harmonise standards on disclosure of information relating to directors' behaviour. However, it should be reminded that this result show only the level of harmony in the rankings of the disclosure items and not the level of harmony of the actual disclosure practices of information relating to directors' behaviour in the sample countries. Therefore, this result should be used in conjunction with the results presented in the earlier sections.

6.5. Summary

This chapter presents the results and analyses of the study. Firstly this chapter presents the results of the questionnaire survey by discussing the response rate, the median and mean weights for each disclosure item and the ranking of the items in order of importance. Secondly this chapter reports on the results of the actual disclosure by the sample companies of the six sample countries. This section was divided into (1) overall disclosure, and (2) individual items disclosure.

The overall disclosures were reported for the dichotomous disclosure index, the modified dichotomous disclosure index, the weighted dichotomous disclosure index and the weighted modified dichotomous disclosure index for each of the sample companies in the sample country. A Kruskall-Wallis test was used to test for the difference, for each disclosure index, between the sample countries and a Mann-Whitney U test was used to test between each possible pairs of countries.

The results of these tests suggest that there were significant differences between the countries.

For the individual items' disclosure, the dichotomous index and the modified dichotomous index for each disclosure item for the six sample countries were shown. This section also shows that weighting has no effect on the calculation of the disclosure index of each item. Consensus scores were determined for both the dichotomous and the modified dichotomous in order for the regulators and standard setters to have a closer look at which items that were not popularly disclosed by companies in the sample countries. Apart from the consensus scores this section also presents the results of the statistical analysis to test for the differences between the sample countries and each possible pairs of countries for each disclosure item. This section also highlighted at country with the best practice for each item that was viewed as being important or very important by investment analysts.

Finally this chapter presents the results and analysis on the degree of agreement or correlation between the perception of the investment analysts and the actual disclosure by the companies for each of the sample countries, and between each possible pair of the sample countries.

In the next chapter, the summary and conclusion of this study are presented. This includes the limitations of this study and areas for future research.

Chapter 7

Summary and Conclusions

7.1. Summary and conclusions of the study

This study started with the examination of the problems related to corporate governance, which arise from the so-called divorce between ownership and control or the agency relationship in a business organisation. One of the common recommendations suggested that can overcome these problems was 'transparency' or a better information disclosure to the shareholders. However, there have been debates between the proponents and opponents of regulations on the disclosure of information. The opponents argued that companies for various reasons voluntarily disclose information. The opponents of regulations also argued that the disclosure of information relating to directors' behaviour is not necessary since the directors can be disciplined and monitored by market forces and other corporate governance controlling mechanisms. However, the proponents of regulations criticised the various reasons suggested by the opponents of regulations. The proponents of regulations argued that, if information relating to directors' behaviour is voluntarily disclosed, then why there is demand for transparency by various groups, and if the market forces and controlling mechanisms can discipline and monitor directors' behaviour, why have they not done so? The author supported the arguments of the proponents of regulations, i.e. there should be regulation on the disclosure of information relating to directors' behaviour in order to reduce the agency costs.

The purpose of this study was to assess the 'transparency' or the quality of disclosure of information relating to directors' behaviour in the annual reports of large companies in six key countries (United Kingdom, Canada, Netherlands, France, Germany, and Sweden), and to determine whether there are significant differences in the quality of the overall disclosure and the disclosure of each individual item between the countries. In addition, this study also focused on the determination of the correlation or association between the ranking of importance of the disclosure items placed by the investment analysts and the ranking of disclosure quality produced by companies in each country, and the correlation of the ranking between each pair of the six countries. The findings, of disclosure items being not transparent or of inadequate disclosure and the existence of significant differences between the countries, support the proponents of regulations on the disclosure of information. These findings need to be relayed to the regulators and standard setters, especially the international regulators and standard setters, to help them in formulating a regulation or standard in the disclosure of information relating to directors' behaviour.

A disclosure index, known as a disclosure point average (DPA), based on 23 items of information relating to directors' behaviour, was developed to measure the overall quality of disclosure in the 1996 annual reports of 204 large listed companies in six countries (34 companies per country). The disclosure point average for each company was calculated using the dichotomous (UWDDPA) and the modified dichotomous (UWMDDPA) methods of measuring. These two methods were then weighted to arrive at the weighted dichotomous disclosure point average (WDDPA) and the weighted modified dichotomous disclosure point average (WMDDPA). The weights for the disclosure items were gathered from a questionnaire survey of senior investment analysts in the United Kingdom. The percentage of the mean disclosure point average against the maximum possible score showed there were slight variations between the four methods of measuring disclosure quality for each sample country.

There were three groupings of countries in terms of disclosure of information relating to directors' behaviour in the annual reports. The first group with the highest level of disclosure quality for the four methods of measurement was the United Kingdom. The second group comprised Sweden and Canada, followed by the Netherlands, France, and Germany in the third group. There were great variations in the level of disclosure quality between the three groups. The percentage mean DPAs against the maximum possible score for the first group were in the range of 73% to 87%. For the second group, the percentage mean DPAs against a maximum possible score were in the range of 31% to 47% and for the third group it ranges from 13% to 30%.

A Kruskal-Wallis test revealed that there were significance differences ($p < 0.01$) in the disclosure quality for all the four methods of measurements between the countries. The groupings of the countries mentioned above were supported by the

Mann-Whitney U tests. Also Mann-Whitney U tests showed that there were significance differences ($p < 0.001$) between the United Kingdom and each other country. For Canada and Sweden the Mann-Whitney U test revealed that there were no significance differences between them for all the four methods of measurement. The test also revealed that there were no significance differences between France and Netherlands for all the four methods of measurement. As to the relationship between France and Germany the test showed that there were no significance differences for the UWDDPA and UWMDDPA methods of measurement, and between Netherlands and Germany there were no significance differences for the UWDDPA.

The results of the Kruskal-Wallis and Mann-Whitney U tests were used to test the hypothesis that the overall disclosure quality of information relating to directors' behaviour is different between the UK, Netherlands, Canada, France, Germany, and Sweden and between each possible pairs of the countries. From the result of the Kruskal-Wallis test the first part of the hypothesis was accepted. The second part of the hypothesis, i.e. between each possible pair of the countries, all were accepted except between Canada and Sweden, and France and Netherlands, where they were rejected, for all the four methods of measurement. The hypothesis was rejected between Netherlands and Germany for only the UWDDPA method of measurement. In between France and Germany the hypothesis was rejected for the UWDDPA and UWMDDPA methods of measurement only.

The results showed that there were great variations in the overall disclosure quality of information relating to directors' behaviour in the annual reports of companies in the six countries. Five of the countries also showed a low level of disclosure quality with the percentage mean DPAs against a maximum possible score of below 50%. These variations and the low level of disclosure indicated that the companies in the countries were not transparent and there was no harmony in the disclosure practice of the information. These also indicated that the arguments of the opponents of regulations that information relating to directors' behaviour is voluntarily disclosed is incorrect. It may therefore be concluded that in order for companies to be more transparent, as suggested by most of the corporate governance committees, and for the regulators and standard setters to harmonise the practices between the countries, a regulation or standard should be promulgated in this area of disclosure.

Analysing each individual item revealed that not all the items were poorly disclosed by all sample companies. The unweighted modified dichotomous index consensus score showed that two items with a above-average consensus score, i.e. information on the composition of board of directors and information on directors' other directorship/offices. This indicated that all sample companies popularly disclosed the two items. It may therefore be suggested that regulators and standard setters should look only at the items with a below average consensus score in drafting a regulation or standard in this area. However, not all the items with below average consensus scores were important in the perceptions of the investment analysts. Out of the 21 disclosure items with below average consensus score, only 15 items were viewed to be important and very important by investment analysts (i.e. items with a median score of 3 and 4). Therefore it may be suggested to the regulators and standard setters that they look at only the items that were viewed to be important and very important by the investment analysts yet had a below average consensus score, in drafting a regulation or standard on the disclosure of information relating to directors' behaviour.

The high level of overall disclosure quality in the United Kingdom was also reflected in the disclosure of each individual item. Out of 15 items viewed by investment analysts as important and very important, 12 items of best practice were from the United Kingdom. For the remaining 3 items, 2 items of best practice were from Canada and 1 from Sweden. The Mann-Whitney U test revealed that for the 12 items where the best practice was from the United Kingdom, there were significant differences between the United Kingdom and all the other countries except one item where it showed no significance different, i.e. with Canada for information on corporate governance. For the 2 items where the best practice was from Canada, the Mann-Whitney U test showed that there were significant differences with other countries for both the items except one item, i.e. details of the audit committee, where there was no significant difference with the United Kingdom. There were significant difference between Sweden and other countries that adopted disclosures of best practice.

The results of significant difference between the best practice country with other countries for almost all the important and very important items indicated that there were inconsistencies or a lack of harmony in the disclosure of information relating to directors' behaviour in the six countries.

Apart from the differences in the overall disclosure quality and each individual item between the countries, the Spearman correlation coefficients revealed that were negative correlation or only a very low positive correlation between the ranking of the quality of each of the disclosure item produced by each country and the ranking of importance of each of the disclosure item by the investment analysts. The Spearman correlation coefficients were used to test the second main hypothesis, i.e. there is no agreement or association (correlation) in the ranking of the disclosure items between each sample country and the ranking of the investment analysts. The results of the Spearman correlation coefficient of a negative correlation or a very low positive correlation tend to support the hypothesis that there was no agreement or association (correlation) in the ranking of the disclosure items between each sample country and the ranking of the investment analysts. These results indicate that the companies are not producing the information that is viewed to be important by the investment analysts. These results may provide regulators or standard setters a useful input in drafting regulation or standard on the disclosure of information relating to directors' behaviour.

There was also lack of agreement or association in the ranking of the disclosure items between each possible pair of the sample countries. Out of 15 possible pairs of countries, only 5 pairs where there were moderate or high correlation between them. The 5 pairs were between Netherlands and Germany, Netherlands and France, United Kingdom and Sweden, United Kingdom and France, and Canada and France. The other 10 pairs either have very low positive correlation or negative correlation. These results were also used to test the second part of the second main hypothesis, i.e. there is no agreement or association in the ranking of the disclosure items between each possible pairs of the countries. The results suggested that 5 hypotheses from the second part of second main hypothesis be rejected. The 5 hypotheses were between Netherlands and Germany, Netherlands and France, United Kingdom and Sweden, United Kingdom and France, and Canada and France. This lack of agreement or association in the ranking of the disclosure items between the countries may indicate that there was lack of harmony in disclosing such items in the annual reports of companies in the sample countries. This result should be useful to international regulators and standard setters, such as IASC, OECD and EU, in order for them to harmonise the regulation or standard on disclosure of information relating to directors' behaviour.

7.2. Limitations of the study

The results of this study must be interpreted in the context of the limitations of the research methodology used. These limitations relate to the sample selection, weighting of the disclosure items, construction of disclosure index, concentration on annual reports, and the likelihood that mandatory disclosures are more likely to be picked up.

7.2.1. Sample selection

The countries selected in this study were discussed in chapter 4, 'Data and Methodology'. However, there is very little evidence to support that the United Kingdom, Canada, Netherlands, France, Germany, and Sweden disclosure practices are representative of all developed, developing, and under developed countries disclosure practices. Instead, the result of this study may be limited to the differences between the six countries only, without representing the disclosure practices of other countries not selected in this study.

The companies included in this study to represent the six sample countries were selected from the list of Europe's top 1000 large companies based on capital employed except Canada where the companies were selected from the Canadian companies listed on the Toronto Stock Exchanges and Vancouver Stock Exchanges. However, since this study attempt to match the sample companies by size in order to make international comparison as valid as possible, only 34 companies from each countries were available and able to be matched. These companies however, formed only a small percentage of the total large companies in each country. In addition, due to the matching procedure adopted in this study, the sample companies could not be selected randomly. Thus, the results obtained

Appendix 4

Scoring Worksheet

Country: ____________________
Company: ____________________
Year Ended: ____________________

Capital Employed: ____________________
Audit Firm: ____________________
Industry: ____________________

Group 1 **Score**

1. **Information on the terms of the directors' service contract or a statement stating that there was no service contract.** ☐
   [10 points for disclosure, 0 point for non-disclosure]

2. **Auditor's report on corporate governance matters .** ☐
   [10 points for disclosure, 0 point for non-disclosure]

3. **Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate) .** ☐
   [10 points for disclosure, 0 point for non-disclosure]

4. **Statement of directors' responsibility in respect of the financial statements.** ☐
   [10 points for disclosure, 0 point for non-disclosure]

5. **Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.** ☐
   [10 points for disclosure, 0 point for non-disclosure]

6. **Information on the independence of the directors (related and unrelated directors).** ☐
   [10 points for disclosure, 0 point for non-disclosure]

7. **Directors' other directorships/offices or a statement that there were no other directorships/offices.** ☐
   [10 points for disclosure, 0 point for non-disclosure]

8. **Directors' date of appointment or year of service.** ☐
   [10 points for disclosure, 0 point for non-disclosure]

Group 2

9. **Composition of board of directors.** ☐
   (a) Name and photograph of all directors .
   (b) Name of all directors and photograph of certain directors.
   (c) Name of all directors.
   [10 points if disclose (a), 3.33 plus 3.33 multiply by the number of directors with photograph divide by total number of directors, if disclose (b), 3.33 points if disclose (c), 0 point if non-disclosure]

10. **Directors' ages .** ☐
    [10 points for disclosure of all directors' ages, 10 points multiply by the number of directors' ages disclose divide by total number of directors if certain directors' ages are disclose]

11. **Directors' qualifications .** ☐
    [10 points for disclosure of all directors' qualifications, 10 points multiply by the number of directors' qualifications disclose divide by total number of directors, if certain directors' qualifications are disclose]

12. **Details of audit committee.** ☐
(a) Audit committee report
(b) Detail information (such as the terms of reference) and composition of the audit committee
(c) Composition of the audit committee
(d) Information on the existence of the audit committee
[10 points if disclose (a), 7.50 points if disclose (b), 5 points if disclose (c), 2.50 if disclose (d), and 0 point for non-disclosure]

13. **Details of remuneration/compensation Committee.** ☐
(a) Remuneration/compensation committee report
(b) Detail information (such as the terms of reference) and composition of the remuneration/compensation committee
(c) Composition of the remuneration/compensation committee
(d) Information on the existence of the remuneration/compensation committee
[10 points if disclose (a), 7.50 points if disclose (b), 5 points if disclose (c), 2.50 if disclose (d), and 0 point for non-disclosure]

14. **Details of internal control .** ☐
(a) Report on internal control
(b) Information on the existence of the internal control
[10 points if disclose (a), 5 points if disclose (b)]

15. **Details of nomination committee.** ☐
(a) Nomination committee report
(b) Detail information (such as the terms of reference) and composition of the nomination committee
(c) Composition of the nomination committee
(d) Information on the existence of the nomination committee
[10 points if disclose (a), 7.50 points if disclose (b), 5 points if disclose (c), 2.50 if disclose (d), and 0 point for non-disclosure]

16. **Details of board of directors meeting/working method.** ☐
(a) Number/dates of board meeting and subjects discussed
(b) Number/dates of board meeting
[10 points if disclose (a), 5 points if disclose (b)]

Group 3

17. **Details of directors' salary/fee.** ☐
(i) Salary/fee of each individual director.
(ii) Total directors' salary/fee for the current year.
(iii) Total directors' salary/fee comparative figures.
[3.33 points for each item disclose, and 0 point for non-disclosure]

18. **Details of directors' bonus/performance bonus/profit sharing or other similar payments.** ☐
(i) Bonus of each individual director.
(ii) Total directors' bonus for the current year.
(iii) Total directors' bonus comparative figures.
[3.33 points for each item disclose, 0 point for non-disclosure and N.R if not relevant]

19. **Details of directors' benefits in kind/other fringe benefits .** ☐
(i) Value of benefits in kind of each individual director.
(ii) Nature of the benefits.
(iii) Total value of directors' benefits in kind for the current year.
(iv) Total value of directors' benefits in kind comparative figures.
[2.50 points for each item disclose, 0 point for non-disclosure and N.R if not relevant]

20. **Details of directors' pension schemes ..** ☐

(i) Accrued pension entitlement at the end of the year of each individual director.
(ii) Accrued pension entitlement at the beginning of the year of each individual director.
(iii) Total directors' accrued pension entitlement for the current year.
(iv) Total directors' accrued pension entitlement comparative figures.
[2.50 points for each item disclose, 0 point for non-disclosure and N:R if not relevant]

21. **Directors' emoluments(remuneration).** ☐

(i) Emoluments for each individual director.
(ii). Emoluments for each individual director comparative figures.
(iii) Total directors' emoluments for the current year.
(Iv) Total directors' emoluments comparative figures.
[2.50 points for each item disclose, and 0 point for non-disclosure]

22. **Details of directors' interest in shares or a statement stating that the directors hold no shares in the company .** ☐

(i) Number of shares held by each individual director at the end of the year.
(ii) Number of shares held by each individual directors at the beginning of the year.
(iii) Total number of shares held by directors at the end of the year.
(iv) Total number of shares held by directors at the beginning of the year.
[2.50 points for each item disclose, and 0 point for non-disclosure]

23. **Details of directors' share options scheme.** ☐

(i) Number of share options granted during the year of each individual director.
(ii) Number of share options exercised during the year of each individual director.
(iii) Option period/ date exercisable of options.
(iv) Exercise price of share options.
(v) Number of directors' share options outstanding at the beginning of the year.
(vi) Number of directors' share options outstanding at the end of the year.
(vii) Number of share options granted to directors during the year.
(viii) Number of share options exercised by directors during the year.
[1.25 points for each item disclose, 0 point for non-disclosure, and N.R if not relevant]
(If items (i) and (ii) are disclose, items (vii) and (viii) will be given 1.25 points each)

Appendix 5

DIRECTORS' INFORMATION SURVEY

This questionnaire presents a list of many items of information on directors affairs which could be presented in the annual reports of companies. You are required to apply a weight to each of the item. Each category represents varying degrees of importance to you (as shareholder) of having the items of information appear in annual reports in monitoring behaviour of directors.

To weigh the items, you simply enter one of the following integers: **0**, **1**, **2**, **3**, or **4** into the designated box under the heading 'weight' for each item. Entering a **'0'** indicates that the item is **not important** in monitoring the behaviour of directors. Entering a **'4'** indicates that it is **extremely important** for this purpose. The weights **1 to 3** should be used to indicate varying degrees of **intermediate importance**.

Note that there is no requirement that the weights be assigned with equal frequency. Use as many '4s' or '1s' for example, as you feel are warranted by the included items of information.

	WEIGHT (0 - 4)
1. Information on directors' date of appointment or years of service.	☐
2. Details of remuneration committee, such as remuneration committee's report, terms of reference and composition of the remuneration committee.	☐
3. Details of directors' benefits in kind/other fringe benefits, such as benefits in kind of each director by name, the nature of the benefits and comparative figures.	☐
4. Information about the internal control, such as report on the internal control.	☐
5. Information of the board of directors meeting, such as the number/dates of board meeting and the subjects discussed.	☐
6. Directors' emoluments (remuneration), such as emoluments of each director by name and comparative figures. [Emoluments refers to the total of salary/fee, bonus, and other payments made to the directors].	☐
7. Information on corporate governance, i.e. compliance with corporate governance guidelines or the awareness of the current corporate governance debate.	☐
8. Information on directors' qualifications.	☐
9. Details of directors' pension schemes.	☐
10. Information on directors' ages.	☐
11. Composition of board of directors, such as their names, positions and photographs.	☐
12. Information on the terms of the directors' service contracts, such as the notice periods or a statement stating that there were no service contracts.	☐
13. Disclosure of related party transactions between directors and the company, such as loans, contracts and etc. or a statement that there were no related party transactions between directors and the company.	☐
14. Details of audit committee, such as audit committee report; terms of reference and composition of the audit committee.	☐
15. Details of directors' interest in shares, such as the number of shares currently held by each individual director and their families.	☐
16. Details of directors' share options scheme.	☐
17. Auditor's report on corporate governance matters.	☐
18. Statement of directors' responsibility in respect of the financial statements.	

☐

19. Information about directors' current other directorships or offices. ☐

20. Details of directors' bonus/performance bonus/profit sharing or other similar payments, such as bonus of each director by name and comparative figures. ☐

21. Details of the nomination committee, such as the nomination committee's report, terms of reference and composition of the nomination committee. ☐

22. Details of directors' salary/fee, such as salary of each director by name and comparative figures. ☐

23. Information about the independence of the directors, such as information on the appointment of non-executive directors. ☐

The following questions have been included in order to determine the breadth of institutional and occupational coverage represented by the returned questionnaires.

1. What type of firm are you associated with?

   Bank ☐ Insurance company ☐ Brokerage house ☐ Other ....
   (Please specify)

2. Does your job involve analysing annual reports of companies as a basis of investment decision?

   Yes ☐ No ☐

Any other comments? Please specify.

Would you like an executive summary of my results? Yes ☐ No ☐
If so, please provide

- Name: ....
- Company:..
- Address:...

....

(Please note that names of individuals and companies will not be published)

Kindly return the questionnaire in the 'Freepost' envelope, which is for the attention of I.Ramli, University of Plymouth Business School, Drake Circus, Plymouth, PL1 1BR.

THANK YOU FOR YOUR HELP

Appendix 6

Actual Scores by Investment Analysts

Investment	Disclosure Items*																					
Analysts	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1	3	2	1	3	4	0	3	4	3	3	2	3	3	1	1	0	3	3	2	3	4	4	4
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92	0	2	1	1	3	2	2	3	1	1	0	1	1	2	1	1	2	2	1	0	3	4	4
93	4	3	3	2	4	2	4	2	4	2	3	4	3	3	3	2	4	4	4	4	4	4	4
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104	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
105	3	4	3	4	3	4	3	2	3	2	4	2	2	3	3	3	4	4	3	2	3	4	4
106	0	2	4	2	0	0	0	1	1	0	0	1	0	4	0	1	0	0	0	0	0	2	0
107	3	1	2	2	2	3	3	1	4	4	4	2	2	1	2	0	3	3	2	4	4	4	4
108	3	2	2	2	4	2	2	1	1	1	2	2	2	2	2	2	4	4	4	2	3	4	4
109	3	3	4	3	4	4	4	3	3	3	3	3	3	4	3	4	4	3	2	3	4	4	3
110	2	2	3	2	4	3	3	2	3	2	2	3	3	2	3	2	3	4	3	3	3	4	4
111	3	2	3	3	2	3	2	4	4	3	3	2	3	3	2	3	4	4	4	2	4	4	4
112	3	1	1	1	4	3	3	3	4	4	1	3	3	3	1	2	4	4	4	4	4	4	4
113	3	1	4	1	4	1	2	0	0	2	4	4	2	4	0	3	3	1	2	0	3	3	1
114	4	1	3	1	4	3	2	3	2	4	2	3	3	4	3	3	3	4	4	4	4	4	4
115	3	3	3	3	4	3	3	1	2	2	4	3	2	2	4	2	4	4	4	2	3	3	4
116	3	3	3	3	3	4	1	1	4	1	1	2	3	3	1	0	4	1	3	3	4	4	4
117	3	4	4	4	4	4	3	3	3	2	4	4	4	4	2	3	3	2	3	3	4	3	4
118	4	3	4	3	4	3	4	2	2	2	2	3	3	3	3	2	3	4	4	3	3	4	4
119	3	1	2	1	4	2	1	1	3	3	2	3	2	3	3	3	3	3	2	2	4	4	4
120	4	3	3	4	4	4	3	1	2	1	1	3	4	2	2	0	2	4	4	4	4	4	4
121	2	2	4	2	2	3	3	4	2	3	2	3	4	3	2	1	4	4	4	3	4	4	4
122	3	2	3	2	4	1	2	1	2	2	3	3	2	3	1	0	2	3	0	1	2	3	3
123	3	1	1	4	3	3	2	1	2	1	2	1	2	1	3	2	3	1	4	4	4	2	2

*** Disclosure Items**

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4. Statement of directors' responsibility in respect of the financial statements.
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 7

Dichotomous raw scores

Country:United Kingdom

Dis item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
2	1	1	1	1	1	1	0	0	0	1	1	1	0	1	0	0	1	1	1	1	0	0	0	1	0	0	1	1	1	1	1	1	0	0	0.6176
3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
5	1	1	1	1	1	1	0	1	0	1	1	1	1	1	0	1	1	1	1	1	0	1	1	0	1	1	1	0	1	1	1	1	0	0	0.7647
6	0	1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0.2059
7	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
8	1	1	1	1	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9412
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
10	1	1	1	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9412
11	0	0	0	0	0	0	0	0	0	0	1	1	0	1	1	1	0	0	0	1	1	0	1	1	0	1	1	0	1	1	0	0	1	0	0.4118
12	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	0.9706
13	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	0	1	1	1	1	1	0.9412
14	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
15	1	1	0	1	1	1	0	1	1	0	1	0	1	1	1	1	1	1	1	1	1	1	0	0	0	0	1	1	0	1	1	0	0	1	0.6765
16	0	1	0	1	0	1	0	0	1	1	0	0	1	0	1	1	0	1	1	1	0	0	0	0	1	0	1	0	0	1	0	0	1	1	0.4706
17	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0	1	1	1	1	0.9412
18	1	nr	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	nr	1	1	1	nr	0	1	nr	1	1	1	nr	1	0.9655
19	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	nr	1	1	1	1	1	1	nr	1	1	1	1	1	1.0000
20	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	nr	nr	1	1	0	1	1	0.9375
21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
22	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	0.9706
23	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	nr	1	1	1	1	1	1	nr	1	1	1	1	1	1.0000
Total	20	21	19	20	20	19	17	19	19	20	21	20	20	21	20	21	20	22	22	22	19	13	18	19	19	18	20	18	15	22	20	18	18	19	
Rel. Items	23	22	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	20	23	23	23	22	23	22	19	23	23	23	22	23	
DPA	0.87	0.955	0.826	0.87	0.87	0.826	0.739	0.826	0.826	0.870	0.913	0.870	0.870	0.913	0.870	0.913	0.870	0.957	0.957	0.957	0.826	0.650	0.783	0.826	0.826	0.818	0.870	0.818	0.789	0.957	0.870	0.783	0.818	0.826	

nr - Not relevant (not applicable).

* Name of companies are listed in appendix 2.

**Disclosure Items:

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9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
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13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 8

Dichotomous raw scores

Country:Canada

Dis. item**	COMPANY																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	1	1	1	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0.9118
4	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0.9118
5	0	0	0	0	1	0	0	0	0	0	0	0	1	1	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	1	0	0.2059
6	0	1	1	0	1	0	0	1	1	1	0	0	1	1	0	1	0	0	1	1	0	0	0	0	1	0	0	1	0	0	1	1	1	0	0.4706
7	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
8	0	1	0	0	1	1	0	1	1	0	0	0	0	0	0	0	1	0	0	0	1	0	0	0	1	0	0	1	0	0	1	0	0	0	0.2941
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
10	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0.0882
11	0	1	1	0	1	0	1	0	1	0	1	0	1	1	0	0	0	0	0	1	0	0	0	0	1	0	1	1	0	1	0	1	0	0	0.4118
12	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
13	0	1	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	0.8529
14	1	1	1	1	1	0	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	0.9118
15	0	1	1	0	1	1	1	1	1	1	0	1	0	1	1	1	0	1	0	0	1	1	1	0	1	0	0	1	0	1	1	1	1	0	0.6471
16	0	0	1	0	1	0	1	1	0	1	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	1	1	1	1	0	0.3529
17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
18	nr	0	0	nr	0	nr	nr	0	0	0	nr	nr	nr	nr	nr	nr	0	0	0	0	0	nr	nr	nr	0	nr	0	nr	nr	0	nr	0	nr	0	0.0000
19	0	0	0	nr	0	nr	0	0	1	0	0	nr	0	nr	0	nr	nr	nr	0	0	0	0	0	0	0	nr	0	nr	nr	0	nr	0	0	nr	0.0455
20	0	0	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	1	0	nr	0	0	0	0	0	0	0	0	0.0323
21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
22	0	0	0	0	1	0	0	1	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0.1765
23	0	nr	1	nr	nr	1	0	0	0	nr	1	1	1	nr	1	1	1	1	1	1	1	1	0	nr	0	nr	1	0	1	1	0	nr	nr	1	0.6800
Total	6	11	12	5	14	10	9	13	12	10	8	9	9	12	9	12	10	9	9	11	10	9	8	8	11	5	7	13	8	11	11	12	11	8	
Rel. Items	22	22	23	20	22	21	22	22	23	22	22	20	22	20	22	21	22	22	23	23	23	22	22	21	23	19	23	21	21	23	21	22	21	22	
DPA	0.273	0.500	0.522	0.250	0.636	0.476	0.409	0.591	0.522	0.455	0.364	0.450	0.409	0.600	0.409	0.571	0.455	0.409	0.391	0.478	0.435	0.409	0.364	0.381	0.478	0.263	0.304	0.619	0.381	0.478	0.524	0.545	0.524	0.364	

nr - Not relevant (not applicable).

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**Disclosure Items:

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14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 9

Dichotomous raw scores

Country:Netherlands

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0294
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	1	1	1	0	1	0	0	0	0	0	1	0	0	1	0	1	0	1	1	0	0	0	1	1	1	0	0	0	0	0	1	1	1	0	0.4412
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
5	1	0	1	0	0	0	0	1	1	0	0	0	1	1	1	0	1	1	0	1	1	0	0	0	1	0	1	1	0	1	1	0	1	0	0.5000
6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
10	1	1	0	1	1	1	1	0	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0.2941
11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
12	1	1	0	1	1	1	1	0	1	0	0	1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0.3235
13	1	1	1	1	1	1	1	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0.2941
14	0	1	1	0	1	0	0	0	0	0	0	0	0	1	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1765
15	1	0	1	1	1	1	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0.2353
16	1	1	1	1	1	1	0	0	1	0	1	1	0	1	0	1	1	1	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0.7647
17	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0294
18	0	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	0	nr	nr	0.0000
19	nr	nr	0	0	nr	0	nr	nr	0	nr	0	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	0.0000
20	0	0	0	0	0	0	0	0	0	nr	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
22	0	0	0	0	0	0	0	0	1	1	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1176
23	1	1	0	1	1	1	1	nr	1	nr	1	nr	nr	0	nr	1	1	1	0	nr	1	0	1	0	nr	1	1	0	nr	1	nr	1	0	0	0.6800
Total	10	9	9	8	10	8	7	4	7	3	6	4	3	11	4	9	5	6	4	3	4	3	7	4	5	4	6	4	4	5	5	5	5	3	
Rel. Items	22	21	23	23	21	23	21	20	23	19	22	20	20	21	19	21	21	22	21	20	21	21	23	21	20	21	21	23	20	21	20	22	21	21	
DPA	0.455	0.429	0.391	0.348	0.476	0.348	0.333	0.200	0.304	0.158	0.273	0.200	0.150	0.524	0.211	0.429	0.238	0.273	0.190	0.150	0.190	0.143	0.304	0.190	0.250	0.190	0.286	0.174	0.200	0.238	0.250	0.227	0.238	0.143	

nr - Not relevant (not applicable).

* Name of companies are listed in appendix 2

**Disclosure Items:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements.
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 10

Dichotomous raw scores

Country: France

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	0	0	1	0	0	0	0	1	0	1	0	1	1	1	0	0	1	0	0	0	0	1	0	0	1	0	0	0	0	1	0	0	0	0	0.2941
4	1	1	0	1	1	0	0	0	0	0	1	0	1	0	0	1	0	0	0	0	0	0	1	0	0	0	1	0	1	0	1	0	0	0	0.3235
5	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0.0588
6	0	1	0	0	0	0	0	1	0	1	0	1	1	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0.2059
7	1	1	1	1	1	0	1	0	0	1	1	0	0	1	0	1	0	0	1	0	1	0	0	0	0	1	1	0	1	0	1	1	0	0	0.5000
8	1	1	1	0	0	0	1	0	0	1	1	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	1	0	1	0	1	1	0	1	0.3824
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
10	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0588
11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
12	0	1	1	0	1	0	1	1	0	1	0	0	1	0	0	0	0	1	0	0	1	0	1	0	0	0	0	0	1	1	0	0	0	1	0.3824
13	1	1	1	0	1	0	1	1	0	1	0	1	0	1	0	1	0	1	0	0	1	1	1	0	0	0	1	0	0	1	1	0	0	1	0.5294
14	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0588
15	1	1	1	0	1	0	1	0	0	1	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	1	0	1	1	0	0	0	0	0.3235
16	0	1	1	0	0	0	1	1	0	1	0	1	1	1	0	1	0	0	0	0	0	0	1	0	0	0	1	0	1	0	0	0	0	1	0.3824
17	1	1	0	0	1	1	1	0	0	1	1	0	0	0	0	1	0	1	0	0	1	1	1	1	1	0	0	0	0	0	1	0	0	0	0.4412
18	0	0	0	nr	0	nr	nr	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	nr	0.0000
19	nr	0	0	nr	0	nr	nr	nr	0	nr	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	0	0	nr	nr	nr	0.0000
20	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	nr	nr	0	nr	0	0	1	0	0	nr	0	0	0	0	0	0	0.0345
21	1	1	1	1	1	1	1	1	1	0	0	1	1	0	1	1	0	1	0	1	1	0	1	0	1	0	1	0	1	0	1	1	1	1	0.7059
22	0	1	0	1	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	1	0.2353
23	1	1	1	nr	1	nr	1	0	nr	1	1	1	0	nr	nr	1	1	1	nr	nr	1	0	1	1	0	1	1	nr	nr	1	1	0	0	1	0.7600
Total	9	13	11	5	9	3	12	7	2	13	6	9	7	7	2	9	4	6	2	2	8	5	10	3	6	3	10	1	8	6	8	4	2	8	
Rel. Items	22	23	23	20	23	19	21	22	22	22	22	23	22	21	22	22	21	23	20	20	22	21	22	22	21	22	22	20	22	23	23	22	22	21	
DPA	0.409	0.565	0.478	0.25	0.391	0.158	0.571	0.318	0.091	0.591	0.273	0.391	0.318	0.333	0.091	0.409	0.19	0.261	0.100	0.100	0.364	0.238	0.455	0.136	0.286	0.136	0.455	0.050	0.364	0.261	0.348	0.182	0.091	0.381	

nr - Not relevant (not applicable).

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**Disclosure Items:

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8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 11

Dichotomous raw scores

Country: Germany

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0294
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0294
5	1	0	0	1	1	1	0	0	1	0	1	1	1	1	0	0	0	0	1	0	0	0	1	1	0	0	0	0	0	0	0	1	0	1	0.4118
6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
8	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0294
9	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
10	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0.0588
11	0	0	1	0	1	0	0	0	1	0	1	1	1	1	0	0	1	0	0	0	0	1	0	1	0	1	0	0	1	0	0	0	1	1	0.4118
12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0588
13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
15	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0.0588
16	1	0	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9412
17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
18	0	nr	nr	0	0	0	nr	0	0	0	nr	nr	0	0	0	0	nr	0	0	nr	nr	0	0	nr	0	nr	0	0	nr	0	0	0	0	0	0.0000
19	0	0	nr	0	nr	nr	0	0	0	0	nr	nr	0	0	nr	0	0	0	0	nr	nr	0	0	0	nr	nr	0	0	nr	nr	0	0	0	0	0.0000
20	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	0.9706
21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
23	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0.0000
Total	4	3	5	5	7	5	4	4	6	5	7	6	6	6	5	4	5	5	6	4	4	5	6	6	4	5	4	4	6	3	4	5	5	6	
Rel. Items	22	21	20	23	21	21	21	22	22	22	20	20	22	22	21	22	21	22	22	20	20	22	22	21	21	20	22	22	20	21	22	22	22	22	
DPA	0.182	0.143	0.250	0.217	0.333	0.238	0.190	0.182	0.273	0.227	0.350	0.300	0.273	0.273	0.238	0.182	0.238	0.227	0.273	0.200	0.200	0.227	0.273	0.286	0.190	0.250	0.182	0.182	0.300	0.143	0.182	0.227	0.227	0.273	

nr - Not relevant (not applicable)

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14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 12

Dichotomous raw scores

0

Country: Sweden

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	1	0	1	0	0	1	1	1	1	0	1	1	1	0	1	0	1	1	1	1	1	1	1	0	0	1	1	0	1	1	1	0	1	0.6765
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0.0588
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
5	0	0	1	0	0	0	1	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1176
6	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0294
7	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
8	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
9	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
10	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
11	0	1	0	0	1	0	1	1	1	1	0	0	0	1	0	0	1	0	1	1	1	0	0	0	0	0	1	0	0	1	1	1	0	1	0.4706
12	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0882
13	1	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	1	0	1	1	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0.2353
14	1	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0882
15	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	1	0	0	0	0	0	0	0	0	1	0	0	0	0	0.1765
16	1	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0.1765
17	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	0.8824
18	0	1	0	1	1	1	1	0	1	1	1	1	0	1	1	nr	1	1	1	1	0	1	0	1	0	0	1	0	0	nr	nr	1	0	nr	0.6333
19	nr	1	1	1	1	0	0	0	nr	1	1	1	0	1	0	nr	nr	0	1	0	0	0	1	0	0	0	1	0	1	0	nr	0	1	1	0.4828
20	1	1	0	1	0	0	0	1	1	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2059
21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1.0000
22	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0.9706
23	nr	1	nr	nr	nr	nr	1	nr	nr	nr	0	1	nr	nr	0	nr	nr	1	1	nr	nr	nr	nr	1	nr	nr	nr	nr	nr	1	nr	1	nr	1	0.8182
Total	11	14	8	15	10	8	12	13	11	11	9	11	8	15	4	8	15	10	13	13	12	9	9	10	7	7	11	8	8	14	8	10	8	11	
Rel. Items	. 21	23	22	22	22	22	23	22	21	22	23	23	22	22	23	20	21	23	23	22	22	22	22	23	22	22	22	22	22	22	20	23	22	22	
DPA	0.524	0.609	0.364	0.682	0.455	0.364	0.522	0.591	0.524	0.500	0.391	0.478	0.364	0.682	0.174	0.400	0.714	0.435	0.565	0.591	0.545	0.409	0.409	0.435	0.318	0.318	0.500	0.364	0.364	0.636	0.400	0.435	0.364	0.500	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

**Disclosure Item

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract
2. Auditor's report on corporate governance matters
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate)
4. Statement of directors' responsibility in respect of the financial statements
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company
6. Information on the independence of the directors
7. Directors' other directorship/offices or a statement that there were no other directorship/offices
8. Directors' date of appointment or year of service
9. Composition of board of directors
10. Directors'ages
11. Directors' qualifications
12. Details of audit committee
13. Detail of remuneration/compensation committee
14. Details of internal control
15. Details of nomination committee
16. Details of board of directors meeting/working method
17. Details of directors' salary/fee
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments
19. Details of directors' benefits in kind/other fringe benefits
20. Details of directors pension schemes
21. Directors' emolument(remuneration)
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company
23. Details of directors' share option scheme

Appendix 13

Modified dichotomous raw scores

Country:United Kingdom

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	9.7059
2	10	10	10	10	10	10	0	0	0	10	10	10	0	10	0	0	10	10	10	10	0	0	0	10	0	0	10	10	10	10	10	10	0	0	6.1765
3	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10.000
4	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10.000
5	10	10	10	10	10	10	0	10	0	10	10	10	10	10	0	10	10	10	10	10	0	10	10	0	10	10	10	0	10	10	10	10	0	0	7.6471
6	0	10	0	0	0	10	0	10	0	0	0	0	0	0	0	0	0	10	10	0	0	0	0	0	0	0	0	0	10	10	0	0	0	0	2.0588
7	10	10	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	9.7059
8	10	10	10	10	10	0	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	9.4118
9	3.33	10	3.6	10	3.33	3.33	3.33	10	3.72	10	10	3.33	4.16	10	3.81	4.7	10	10	10	5.55	3.33	3.33	3.33	10	3.33	3.33	10	10	10	5	10	3.33	5.66	10	6.5538
10	10	10	10	0	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	5.56	10	10	10	10	10	10	10	10	9.2812
11	0	0	0	0	0	0	0	0	0	0	10	10	0	5	1.57	2.35	0	0	0	6.67	10	0	1.43	4.44	0	2.22	7.14	0	6	1.67	0	0	2	0	2.1321
12	7.5	7.5	5	5	2.5	2.5	5	7.5	7.5	7.5	5	5	7.5	5	7.5	7.5	7.5	5	7.5	7.5	7.5	7.5	7.5	10	7.5	5	7.5	5	0	7.5	7.5	5	7.5	7.5	6.3235
13	10	10	10	10	10	10	10	10	10	10	10	10	10	10	7.5	10	10	10	10	10	10	0	10	10	10	10	10	10	0	10	10	10	10	10	9.3382
14	5	5	5	10	5	5	5	5	10	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5.2941
15	10	7.5	0	5	2.5	2.5	0	7.5	7.5	0	5	0	7.5	5	7.5	10	7.5	5	5	10	5	5	0	0	0	0	7.5	5	0	10	10	0	0	10	4.6324
16	0	5	0	5	0	5	0	0	5	5	0	0	5	0	5	5	0	10	5	10	0	0	0	0	10	0	5	0	0	5	0	0	5	10	2.9412
17	6.67	10	6.67	6.67	10	10	5	6.67	6.67	10	6.67	6.67	10	6.67	6.67	6.67	6.67	10	6.67	6.67	6.67	0	6.67	10	6.67	10	6.67	6.67	6.67	0	6.67	6.67	6.67	10	7.1100
18	6.67	nr	6.67	6.67	10	10	5	6.67	6.67	10	6.67	6.67	10	6.67	6.67	6.67	6.67	10	6.67	6.67	0	nr	6.67	10	6.67	nr	0	6.67	nr	6.67	6.67	6.67	nr	10	6.9562
19	7.5	10	7.5	7.5	10	10	5	7.5	7.5	7.5	5	7.5	10	5	5	7.5	7.5	10	5	5	7.5	nr	7.5	10	7.5	7.5	7.5	5	nr	2.5	5	5	5	7.5	7.0313
20	10	10	10	10	10	5	5	10	10	10	10	5	10	10	5	10	5	10	7.5	5	10	5	10	10	10	10	0	nr	nr	5	10	0	10	5	7.8906
21	10	5	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	5	10	10	10	10	10	10	6.67	10	10	10	10	10	9.6079
22	10	10	10	5	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	9.5588
23	10	10	10	10	10	10	10	10	10	10	10	8.75	10	8.75	10	10	10	10	10	10	10	nr	10	3.75	8.75	8.75	5	10	nr	8.75	10	10	7.5	10	9.3750
Total	176.7	190	164.4	170.8	173.3	153.3	133.3	170.8	164.6	185	183.3	167.9	179.2	177.1	153.2	175.4	175.8	205	188.3	188.1	155	100.8	148.1	173.2	165.4	147.4	171.3	153.3	134.3	177.1	180.8	151.7	144.3	175	
Rel. Items	23	22	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	20	23	23	23	22	23	22	19	23	23	23	22	23	
DPA	7.681	8.636	7.15	7.428	7.536	6.667	5.797	7.428	7.155	8.043	7.971	7.301	7.79	7.7	6.662	7.626	7.645	8.913	8.189	8.177	6.739	5.042	6.439	7.53	7.192	6.698	7.448	6.97	7.071	7.7	7.863	6.594	6.56	7.609	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

**Disclosure Items:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements.
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9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 14

Modified dichotomous raw scores

Country:Canada

Dis. item**	COMPANY																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	10	10	10	10	10	10	0	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	9.1176
4	10	10	10	10	10	10	10	10	10	10	10	10	0	0	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10	9.1176
5	0	0	0	0	10	0	0	0	0	0	0	0	10	10	0	10	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	10	10	0	2.0588
6	0	10	10	0	10	0	0	10	10	10	0	0	10	10	0	10	0	0	10	10	0	0	0	0	10	0	0	10	0	0	10	10	10	0	4.7059
7	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	9.7059
8	0	10	0	0	10	10	0	10	10	0	0	0	0	0	0	0	10	0	0	0	10	0	0	0	10	0	0	10	0	0	10	0	0	0	2.9412
9	3.76	3.55	10	4.23	3.33	3.89	4.1	3.75	3.63	3.75	3.77	3.61	3.33	3.55	3.66	3.66	10	3.63	10	3.63	3.33	10	3.75	3.93	10	3.33	3.74	3.81	3.94	3.56	3.33	3.59	3.72	3.33	4.5938
10	0	0	0	0	0	10	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0.8824
11	0	8	2.96	0	6.33	0	2.3	0	5.45	0	4.55	0	4.71	4.67	0	0	0	0	0	3.63	0	0	0	0	8.75	0	6.25	1.43	0	0.71	0	3.08	0	0	1.8476
12	7.5	7.5	7.5	2.5	7.5	7.5	5	7.5	7.5	7.5	10	7.5	7.5	7.5	5	7.5	7.5	7.5	7.5	5	10	5	5	5	10	5	2.5	7.5	7.5	7.5	7.5	2.5	7.5	5	6.6912
13	0	7.5	7.5	0	7.5	7.5	5	7.5	7.5	7.5	0	7.5	7.5	7.5	5	7.5	7.5	5	7.5	5	7.5	5	5	5	7.5	0	0	7.5	7.5	7.5	7.5	2.5	2.5	5	5.5147
14	5	5	5	5	5	0	5	5	5	5	5	5	0	5	5	5	5	5	5	5	5	5	5	5	5	0	5	5	5	5	5	5	5	5	4.5588
15	0	7.5	7.5	0	7.5	7.5	5	7.5	7.5	7.5	0	7.5	0	7.5	5	7.5	0	5	0	0	7.5	5	5	0	7.5	0	0	7.5	0	7.5	7.5	2.5	2.5	0	4.1912
16	0	0	5	0	10	0	5	10	0	5	0	0	0	10	0	0	10	0	0	5	0	0	0	0	0	0	0	0	0	5	5	5	5	0	2.3529
17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
18	nr	0	0	nr	0	nr	nr	0	0	0	nr	nr	nr	nr	nr	nr	0	0	0	0	0	nr	nr	nr	0	nr	0	nr	nr	0	nr	0	nr	0	0.0000
19	0	0	0	nr	0	nr	0	0	2.5	0	0	nr	0	nr	0	nr	nr	nr	0	0	0	0	0	0	0	nr	0	nr	nr	0	nr	0	0	nr	0.1136
20	0	0	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	5	0	nr	0	0	0	0	0	0	0	0	0.1613
21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
22	0	0	0	0	5	0	0	2.5	0	0	5	0	0	2.5	0	2.5	0	0	0	0	0	0	0	0	0	0	0	2.5	0	0	0	0	0	0	0.5882
23	0	nr	5	nr	nr	7.5	0	0	0	nr	3.75	7.5	6.25	nr	7.5	7.5	6.25	7.5	6.25	5	7.5	6.25	0	nr	0	nr	3.75	0	7.5	7.5	0	nr	nr	7.5	4.4000
Total	46.26	89.05	90.46	31.73	112.2	83.89	51.4	103.8	89.08	76.25	52.07	68.61	69.29	88.22	61.16	91.16	86.25	63.63	76.25	72.26	80.83	66.25	53.75	53.93	98.75	38.33	41.24	95.24	61.44	74.27	85.83	74.17	76.22	55.83	
Rel. Items	22	22	23	20	22	21	22	22	23	22	22	20	22	20	22	21	22	22	23	23	23	22	22	21	23	19	23	21	21	23	21	22	21	22	
DPA	2.103	4.048	3.933	1.587	5.098	3.995	2.336	4.716	3.873	3.466	2.367	3.431	3.150	4.411	2.780	4.341	3.920	2.892	3.315	3.142	3.514	3.011	2.443	2.568	4.293	2.017	1.793	4.535	2.926	3.229	4.087	3.371	3.630	2.538	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

**Disclosure Items

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13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 15

Modified dichotomous raw scores

Country:Netherlands

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	10	10	10	0	10	0	0	0	0	0	10	0	0	10	0	10	0	10	10	0	0	0	10	10	10	0	0	0	0	0	10	10	10	0	4.4118
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
5	10	0	10	0	0	0	0	10	10	0	0	0	10	10	10	0	10	10	0	10	10	0	0	0	10	0	10	10	0	10	10	0	10	0	5.0000
6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
9	3.33	10	10	10	10	3.33	3.89	3.33	3.33	3.33	10	3.33	3.33	3.33	3.33	3.33	10	10	10	3.33	3.33	3.33	3.33	3.33	3.33	3.33	10	10	3.33	10	10	10	3.33	3.33	5.8968
10	10	10	0	10	10	10	10	0	0	0	10	0	0	10	0	4	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	2.7647
11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
12	2.5	2.5	0	5	7.5	7.5	7.5	0	2.5	0	0	2.5	0	7.5	0	5	0	0	0	0	0	0	0	0	0	0	2.5	0	0	0	0	0	0	0	1.5441
13	2.5	2.5	2.5	5	7.5	7.5	7.5	0	0	0	0	0	0	7.5	0	5	0	0	0	0	0	0	2.5	0	0	0	0	0	0	0	0	0	0	0	1.4706
14	0	5	5	0	5	0	0	0	0	0	0	0	0	5	0	5	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.8824
15	2.5	0	2.5	5	7.5	7.5	7.5	0	0	0	0	0	0	7.5	0	0	0	0	0	0	0	0	2.5	0	0	0	0	0	0	0	0	0	0	0	1.2500
16	5	5	10	10	5	5	0	0	5	0	5	10	0	10	0	5	10	5	0	0	0	10	10	10	10	10	10	10	5	10	5	10	10	10	6.1765
17	0	0	0	0	0	0	0	6.67	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.1962
18	0	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	0	nr	nr	0.0000
19	nr	nr	0	0	nr	0	nr	nr	0	nr	0	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	0.0000
20	0	0	0	0	0	0	0	0	0	nr	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
21	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	2.5	5	5	2.5	5	5	5	5	5	4.8529
22	0	0	0	0	0	0	0	0	2.5	2.5	0	0	0	2.5	2.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
23	7.5	7.5	0	6.25	7.5	5	6.25	nr	3.75	nr	6.25	nr	nr	0	nr	3.75	3.75	7.5	0	nr	3.75	0	6.25	0	nr	6.25	3.75	0	nr	3.75	nr	3.75	0	0	3.7000
Total	58.33	57.5	65	56.25	75	50.83	47.64	25	32.08	10.83	46.25	20.83	18.33	78.33	20.83	46.08	38.75	47.5	30	18.33	22.08	18.33	39.58	28.33	38.33	22.08	41.25	35	20.83	38.75	40	38.75	38.33	18.33	
Rel. Items	22	21	23	23	21	23	21	20	23	19	22	20	20	21	19	21	21	22	21	20	21	21	23	21	20	21	21	23	20	21	20	22	21	21	
DPA	2.651	2.738	2.826	2.446	3.571	2.210	2.269	1.250	1.395	0.570	2.102	1.042	0.917	3.730	1.096	2.194	1.845	2.159	1.429	0.917	1.051	0.873	1.721	1.349	1.917	1.051	1.964	1.522	1.042	1.845	2.000	1.761	1.825	0.873	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

**Disclosure Items:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract
2. Auditor's report on corporate governance matters
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices
8. Directors' date of appointment or year of service
9. Composition of board of directors
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee
14. Details of internal control.
15. Details of nomination committee
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 16

Modified dichotomous raw scores

Country: France

Dis. Item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	0	0	10	0	0	0	0	10	0	10	0	10	10	10	0	0	10	0	0	0	0	10	0	0	10	0	0	0	0	10	0	0	0	0	2.9412
4	10	10	0	10	10	0	0	0	0	0	10	0	10	0	0	10	0	0	0	0	0	0	10	0	0	0	10	0	10	0	10	0	0	0	3.2353
5	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0.5882
6	0	10	0	0	0	0	0	10	0	10	0	10	10	0	0	0	10	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	2.0588
7	10	10	10	10	10	0	10	0	0	10	10	0	0	10	0	10	0	0	10	0	10	0	0	0	0	10	10	0	10	0	10	10	0	0	5.0000
8	10	10	10	0	0	0	10	0	0	10	10	0	0	10	0	0	0	0	0	0	0	0	10	0	0	0	10	0	10	0	10	10	0	10	3.8235
9	3.94	3.33	3.78	3.89	10	10	4.76	3.84	3.77	4.07	3.72	10	10	7.64	3.84	3.33	10	3.89	10	3.88	3.89	3.33	3.75	4.28	4.36	4.16	3.33	3.33	6.84	4.28	5.11	3.81	5.55	5	5.2559
10	0	0	0.67	0	0	0	0	0	0	0	0	0	0	6.47	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2100
11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
12	0	7.5	7.5	0	10	0	7.5	2.5	0	7.5	0	0	7.5	0	0	0	0	7.5	0	0	7.5	0	7.5	0	0	0	0	0	5	5	0	0	0	5	2.5735
13	7.5	7.5	7.5	0	7.5	0	7.5	2.5	0	7.5	0	2.5	0	2.5	0	5	0	7.5	0	0	7.5	2.5	7.5	0	0	0	7.5	0	0	5	2.5	0	0	5	3.0147
14	0	0	0	0	0	0	0	0	0	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
15	7.5	7.5	7.5	0	7.5	0	7.5	0	0	7.5	0	0	0	0	0	5	0	0	0	0	0	2.5	0	0	0	0	7.5	0	5	5	0	0	0	0	2.0588
16	0	5	5	0	0	0	5	10	0	10	0	10	10	10	0	5	0	0	0	0	0	0	5	0	0	0	5	0	5	0	0	0	0	10	2.7941
17	3.33	3.33	0	0	6.67	10	3.33	0	0	3.33	3.33	0	0	0	0	3.33	0	3.33	0	0	3.33	3.33	3.33	6.67	3.33	0	0	0	0	0	3.33	0	0	0	1.8618
18	0	0	0	nr	0	nr	nr	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	nr	0.0000
19	nr	0	0	nr	0	nr	nr	nr	0	nr	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	0	0	nr	nr	nr	0.0000
20	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	nr	nr	0	nr	0	0	2.5	0	0	nr	0	0	0	0	0	0	0.0862
21	2.5	5	2.5	2.5	5	10	5	5	5	0	0	5	2.5	0	2.5	2.5	0	2.5	0	2.5	2.5	0	2.5	0	2.5	0	2.5	0	2.5	0	2.5	5	2.5	5	2.5735
22	0	5	0	2.5	0	0	2.5	0	0	2.5	0	2.5	0	0	0	0	0	0	0	0	2.5	0	0	0	0	0	5	0	0	0	0	0	0	2.5	0.7353
23	6.25	7.5	5	nr	3.75	nr	7.5	0	nr	5	2.5	7.5	0	nr	nr	7.5	7.5	2.5	nr	nr	5	0	3.75	3.75	0	3.75	5	nr	nr	5	5	0	0	2.5	3.8500
Total	61.02	91.66	69.45	28.89	70.42	30	80.59	43.84	8.77	92.4	39.55	62.5	60	56.61	6.34	51.66	37.5	27.22	20	6.38	42.22	21.66	63.33	14.7	32.69	17.91	65.83	3.33	54.34	34.28	48.44	28.81	8.05	45	
Rel. Items	22	23	23	20	23	19	21	22	22	22	22	23	22	21	22	22	21	23	20	20	22	21	22	22	21	22	22	20	22	23	23	22	22	21	
DPA	2.774	3.985	3.020	1.445	3.062	1.579	3.838	1.993	0.399	4.200	1.798	2.717	2.727	2.696	0.288	2.348	1.786	1.183	1.000	0.319	1.919	1.031	2.879	0.668	1.557	0.814	2.992	0.167	2.470	1.490	2.106	1.310	0.366	2.143	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

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9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 17

Modified dichotomous raw scores

Country: Germany

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
5	10	0	0	10	10	10	0	0	10	0	10	10	10	10	0	0	0	0	10	0	0	0	10	10	0	0	0	0	0	0	0	10	0	10	4.1176
6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
8	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
9	0	10	4	10	4.16	3.33	3.33	3.33	4.07	10	4.16	4.16	8.33	8.25	4.66	4.16	3.33	8.33	4.44	3.33	5	6.62	8.33	10	3.33	3.33	8.33	3.33	3.33	3.33	3.33	5.5	8.33	4.66	5.3565
10	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0.5882
11	0	0	3	0	5	0	0	0	8.89	0	3.75	1.25	5	8.89	0	0	10	0	0	0	0	10	0	10	0	10	0	0	7.5	0	0	0	10	4	2.8612
12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.5	0	0	7.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
15	0	0	0	0	7.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.5	0	0	0	0	0	0.2941
16	10	0	5	5	10	10	10	5	10	10	0	10	5	10	10	5	5	10	10	10	10	10	10	5	10	10	10	10	10	5	10	5	10	10	8.0882
17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
18	0	nr	nr	0	0	0	nr	0	0	0	nr	nr	0	0	0	0	nr	0	0	nr	nr	0	0	nr	0	nr	0	0	nr	0	0	0	0	0	0.0000
19	0	0	nr	0	nr	nr	0	0	0	0	nr	nr	0	0	nr	0	0	0	0	nr	nr	0	0	0	nr	nr	0	0	nr	nr	0	0	0	0	0.0000
20	2.5	2.5	5	2.5	2.5	5	2.5	2.5	2.5	2.5	2.5	5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	5	2.5	2.5	0	2.5	2.5	5	2.5	2.7941
21	5	2.5	5	5	2.5	5	2.5	2.5	5	2.5	2.5	5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	5	2.5	2.5	2.5	2.5	2.5	5	2.5	3.0882
22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
23	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0.0000
Total	27.5	15	22	32.5	41.66	33.33	18.33	13.33	40.46	35	42.91	35.41	33.33	42.14	22.16	14.16	23.33	30.83	39.44	18.33	20	31.62	43.33	40	18.33	28.33	28.33	18.33	28.33	10.83	18.33	25.5	38.33	33.66	
Rel. Items	22	21	20	23	21	21	21	22	22	22	20	20	22	22	21	22	21	22	22	20	20	22	22	21	21	20	22	22	20	21	22	22	22	22	
DPA	1.250	0.714	1.100	1.413	1.984	1.587	0.873	0.606	1.839	1.591	2.146	1.771	1.515	1.915	1.055	0.644	1.111	1.401	1.793	0.917	1.000	1.437	1.970	1.905	0.873	1.417	1.288	0.833	1.417	0.516	0.833	1.159	1.742	1.530	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

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14. Details of internal control
15. Details of nomination committee
16. Details of board of directors meeting/working method
17. Details of directors' salary/fee
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments
19. Details of directors' benefits in kind/other fringe benefits
20. Details of directors pension schemes
21. Directors' emolument(remuneration)
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme

Appendix 18

Modified dichotomous raw scores

Country : Sweden

Dis. item**	COMPANY*																																		Mean
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1	0	10	0	10	0	0	10	10	10	10	0	10	10	10	0	10	0	10	10	10	10	10	10	10	0	0	10	10	0	10	10	10	0	10	6.7647
2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	10	0	0	0	0	0.5882
4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
5	0	0	10	0	0	0	10	0	0	0	0	0	0	10	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.1765
6	0	0	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.2941
7	10	10	10	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	9.7059
8	10	10	10	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	9.7059
9	10	3.89	3.94	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	3.33	10	7.25	10	10	10	10	8.04	10	10	10	10	10	10	10	9.3074
10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	9.7059
11	0	10	0	0	3.33	0	3.57	3.57	2.14	0.67	0	0	0	1.43	0	0	10	0	1.54	0.77	10	0	0	0	0	0	5.29	0	0	10	0.76	3.33	0	4.44	2.0835
12	0	0	0	7.5	0	0	0	2.5	0	0	0	0	0	0	0	0	7.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5147
13	7.5	0	0	2.5	0	0	0	0	0	0	0	0	0	5	0	0	7.5	0	2.5	5	7.5	0	0	0	0	0	0	0	0	2.5	0	0	0	0	1.1765
14	5	0	0	5	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4412
15	5	7.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7.5	0	0	5	7.5	0	0	0	0	0	0	0	0	2.5	0	0	0	0	1.0294
16	5	0	0	10	0	0	0	0	0	0	0	0	0	10	0	0	10	0	0	10	0	0	0	0	0	0	0	0	0	5	0	0	0	0	1.4706
17	0	3.89	0	0.51	0.22	7.1	7.14	7.14	7.14	0.44	10	6.67	7.17	10	3.94	7.22	3.81	7.08	8.45	7.17	7.08	3.72	3.77	3.56	3.55	0.3	6.85	0.28	10	6.67	0	0	0.33	0.37	4.4579
18	0	3.61	0	0.51	0.22	6.88	6.67	0	6.9	0.22	3.81	6.9	0	3.57	7.27	nr	6.9	0.21	6.29	6.92	0	6.86	0	6.9	0	0	0.2	0	0	nr	nr	7.03	0	nr	2.9290
19	nr	2.5	2.5	2.5	2.67	0	0	0	nr	2.5	2.5	2.5	0	2.5	0	nr	nr	0	2.5	0	0	0	2.5	0	0	0	2.5	0	2.5	0	nr	0	2.5	2.5	1.2128
20	5	0.21	0	0.38	0	0	0	5	0.18	0	0	0	0	5.36	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.6215
21	5	5	7.57	5	2.5	5	5.54	5.36	5	5.17	7.5	7.5	5.38	7.5	5.45	5.42	7.5	5.31	6.35	5.38	5.63	5	3	5.36	2.83	5.45	5.15	5.42	7.5	7.5	5.38	5.56	5.25	5	5.5429
22	5	5	10	5	5	5	5	5	5	5	5	5	5	5	0	5	5	5	5	5	5	5	5	5	5	5	10	5	5	5	5	5	5	5	5.1471
23	nr	5	nr	nr	nr	nr	1.25	nr	nr	nr	0	6.25	nr	nr	0	nr	nr	1.25	1.25	nr	nr	nr	nr	1.25	nr	nr	nr	nr	nr	2.5	nr	5	nr	2.5	2.3864
Total	77.5	86.6	64.01	88.9	53.94	63.98	89.17	93.57	76.36	64	68.81	84.82	67.55	110.4	26.66	67.64	120.7	68.85	83.88	88.57	102.7	67.83	64.27	72.07	51.38	50.75	78.03	60.7	65	101.7	61.14	75.92	53.08	69.81	
Rel. Items	21	23	22	22	22	22	23	22	21	22	23	23	22	22	23	20	21	23	23	22	22	22	22	23	22	22	22	22	22	22	20	23	22	22	
DPA	3.69	3.765	2.910	4.041	2.452	2.908	3.877	4.253	3.636	2.909	2.992	3.688	3.070	5.016	1.159	3.382	5.748	2.993	3.647	4.026	4.669	3.083	2.921	3.133	2.335	2.307	3.547	2.759	2.955	4.621	3.057	3.301	2.413	3.173	

nr - Not relevant (not applicable)

* Name of companies are listed in appendix 2

**Disclosure Items

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract
2. Auditor's report on corporate governance matters
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate)
4. Statement of directors' responsibility in respect of the financial statements
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company
6. Information on the independence of the directors
7. Directors' other directorship/offices or a statement that there were no other directorship/offices
8. Directors' date of appointment or year of service
9. Composition of board of directors
10. Directors'ages
11. Directors' qualifications
12. Details of audit committee
13. Detail of remuneration/compensation committee
14. Details of internal control
15. Details of nomination committee
16. Details of board of directors meeting/working method
17. Details of directors' salary/fee
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments
19. Details of directors' benefits in kind/other fringe benefits
20. Details of directors pension schemes
21. Directors' emolument(remuneration)
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company
23. Details of directors' share option scheme

Appendix 19

Weighted Dichotomous Disclosure Scores

Country: United Kingdom

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	34	0.9706
2	3	3	3	3	3	3	3	0	0	0	3	3	3	0	3	0	0	3	3	3	3	0	0	0	3	0	0	3	3	3	3	3	3	0	0	34	0.6176
3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
4	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	1.0000
5	4	4	4	4	4	4	4	0	4	0	4	4	4	4	4	0	4	4	4	4	4	0	4	4	0	4	4	4	0	4	4	4	4	0	0	34	0.7647
6	3	0	3	0	0	0	3	0	3	0	0	0	0	0	0	0	0	0	3	3	0	0	0	0	0	0	0	0	0	3	3	0	0	0	0	34	0.2059
7	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9706
8	2	2	2	2	2	2	0	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9412
9	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
10	2	2	2	2	0	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9412
11	2	0	0	0	0	0	0	0	0	0	0	2	2	0	2	2	2	0	0	0	2	2	0	2	2	0	2	2	0	2	2	0	0	2	0	34	0.4118
12	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	34	0.9706
13	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	0	3	3	3	3	3	34	0.9412
14	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
15	2	2	2	0	2	2	2	0	2	2	0	2	0	2	2	2	2	2	2	2	2	2	2	0	0	0	0	2	2	0	2	2	0	0	2	34	0.6765
16	2	0	2	0	2	0	2	0	0	2	2	0	0	2	0	2	2	0	2	2	2	0	0	0	0	2	0	2	0	0	2	0	0	2	2	34	0.4706
17	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	0	3	3	3	3	34	0.9412
18	4	4	nr	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	nr	4	4	4	nr	0	4	nr	4	4	4	nr	4	29	0.9655
19	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	nr	3	3	3	3	3	3	nr	3	3	3	3	3	32	1.0000
20	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	0	nr	nr	2	2	0	2	2	32	0.9375
21	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	34	1.0000
22	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	0	4	4	4	4	4	4	4	4	4	4	4	34	0.9706
23	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	nr	4	4	4	4	4	4	nr	4	4	4	4	4	32	1.0000
Total	66	59	60	57	59	59	58	50	57	54	59	61	59	58	61	56	60	59	64	64	63	54	36	52	55	56	52	57	53	43	63	59	55	50	54		
Rel. Items		23	22	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	20	23	23	23	22	23	22	19	23	23	23	22	23		
DPA		0.894	0.968	0.864	0.894	0.894	0.879	0.758	0.864	0.818	0.894	0.924	0.894	0.879	0.924	0.848	0.909	0.894	0.970	0.970	0.955	0.818	0.655	0.788	0.833	0.848	0.839	0.864	0.828	0.811	0.955	0.894	0.833	0.806	0.818		

The figure in column 1 to 34 was the weighted score(raw score in appendix 7 multiply by the respective analysis' weight)

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements.
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 20

Weighted Dichotomous Disclosure Scores

Country: Canada

Dis. item**	Analysis' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	3	3	3	3	3	3	0	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	34	0.9118
4	2	2	2	2	2	2	2	2	2	2	2	2	2	0	0	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	34	0.9118
5	4	0	0	0	0	4	0	0	0	0	0	0	0	4	4	0	4	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	4	4	0	34	0.2059
6	3	0	3	3	0	3	0	0	3	3	3	0	0	3	3	0	3	0	0	3	3	0	0	0	0	3	0	0	3	0	0	3	3	3	0	34	0.4706
7	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9706
8	2	0	2	0	0	2	2	0	2	2	0	0	0	0	0	0	0	2	0	0	0	2	0	0	0	2	0	0	2	0	0	2	0	0	0	34	0.2941
9	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
10	2	0	0	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	34	0.0882
11	2	0	2	2	0	2	0	2	0	2	0	2	0	2	2	0	0	0	0	0	2	0	0	0	0	2	0	2	2	0	2	0	2	0	0	34	0.4118
12	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
13	3	0	3	3	0	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	0	3	3	3	3	3	3	3	34	0.8529
14	3	3	3	3	3	3	0	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3	3	3	3	3	3	34	0.9118
15	2	0	2	2	0	2	2	2	2	2	2	0	2	0	2	2	2	0	2	0	0	2	2	2	0	2	0	0	2	0	2	2	2	2	0	34	0.6471
16	2	0	0	2	0	2	0	2	2	0	2	0	0	0	2	0	0	2	0	0	2	0	0	0	0	0	0	0	0	0	2	2	2	2	0	34	0.3529
17	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
18	4	nr	0	0	nr	0	nr	nr	0	0	0	nr	nr	nr	nr	nr	nr	0	0	0	0	0	nr	nr	nr	0	nr	0	nr	nr	0	nr	0	nr	0	16	0.0000
19	3	0	0	0	nr	0	nr	0	0	3	0	0	nr	0	nr	0	nr	nr	nr	0	0	0	0	0	0	0	nr	0	nr	nr	0	nr	0	0	nr	22	0.0455
20	2	0	0	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	2	0	nr	0	0	0	0	0	0	0	0	31	0.0323
21	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
22	4	0	0	0	0	4	0	0	4	0	0	4	0	0	4	0	4	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	34	0.1765
23	4	0'	nr	4	nr	nr	4	0	0	0	nr	4	4	4	nr	4	4	4	4	4	4	4	4	0	nr	0	nr	4	0	4	4	0	nr	nr	4	25	0.6800
Total	66	16	28	32	14	38	26	22	34	31	26	23	25	27	34	25	36	27	25	26	30	27	25	21	21	28	15	19	34	23	29	28	32	30	23		
Rel. Items		22	22	23	20	22	21	22	22	23	22	22	20	22	20	22	21	22	22	23	23	23	22	22	21	23	19	23	21	212	23	21	22	21	22		
DPA		0.258	0.452	0.485	0.255	0.613	0.441	0.355	0.531	0.470	0.419	0.371	0.439	0.435	0.618	0.403	0.610	0.429	0.397	0.394	0.455	0.409	0.403	0.339	0.362	0.424	0.283	0.288	0.576	0.390	0.439	0.475	0.516	0.517	0.365		

The figure in column 1 to 34 was the weighted score(raw score in appendix 8 multiply by the respective analysts' weight)

nr - Not relevant (not applicable)

* Name of companies is shown in appendix 2

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract
2. Auditor's report on corporate governance matters
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13. Detail of remuneration/compensation committee
14. Details of internal control
15. Details of nomination committee
16. Details of board of directors meeting/working method
17. Details of directors' salary/fee
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments
19. Details of directors' benefits in kind/other fringe benefits
20. Details of directors pension schemes
21. Directors' emolument(remuneration)
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company
23. Details of directors' share option scheme

Appendix 21

Weighted Dichotomous Disclosure Scores

Country: Netherlands

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0294
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	3	3	3	0	3	0	0	0	0	0	3	0	0	3	0	3	0	3	3	0	0	0	3	3	3	0	0	0	0	0	3	3	3	0	34	0.4412
4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
5	4	4	0	4	0	0	0	0	4	4	0	0	0	4	4	4	0	4	4	0	4	4	0	0	0	4	0	4	4	0	4	4	0	4	0	34	0.5000
6	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
7	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
8	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
9	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
10	2	2	2	0	2	2	2	2	0	0	0	2	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	34	0.2941
11	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
12	3	3	3	0	3	3	3	3	0	3	0	0	3	0	3	0	3	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	34	0.3235
13	3	3	3	3	3	3	3	3	0	0	0	0	0	0	3	0	3	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
14	3	0	3	3	0	3	0	0	0	0	0	0	0	0	3	0	3	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.1765
15	2	2	0	2	2	2	2	2	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	34	0.2353
16	2	2	2	2	2	2	2	0	0	2	0	2	2	0	2	0	2	2	2	0	0	0	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.7647
17	3	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0294
18	4	0	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	0	nr	nr	8	0.0000
19	3	nr	nr	0	0	nr	0	nr	nr	0	nr	0	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	8	0.0000
20	2	0	0	0	0	0	0	0	0	0	nr	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32	0.0000
21	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	34	1.0000
22	4	0	0	0	0	0	0	0	0	4	4	0	0	0	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.1176
23	4	4	4	0	4	4	4	4	nr	4	nr	4	nr	nr	0	nr	4	4	4	0	nr	4	0	4	0	nr	4	4	0	nr	4	nr	4	0	0	25	0.6800
Total	66	30	27	27	23	29	23	21	14	24	11	18	12	11	33	15	27	17	20	13	11	15	9	21	12	16	13	20	13	11	17	16	16	16	9		
Rel. Items		22	21	23	23	21	23	21	20	23	19	22	20	20	21	19	21	21	22	21	20	21	21	23	21	20	21	21	23	20	21	20	22	21	21		
DPA		0.476	0.458	0.409	0.348	0.492	0.348	0.356	0.255	0.364	0.208	0.290	0.218	0.200	0.559	0.283	0.458	0.288	0.323	0.220	0.200	0.254	0.153	0.318	0.203	0.291	0.220	0.339	0.197	0.193	0.288	0.281	0.254	0.271	0.153		

The figure in column 1 to 34 was the weighted score(raw score in appendix 9 multiply by the respective analysts' weight)

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements.
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 22

Weighted Dichotomous Disclosure Index

Country: France

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	0	0	3	0	0	0	0	3	0	3	0	3	3	3	0	0	3	0	0	0	0	3	0	0	3	0	0	0	0	3	0	0	0	0	34	0.2941
4	2	2	2	0	2	2	0	0	0	0	0	2	0	2	0	0	2	0	0	0	0	0	0	2	0	0	0	2	0	2	0	2	0	0	0	34	0.3235
5	4	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	0	0	0	0	0	0	0	34	0.0588
6	3	0	3	0	0	0	0	0	3	0	3	0	3	3	0	0	0	3	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	34	0.2059
7	2	2	2	2	2	2	0	2	0	0	2	2	0	0	2	0	2	0	0	2	0	2	0	0	0	0	2	2	0	2	0	2	2	0	0	34	0.5000
8	2	2	2	2	0	0	0	2	0	0	2	2	0	0	2	0	0	0	0	0	0	0	0	2	0	0	0	2	0	2	0	2	2	0	2	34	0.3824
9	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
10	2	0	0	2	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0588
11	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
12	3	0	3	3	0	3	0	3	3	0	3	0	0	3	0	0	0	0	3	0	0	3	0	3	0	0	0	0	0	3	3	0	0	0	3	34	0.3824
13	3	3	3	3	0	3	0	3	3	0	3	0	3	0	3	0	3	0	3	0	0	3	3	3	0	0	0	3	0	0	3	3	0	0	3	34	0.5294
14	3	0	0	0	0	0	0	0	0	0	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0588
15	2	2	2	2	0	2	0	2	0	0	2	0	0	0	0	0	2	0	0	0	0	0	2	0	0	0	0	2	0	2	2	0	0	0	0	34	0.3235
16	2	0	2	2	0	0	0	2	2	0	2	0	2	2	2	0	2	0	0	0	0	0	0	2	0	0	0	2	0	2	0	0	0	0	2	34	0.3824
17	3	3	3	0	0	3	3	3	0	0	3	3	0	0	0	0	3	0	3	0	0	3	3	3	3	3	0	0	0	0	0	3	0	0	0	34	0.4412
18	4	0	0	0	nr	0	nr	nr	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	nr	27	0.0000
19	3	nr	0	0	nr	0	nr	nr	nr	0	nr	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	0	0	nr	nr	nr	11	0.0000
20	2	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	nr	nr	0	nr	0	0	2	0	0	nr	0	0	0	0	0	0	29	0.0345
21	4	4	4	4	4	4	4	4	4	4	0	0	4	4	0	4	4	0	4	0	4	4	0	4	0	4	0	4	0	4	0	4	4	4	4	34	0.7059
22	4	0	4	0	4	0	0	4	0	0	4	0	4	0	0	0	0	0	0	0	0	4	0	0	0	0	0	4	0	0	0	0	0	0	4	34	0.2353
23	4	4	4	4	nr	4	nr	4	0	nr	4	4	4	0	nr	nr	4	4	4	nr	nr	4	0	4	4	0	4	4	nr	nr	4	4	0	0	4	25	0.7600
Total	66	25	37	30	15	26	10	36	21	7	37	16	29	20	17	7	25	13	20	5	7	26	14	30	10	18	9	28	3	20	18	23	11	7	25		
Rel. Items		22	23	23	20	23	19	21	22	22	22	22	23	22	21	22	22	21	23	20	20	22	21	22	22	21	22	22	20	22	23	23	22	22	21		
DPA		0.397	0.561	0.455	0.273	0.394	0.189	0.610	0.333	0.113	0.587	0.254	0.439	0.323	0.288	0.113	0.397	0.220	0.303	0.088	0.123	0.413	0.230	0.476	0.159	0.305	0.143	0.444	0.053	0.323	0.273	0.348	0.175	0.111	0.424		

The figure in column 1 to 34 was the weighted score(raw score in appendix 10 multiply by the respective analysts' weight).

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
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6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 23

Weighted Dichotomous Disclosure Scores

Country: Germany

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0294
4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0294
5	4	4	0	0	4	4	4	0	0	4	0	4	4	4	4	0	0	0	0	4	0	0	0	4	4	0	0	0	0	0	0	0	4	0	4	34	0.4118
6	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
7	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
8	2	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0294
9	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	0.9706
10	2	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	34	0.0588
11	2	0	0	2	0	2	0	0	0	2	0	2	2	2	2	0	0	2	0	0	0	0	2	0	2	0	2	0	0	2	0	0	0	2	2	34	0.4118
12	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0588
13	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
14	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
15	2	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	34	0.0588
16	2	2	0	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9412
17	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
18	4	0	nr	nr	0	0	0	nr	0	0	0	nr	nr	0	0	0	0	nr	0	0	nr	nr	0	0	nr	0	nr	0	0	nr	0	0	0	0	0	23	0.0000
19	3	0	0	nr	0	nr	nr	0	0	0	0	nr	nr	0	0	nr	0	0	0	0	nr	nr	0	0	0	nr	nr	0	0	nr	nr	0	0	0	0	22	0.0000
20	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	34	0.9706
21	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	34	1.0000
22	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
23	4	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	1	0.0000
Total	66	12	9	13	15	19	15	11	11	17	14	19	17	17	17	14	11	13	14	17	11	11	13	17	17	11	13	11	11	15	9	11	15	13	17		
Rel. Items		22	21	20	23	21	21	21	22	22	22	20	20	22	22	21	22	21	22	22	20	20	22	22	21	21	20	22	22	20	21	22	22	22	22		
DPA		0.194	0.155	0.236	0.227	0.322	0.254	0.190	0.177	0.274	0.226	0.345	0.309	0.274	0.274	0.237	0.177	0.224	0.226	0.274	0.200	0.200	0.210	0.274	0.293	0.186	0.236	0.177	0.177	0.273	0.153	0.177	0.242	0.210	0.274		

The figure in column 1 to 34 was the weighted score(raw score in appendix 11 multiply by the respective analysts' weight).

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
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6. Information on the independence of the directors.
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9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 24

Weighted Dichotomous Disclosure Scores

Country: Sweden

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	3	0	3	0	0	3	3	3	3	0	3	3	3	0	3	0	3	3	3	3	3	3	3	0	0	3	3	0	3	3	3	0	3	34	0.6765
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	3	0	0	0	0	34	0.0588
4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
5	4	0	0	4	0	0	0	4	0	0	0	0	0	0	4	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.1176
6	3	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0294
7	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9706
8	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9706
9	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	34	1.0000
10	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	34	0.9706
11	2	0	2	0	0	2	0	2	2	2	2	0	0	0	2	0	0	2	0	2	2	2	0	0	0	0	0	2	0	0	2	2	2	0	2	34	0.4706
12	3	0	0	0	3	0	0	0	3	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0882
13	3	3	0	0	3	0	0	0	0	0	0	0	0	0	3	0	0	3	0	3	3	3	0	0	0	0	0	0	0	0	3	0	0	0	0	34	0.2353
14	3	3	0	0	3	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0882
15	2	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2	2	0	0	0	0	0	0	0	0	2	0	0	0	0	34	0.1765
16	2	2	0	0	2	0	0	0	0	0	0	0	0	0	2	0	0	2	0	0	2	0	0	0	0	0	0	0	0	0	2	0	0	0	0	34	0.1765
17	3	0	3	0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	0	3	3	34	0.8824
18	4	0	4	0	4	4	4	4	0	4	4	4	4	0	4	4	nr	4	4	4	4	0	4	0	4	0	0	4	0	0	nr	nr	4	0	nr	30	0.6333
19	3	nr	3	3	3	3	0	0	0	nr	3	3	3	0	3	0	nr	nr	0	3	0	0	0	3	0	0	0	3	0	3	0	nr	0	3	3	29	0.4828
20	2	2	2	0	2	0	0	0	2	2	0	0	0	0	2	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2059
21	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	34	1.0000
22	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	0	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	34	0.9706
23	4	nr	4	nr	nr	nr	nr	4	nr	nr	nr	0	4	nr	nr	0	nr	nr	4	4	nr	nr	nr	nr	4	nr	nr	nr	nr	nr	4	nr	4	nr	4	11	0.8182
Total	66	29	40	24	43	29	24	37	36	31	32	27	34	23	43	14	23	42	31	39	36	33	27	26	31	20	20	32	23	23	39	22	30	23	32		
Rel. Items		21	23	22	22	22	22	23	22	21	22	23	23	22	22	23	20	21	23	23	22	22	22	22	23	22	22	22	22	22	22	20	23	22	22		
DPA		0.492	0.606	0.387	0.694	0.468	0.387	0.561	0.581	0.525	0.516	0.435	0.548	0.371	0.694	0.226	0.418	0.712	0.500	0.629	0.581	0.532	0.435	0.419	0.470	0.323	0.323	0.516	0.371	0.371	0.629	0.400	0.455	0.371	0.516		

The figure in column 1 to 34 was the weighed score(raw score in appendix 12 multiply by the respective analysis' weight).

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements.
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 25

Weighted Modified Dichotomous Disclosure Scores

Country: United Kingdom

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	0	30	30	30	30	30	30	30	30	30	30	30	30	34	9.7059
2	3	30	30	30	30	30	30	0	0	0	30	30	30	0	30	0	0	30	30	30	30	0	0	0	30	0	0	30	30	30	30	30	30	0	0	34	6.1765
3	3	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	34	10.000
4	2	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	10.000
5	4	40	40	40	40	40	40	0	40	0	40	40	40	40	40	0	40	40	40	40	40	0	40	40	0	40	40	40	0	40	40	40	40	0	0	34	7.6471
6	3	0	30	0	0	0	30	0	30	0	0	0	0	0	0	0	0	0	30	30	0	0	0	0	0	0	0	0	0	30	30	0	0	0	0	34	2.0588
7	2	20	20	20	20	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	9.7059
8	2	20	20	20	20	20	0	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	9.4118
9	3	9.99	30	10.8	30	9.99	9.99	9.99	30	11.16	30	30	9.99	12.48	30	11.43	14.1	30	30	30	16.65	9.99	9.99	9.99	30	9.99	9.99	30	30	30	15	30	9.99	16.98	30	34	6.5538
10	2	20	20	20	0	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	11.12	20	20	20	20	20	20	20	20	34	9.2812
11	2	0	0	0	0	0	0	0	0	0	0	20	20	0	10	7.14	4.7	0	0	0	13.34	20	0	2.86	8.88	0	4.44	14.28	0	12	3.34	0	0	4	0	34	2.1321
12	3	22.5	22.5	15	15	7.5	7.5	15	22.5	22.5	22.5	15	15	22.5	15	22.5	22.5	22.5	15	22.5	22.5	22.5	22.5	22.5	30	22.5	15	22.5	15	0	22.5	22.5	15	22.5	22.5	34	6.3235
13	3	30	30	30	30	30	30	30	30	30	30	30	30	30	30	22.5	30	30	30	30	30	30	0	30	30	30	30	30	30	0	30	30	30	30	30	34	9.3382
14	3	15	15	15	30	15	15	15	15	30	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	34	5.2941
15	2	20	15	0	10	5	5	0	15	15	0	10	0	15	10	15	20	15	10	10	20	10	10	0	0	0	0	15	10	0	20	20	0	0	20	34	4.6324
16	2	0	10	0	10	0	10	0	0	10	10	0	0	10	0	10	10	0	20	10	20	0	0	0	0	20	0	10	0	0	10	0	0	10	20	34	2.9412
17	3	20.01	30	20.01	20.01	30	30	15	20.01	20.01	30	20.01	20.01	30	20.01	20.01	20.01	20.01	30	20.01	20.01	20.01	0	20.01	30	20.01	30	20.01	20.01	20.01	0	20.01	20.01	20.01	30	34	7.1100
18	4	26.68	nr	26.68	26.68	40	40	20	26.68	26.68	40	26.68	26.68	40	26.68	26.68	26.68	26.68	40	26.68	26.68	0	nr	26.68	40	26.68	nr	0	26.68	nr	26.68	26.68	26.68	nr	40	29	6.9562
19	3	22.5	30	22.5	22.5	30	30	15	22.5	22.5	22.5	15	22.5	30	15	15	22.5	22.5	30	15	15	22.5	nr	22.5	30	22.5	22.5	22.5	15	nr	7.5	15	15	15	22.5	32	7.0313
20	2	20	20	20	20	20	10	10	20	20	20	20	10	20	20	10	20	10	20	15	10	20	10	20	20	20	20	0	nr	nr	10	20	0	20	10	32	7.8906
21	4	40	20	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	20	40	40	40	40	40	40	26.68	40	40	40	40	40	34	9.6079
22	4	40	40	40	20	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	0	40	40	40	40	40	40	40	40	40	40	40	34	9.5588
23	4	40	40	40	40	40	40	40	40	40	40	40	35	40	35	40	40	40	40	40	40	40	nr	40	15	35	35	20	40	nr	35	40	40	30	40	32	9.3750
Total	66	516.7	542.5	490	504.2	517.5	487.5	390	511.7	467.9	550	531.7	494.2	525	516.7	435.3	505.5	521.7	600	554.2	539.2	430	277.5	429.5	498.9	481.7	433.1	489.3	451.7	383.7	515	529.2	461.7	403.5	500		
Rel. Items		23	22	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	20	23	23	23	22	23	22	19	23	23	23	22	23		
DPA		7.828	8.750	7.424	7.639	7.841	7.386	5.909	7.753	7.089	8.333	8.056	7.488	7.954	7.829	6.595	7.659	7.904	9.091	8.397	8.169	6.515	5.045	6.508	7.559	7.298	6.985	7.413	7.058	7.239	7.803	8.018	6.995	6.508	7.576		

The figure in column 1 to 34 was the weighted score(raw score in appendix 13 multiply by the respective analysts' weight)

nr - Not relevant (not applicable)

* Name of companies is shown in appendix 2.

**Disclosure Item:

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15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 26

Weighted Modified Dichotomous Disclosure Scores

Country: Canada

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	30	30	30	30	30	30	0	30	30	30	0	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	0	30	30	30	30	30	30	30	34	9.1176
4	2	20	20	20	20	20	20	20	20	20	20	20	20	0	0	20	20	20	20	20	20	20	20	20	20	20	0	20	20	20	20	20	20	20	20	34	9.1176
5	4	0	0	0	0	40	0	0	0	0	0	0	0	40	40	0	40	0	0	0	0	0	0	0	0	0	40	0	0	0	0	0	40	40	0	34	2.0588
6	3	0	30	30	0	30	0	0	30	30	30	0	0	30	30	0	30	0	0	30	30	0	0	0	0	30	0	0	30	0	0	30	30	30	0	34	4.7059
7	2	20	20	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	9.7059
8	2	0	20	0	0	20	20	0	20	20	0	0	0	0	0	0	0	20	0	0	0	20	0	0	0	20	0	0	20	0	0	20	0	0	0	34	2.9412
9	3	11.28	10.65	30	12.69	9.99	11.67	12.3	11.25	10.89	11.25	11.31	10.83	9.99	10.65	10.98	10.98	30	10.89	30	10.89	9.99	30	11.25	11.79	30	9.99	11.22	11.43	11.82	10.68	9.99	10.77	11.16	9.99	34	4.5938
10	2	0	0	0	0	0	20	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	34	0.8824
11	2	0	16	5.92	0	12.66	0	4.6	0	10.9	0	9.1	0	9.42	9.34	0	0	0	0	0	7.26	0	0	0	0	17.5	0	12.5	2.86	0	1.42	0	6.16	0	0	34	1.8476
12	3	22.5	22.5	22.5	7.5	22.5	22.5	15	22.5	22.5	22.5	30	22.5	22.5	22.5	15	22.5	22.5	22.5	22.5	15	30	15	15	15	30	15	7.5	22.5	22.5	22.5	22.5	7.5	22.5	15	34	6.6912
13	3	0	22.5	22.5	0	22.5	22.5	15	22.5	22.5	22.5	0	22.5	22.5	22.5	15	22.5	22.5	15	22.5	15	22.5	15	15	15	22.5	0	0	22.5	22.5	22.5	22.5	7.5	7.5	15	34	5.5147
14	3	15	15	15	15	15	0	15	15	15	15	15	15	0	15	15	15	15	15	15	15	15	15	15	15	15	0	15	15	15	15	15	15	15	15	34	4.5588
15	2	0	15	15	0	15	15	10	15	15	15	0	15	0	15	10	15	0	10	0	0	15	10	10	0	15	0	0	15	0	15	15	5	5	0	34	4.1912
16	2	0	0	10	0	20	0	10	20	0	10	0	0	0	20	0	0	20	0	0	10	0	0	0	0	0	0	0	0	0	10	10	10	10	0	34	2.3529
17	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
18	4	nr	0	0	nr	0	nr	nr	0	0	0	nr	nr	nr	nr	nr	nr	0	0	0	0	0	nr	nr	nr	0	nr	0	nr	nr	0	nr	0	nr	0	16	0.0000
19	3	0	0	0	nr	0	nr	0	0	7.5	0	0	nr	0	nr	0	nr	nr	nr	0	0	0	0	0	0	0	nr	0	nr	nr	0	nr	0	0	nr	22	0.1136
20	2	0	0	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	10	0	nr	0	0	0	0	0	0	0	0	31	0.1613
21	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
22	4	0	0	0	0	20	0	0	10	0	0	20	0	0	10	0	10	0	0	0	0	0	0	0	0	0	0	0	10	0	0	0	0	0	0	34	0.5882
23	4	0	nr	20	nr	nr	30	0	0	0	nr	15	30	25	nr	30	30	25	30	25	20	30	25	0	nr	0	nr	15	0	30	30	0	nr	nr	30	25	4.4000
Total	66	118.8	221.7	240.9	85.19	297.7	211.7	121.9	256.3	224.3	196.3	140.4	185.8	209.4	245	166	266	225	173.4	215	193.2	212.5	180	136.3	136.8	250	115	101.2	239.3	171.8	197.1	215	201.9	211.2	155		
Ref. Items		22	22	23	20	22	21	22	22	23	22	22	20	22	20	22	21	22	22	23	23	23	22	22	21	23	19	23	21	212	23	21	22	21	22		
DPA		1.916	3.575	3.650	1.549	4.801	3.588	1.966	4.004	3.398	3.163	2.265	3.260	3.378	4.454	2.677	4.508	3.571	2.752	3.238	2.927	3.220	2.903	2.198	2.358	3.788	2.170	1.534	4.056	2.912	2.986	3.644	3.257	3.641	2.460		

The figure in column 1 to 34 was the weighted score(raw score in appendix 14 multiply by the respective analysts' weight).

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
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9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 27

Weighted Modified Dichotomous Disclosure Scores

Country: Netherlands

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	30	30	30	0	30	0	0	0	0	0	30	0	0	30	0	30	0	30	30	0	0	0	30	30	30	0	0	0	0	0	30	30	30	0	34	4.4118
4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
5	4	40	0	40	0	0	0	0	40	40	0	0	0	40	40	40	0	40	40	0	40	40	0	0	0	40	0	40	40	0	40	40	0	40	0	34	5.0000
6	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
7	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
8	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
9	3	9.99	30	30	30	30	9.99	11.67	9.99	9.99	9.99	30	9.99	9.99	9.99	9.99	9.99	30	30	30	9.99	9.99	9.99	9.99	9.99	9.99	9.99	30	30	9.99	30	30	30	9.99	9.99	34	5.8968
10	2	20	20	0	20	20	20	20	0	0	0	20	0	0	20	0	8	0	0	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	34	2.7647
11	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
12	3	7.5	7.5	0	15	22.5	22.5	22.5	0	7.5	0	0	7.5	0	22.5	0	15	0	0	0	0	0	0	0	0	0	0	7.5	0	0	0	0	0	0	0	34	1.5441
13	3	7.5	7.5	7.5	15	22.5	22.5	22.5	0	0	0	0	0	0	22.5	0	15	0	0	0	0	0	0	7.5	0	0	0	0	0	0	0	0	0	0	0	34	1.4706
14	3	0	15	15	0	15	0	0	0	0	0	0	0	0	15	0	15	0	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.8824
15	2	5	0	5	10	15	15	15	0	0	0	0	0	0	15	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	34	1.2500
16	2	10	10	20	20	10	10	0	0	10	0	10	20	0	20	0	10	20	10	0	0	0	20	20	20	20	20	20	20	10	20	10	20	20	20	34	6.1765
17	3	0	0	0	0	0	0	0	20.01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.1962
18	4	0	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	0	nr	nr	8	0.0000
19	3	nr	nr	0	0	nr	0	nr	nr	0	nr	0	nr	nr	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	8	0.0000
20	2	0	0	0	0	0	0	0	0	0	nr	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32	0.0000
21	4	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	10	20	20	10	20	20	20	20	20	34	4.8529
22	4	0	0	0	0	0	0	0	0	10	10	0	0	0	10	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
23	4	30	30	0	25	30	20	25	nr	15	nr	25	nr	nr	0	nr	15	15	30	0	nr	15	0	25	0	nr	25	15	0	nr	15	nr	15	0	0	25	3.7000
Total	66	180	170	197.5	155	215	140	136.7	90	112.5	39.99	135	37.49	69.99	225	79.99	138	125	160	95	69.99	84.99	49.99	117.5	79.99	120	64.99	132.5	110	49.99	125	130	115	120	49.99		
Rel. Items		22	21	23	23	21	23	21	20	23	19	22	20	20	21	19	21	21	22	21	20	21	21	23	21	20	21	21	23	20	21	20	22	21	21		
DPA		2.857	2.881	2.992	2.348	3.644	2.121	2.316	1.636	1.704	0.755	2.177	1.045	1.273	3.813	1.509	2.339	2.119	2.581	1.610	1.273	1.441	0.847	1.780	1.356	2.182	1.102	2.246	1.667	0.877	2.119	2.281	1.825	2.034	0.847		

The figure in column 1 to 34 was the weighted score(raw score in appendix 15 multiply by the respective analysts' weight)

nr - Not relevant (not applicable)

* Name of companies is shown in appendix 2

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract.
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements.
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices.
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 28

Weighted Modified Dichotomous Disclosure Scores

Country: France

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	0	0	30	0	0	0	0	30	0	30	0	30	30	30	0	0	30	0	0	0	0	30	0	0	30	0	0	0	0	30	0	0	0	0	34	2.9412
4	2	20	20	0	20	20	0	0	0	0	0	20	0	20	0	0	20	0	0	0	0	0	0	20	0	0	0	20	0	20	0	20	0	0	0	34	3.2353
5	4	0	0	0	0	0	0	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40	0	0	0	0	0	0	0	0	0	0	0	34	0.5882
6	3	0	30	0	0	0	0	0	30	0	30	0	30	30	0	0	0	30	0	0	0	0	0	0	0	30	0	0	0	0	0	0	0	0	0	34	2.0588
7	2	20	20	20	20	20	0	20	0	0	20	20	0	0	20	0	20	0	0	20	0	20	0	0	0	0	20	20	0	20	0	20	20	0	0	34	5.0000
8	2	20	20	20	0	0	0	20	0	0	20	20	0	0	20	0	0	0	0	0	0	0	0	20	0	0	0	20	0	20	0	20	20	0	20	34	3.8235
9	3	11.82	9.99	11.34	11.67	30	30	14.28	11.52	11.31	12.21	11.16	30	30	22.92	11.52	9.99	30	11.67	30	11.64	11.67	9.99	11.25	12.84	13.08	12.48	9.99	9.99	20.52	12.84	15.33	11.43	16.65	15	34	5.2559
10	2	0	0	1.34	0	0	0	0	0	0	0	0	0	0	12.94	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2100
11	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
12	3	0	22.5	22.5	0	30	0	22.5	7.5	0	22.5	0	0	22.5	0	0	0	0	22.5	0	0	22.5	0	22.5	0	0	0	0	0	15	15	0	0	0	15	34	2.5735
13	3	22.5	22.5	22.5	0	22.5	0	22.5	7.5	0	22.5	0	7.5	0	7.5	0	15	0	22.5	0	0	22.5	7.5	22.5	0	0	0	22.5	0	0	15	7.5	0	0	15	34	3.0147
14	3	0	0	0	0	0	0	0	0	0	15	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
15	2	15	15	15	0	15	0	15	0	0	15	0	0	0	0	0	10	0	0	0	0	0	5	0	0	0	0	15	0	10	10	0	0	0	0	34	2.0588
16	2	0	10	10	0	0	0	10	20	0	20	0	20	20	20	0	10	0	0	0	0	0	0	10	0	0	0	10	0	10	0	0	0	0	20	34	2.7941
17	3	9.99	9.99	0	0	20.01	30	9.99	0	0	9.99	9.99	0	0	0	0	9.99	0	9.99	0	0	9.99	9.99	9.99	20.01	9.99	0	0	0	0	0	9.99	0	0	0	34	1.8618
18	4	0	0	0	nr	0	nr	nr	0	0	0	0	0	nr	0	0	0	nr	0	0	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	nr	27	0.0000
19	3	nr	0	0	nr	0	nr	nr	nr	0	nr	nr	0	0	nr	0	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	0	0	0	nr	nr	nr	11	0.0000
20	2	0	0	0	0	0	nr	0	0	0	0	0	0	0	0	0	0	0	0	nr	nr	0	nr	0	0	5	0	0	nr	0	0	0	0	0	0	29	0.0862
21	4	10	20	10	10	20	40	20	20	20	0	0	20	10	0	10	10	0	10	0	10	10	0	10	0	10	0	10	0	10	0	10	20	10	20	34	2.5735
22	4	0	20	0	10	0	0	10	0	0	10	0	10	0	0	0	0	0	0	0	0	10	0	0	0	0	0	20	0	0	0	0	0	0	10	34	0.7353
23	4	25	30	20	nr	15	nr	30	0	nr	20	10	30	0	nr	nr	30	30	10	nr	nr	20	0	15	15	0	15	20	nr	nr	20	20	0	0	10	25	3.8500
Total	66	154.3	250	182.7	71.67	192.5	100	234.3	126.5	31.31	247.2	91.15	192.5	162.5	133.4	21.52	135	120	86.66	50	21.64	126.7	62.48	181.2	47.83	98.07	47.48	167.5	9.99	125.5	102.8	122.8	71.43	26.65	125		
Rel. Items		22	23	23	20	23	19	21	22	22	22	22	23	22	21	22	22	21	23	20	20	22	21	22	22	21	22	22	20	22	23	23	22	22	21		
DPA		2.449	3.788	2.768	1.303	2.917	1.887	3.971	2.008	0.505	3.924	1.447	2.917	2.621	2.260	0.347	2.143	2.034	1.313	0.877	0.380	2.010	1.024	2.877	0.760	1.662	0.754	2.659	0.175	2.025	1.558	1.861	1.134	0.423	2.119		

The figure in column 1 to 34 was the weighted score(raw score in appendix 16 multiply by the respective analysts' weight).

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

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13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 29

Weighted Modified Dichotomous Disclosure Scores

Country: Germany

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	0	0	0	0	0	0	0	0	0	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
5	4	40	0	0	40	40	40	0	0	40	0	40	40	40	40	0	0	0	0	40	0	0	0	40	40	0	0	0	0	0	0	0	40	0	40	34	4.1176
6	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
7	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
8	2	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
9	3	0	30	12	30	12.48	9.99	9.99	9.99	12.21	30	12.48	12.48	24.99	24.75	13.98	12.48	9.99	24.99	13.32	9.99	15	19.86	24.99	30	9.99	9.99	24.99	9.99	9.99	9.99	9.99	16.5	24.99	13.98	34	5.3565
10	2	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	0	0	0	0	0	34	0.5882
11	2	0	0	6	0	10	0	0	0	17.78	0	7.5	2.5	10	17.78	0	0	20	0	0	0	0	20	0	20	0	20	0	0	15	0	0	0	20	8	34	2.8612
12	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7.5	0	0	22.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
13	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
14	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
15	2	0	0	0	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	34	0.2941
16	2	20	0	10	10	20	20	20	10	20	20	0	20	10	20	20	10	10	20	20	20	20	20	20	10	20	20	20	20	20	10	20	10	20	20	34	8.0882
17	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
18	4	0	nr	nr	0	0	0	nr	0	0	0	nr	nr	0	0	0	0	nr	0	0	nr	nr	0	0	nr	0	nr	0	0	nr	0	0	0	0	0	23	0.0000
19	3	0	0	nr	0	nr	nr	0	0	0	0	nr	nr	0	0	nr	0	0	0	0	nr	nr	0	0	0	nr	nr	0	0	nr	nr	0	0	0	0	22	0.0000
20	2	5	5	10	5	5	10	5	5	5	5	5	10	5	5	5	5	5	5	5	5	5	5	5	5	5	5	10	5	5	0	5	5	10	5	34	2.7941
21	4	20	10	20	20	10	20	10	10	20	10	10	20	10	10	10	10	10	10	10	10	10	10	10	10	10	10	20	10	10	10	10	10	20	10	34	3.0882
22	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
23	4	nr	nr	nr	0	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	nr	1	0.0000
Total	66	85	45	58	105	112.5	99.99	44.99	34.99	115	95	115	105	99.99	117.5	56.48	37.48	54.99	82.49	108.3	44.99	30	74.86	120	115	44.99	64.99	74.99	44.99	64.99	29.99	44.99	81.5	94.99	96.98		
Rel. Items		22	21	20	23	21	21	21	22	22	22	20	20	22	22	21	22	21	22	22	20	20	22	22	21	21	20	22	22	20	21	22	22	22	22		
DPA		1.371	0.776	1.035	1.591	1.906	1.695	0.776	0.564	1.855	1.532	2.091	1.909	1.613	1.896	0.957	0.605	0.948	1.330	1.747	0.818	0.909	1.207	1.935	1.983	0.763	1.182	1.210	0.726	1.182	0.508	0.726	1.315	1.532	1.564		

The figure in column 1 to 34 was the weighted score(raw score in appendix 17 multiply by the respective analysts' weight).

nr - Not relevant (not applicable).

* Name of companies is shown in appendix 2.

**Disclosure Item:

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9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
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13. Detail of remuneration/compensation committee.
14. Details of internal control.
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits.
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company.
23. Details of directors' share option scheme.

Appendix 30

Weighted Modified Dichotomous Disclosure Scores

Country: Sweden

Dis. item**	Analysts' weight	COMPANY*																																		Rel. com.	Mean
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
1	3	0	30	0	30	0	0	30	30	30	30	0	30	30	30	0	30	0	30	30	30	30	30	30	30	0	0	30	30	0	30	30	30	0	30	34	6.7647
2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
3	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	0	0	0	0	0	0	0	0	30	0	0	0	0	34	0.5882
4	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.0000
5	4	0	0	40	0	0	0	40	0	0	0	0	0	0	40	0	0	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	1.1765
6	3	0	0	0	0	0	0	0	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.2941
7	2	20	20	20	20	20	20	20	20	20	20	20	20	20	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	9.7059
8	2	20	20	20	20	20	20	20	20	20	20	20	20	20	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	9.7059
9	3	30	11.67	11.82	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	9.99	30	21.75	30	30	30	30	24.12	30	30	30	30	30	30	30	34	9.3074
10	2	20	20	20	20	20	20	20	20	20	20	20	20	20	20	0	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	34	9.7059
11	2	0	20	0	0	6.66	0	7.14	7.14	4.28	1.34	0	0	0	2.86	0	0	20	0	3.08	1.54	20	0	0	0	0	0	10.58	0	0	20	1.52	6.66	0	8.88	34	2.0835
12	3	0	0	0	22.5	0	0	0	7.5	0	0	0	0	0	0	0	0	22.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.5147
13	3	22.5	0	0	7.5	0	0	0	0	0	0	0	0	0	15	0	0	22.5	0	7.5	15	22.5	0	0	0	0	0	0	0	0	7.5	0	0	0	0	34	1.1765
14	3	15	0	0	15	0	0	0	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.4412
15	2	10	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15	0	0	10	15	0	0	0	0	0	0	0	0	5	0	0	0	0	34	1.0294
16	2	10	0	0	20	0	0	0	0	0	0	0	0	0	20	0	0	20	0	0	20	0	0	0	0	0	0	0	0	0	10	0	0	0	0	34	1.4706
17	3	0	11.67	0	1.53	0.66	21.3	21.42	21.42	21.42	1.32	30	20.01	21.51	30	11.82	21.66	11.43	21.24	25.35	21.51	21.24	11.16	11.31	10.68	10.65	0.9	20.55	0.84	30	20.01	0	0	0.99	1.11	34	4.4579
18	4	0	14.44	0	2.04	0.88	27.52	26.68	0	27.6	0.88	15.24	27.6	0	14.28	29.08	nr	27.6	0.84	25.16	27.68	0	27.44	0	27.6	0	0	0.8	0	0	nr	nr	28.12	0	nr	30	2.9290
19	3	nr	7.5	7.5	7.5	8.01	0	0	0	nr	7.5	7.5	7.5	0	7.5	0	nr	nr	0	7.5	0	0	0	7.5	0	0	0	7.5	0	7.5	0	nr	0	7.5	7.5	29	1.2128
20	2	10	0.42	0	0.76	0	0	0	10	0.36	0	0	0	0	10.72	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	34	0.6215
21	4	20	20	30.28	20	10	20	22.16	21.44	20	20.68	30	30	21.52	30	21.8	21.68	30	21.24	25.4	21.52	22.52	20	12	21.44	11.32	21.8	20.6	21.68	30	30	21.52	22.24	21	20	34	5.5429
22	4	20	20	40	20	20	20	20	20	20	20	20	20	20	20	0	20	20	20	20	20	20	20	20	20	20	20	40	20	20	20	20	20	20	20	34	5.1471
23	4	nr	20	nr	nr	nr	nr	5	nr	nr	nr	0	25	nr	nr	0	nr	nr	5	5	nr	nr	nr	nr	5	nr	nr	nr	nr	nr	10	nr	20	nr	10	11	2.3864
Total	66	197.5	230.7	189.6	236.8	136.2	178.8	262.4	252.5	213.7	171.7	192.7	250.1	183	310.4	92.7	183.3	329	188.3	239	237.2	271.3	190.4	170.8	204.7	132	132.7	214.2	162.5	177.5	272.5	163	217	139.5	187.5		
Rel. Items		21	23	22	22	22	22	23	22	21	22	23	23	22	22	23	20	21	23	23	22	22	22	22	23	22	22	22	22	22	22	20	23	22	22		
DPA		3.347	3.495	3.058	3.820	2.197	2.884	3.976	4.073	3.621	2.770	3.109	4.034	2.952	5.006	1.495	3.333	5.577	3.037	3.855	3.826	4.375	3.070	2.755	3.102	2.129	2.140	3.454	2.621	2.863	4.395	2.964	3.288	2.250	3.024		

The figure in column 1 to 34 was the weighted score(raw score in appendix 18 multiply by the respective analysis' weight)

nr - Not relevant (not applicable)

* Name of companies is shown in appendix 2

**Disclosure Item:

1. Information on the terms of the directors' service contract or a statement stating that there was no service contract
2. Auditor's report on corporate governance matters.
3. Information on corporate governance (compliance with corporate governance guidelines or the awareness of the current corporate governance debate).
4. Statement of directors' responsibility in respect of the financial statements
5. Disclosure of related party transactions between directors and the company or a statement that there was no related party transaction between directors and the company.
6. Information on the independence of the directors.
7. Directors' other directorship/offices or a statement that there were no other directorship/offices
8. Directors' date of appointment or year of service.
9. Composition of board of directors.
10. Directors'ages.
11. Directors' qualifications.
12. Details of audit committee.
13. Detail of remuneration/compensation committee
14. Details of internal control
15. Details of nomination committee.
16. Details of board of directors meeting/working method.
17. Details of directors' salary/fee.
18. Details of directors' bonus/performance bonus/profit sharing or other similar payments.
19. Details of directors' benefits in kind/other fringe benefits
20. Details of directors pension schemes.
21. Directors' emolument(remuneration).
22. Details of directors' interest in shares or a statement stating that the directors hold no shares in the company
23. Details of directors' share option scheme.

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about the quality of disclosure of information relating directors' behaviour cannot be generalised to all large companies in the sample countries.

The small number of sample companies from each country and the non-random selection of the companies also limit the significance differences in the disclosure quality to be evaluated using non-parametric tests only. More powerful significance tests (parametric tests) might have detected more differences or otherwise in the results than what was actually found.

7.2.2. Weighting of the disclosure items

This study has employed the disclosure index to measure the quality of disclosure of information. The components of disclosure quality were described in chapter 3 to include availability, adequacy, and superiority (importance). The availability of the disclosure can be determined by using dichotomous index, whereas the adequacy of the disclosure can be determined by using the modified dichotomous index. To determine the superiority of the disclosure, the dichotomous index and modified dichotomous index are further weighted. In this study the weights assigned to the disclosure items, were the median scores from the questionnaire survey of the United Kingdom senior investment analysts. However, since this study was in an international setting, the use of only the United Kingdom investment analysts in determining the weights for the disclosure items may not seem appropriate. The use of investment analysts from all the sample countries might have changed the median scores assigned to the disclosure items, which might resulted in different findings of this study.

7.2.3. Construction of disclosure index

Even though every effort was made to construct a reliable and valid disclosure index, however, because of an element of subjectivity in awarding scores to the disclosure items and in deciding whether an information item not disclosed was not relevant to the company, the results might have a different conclusion if it was carried out by different researcher. Thus, due to this limitation care must be taken in using the results of this study.

7.2.4. Concentration on annual reports

This study only measures the disclosure of information relating to directors' behaviour in the annual reports of companies. However, annual reports is not the only channel where companies can provide the information. Other channels such as, the 10-K report, proxy statements, interim reports, Internet, etc, may provide information relating to the directors' behaviour that is relevant to this study. Therefore, the concentration on annual reports only might penalise companies that provide the information using other channel.

7.2.5. The likelihood that mandatory disclosure to be picked up

Since this study is in an international setting, both the mandatory and voluntary disclosure items are considered. It is unavoidable because an item can be mandatory in one country, it could be voluntary in another. Thus, the disclosure items gathered from the relevant literatures consist of both mandatory and voluntary. However, there is likelihood that only the mandatory items being disclosed by a particular country and picked up in this study.

7.3. Suggestions for future research

The results of this study have identified significant differences and a low level of disclosure quality of information relating to directors' behaviour in the six developed countries. However, results based on these sample countries should not be naively extrapolated to all other countries even though they have been classified under the same group or family by other researchers. Instead, similar future studies should be conducted to include more countries, not only the developed but also the developing countries. A comparison can also be made to determine the differences between the developed and the developing countries disclosure practices. Future studies should also include more randomly selected companies and using more powerful significance tests.

This study might also be repeated by using the weights assigned by investment analysts from more than one country or the weights assigned by different group of users of the annual reports, such as the creditors, employees, etc. Weights could also be gathered from the practising accountants.

This study focused on 1996 annual reports of companies from six developed countries. As many countries developed new corporate governance guidelines and as companies gain experience with the new guidelines, it may be expected that their disclosure of information relating to directors' behaviour will change. Thus, follow-up studies of 1997 and later year annual reports should enrich the understanding of disclosure of information relating to directors' behaviour. A comparison between the annual reports before the corporate governance guidelines were introduced and after the guidelines were introduced could also provide interesting findings.

Finally, this study could also be extended in the future to include a cost and benefit analysis of the disclosure items.

Appendix 1

Partial Listing of Corporate Governance Guidelines and Codes of "Best Practice".

Australia

- Working Group representing Australian Institute for Company Directors, Australian Society of Certified Practising Accountants, Business Council of Australia, Law Council of Australia, The Institute of Chartered Accountants in Australia and The Securities Institute of Australia, Corporate Practices and Conduct (Bosch Report) (3rd ed., 1995).

- Australian Investment Managers Association, A Guide for Investment Managers and A Statement of Recommended Corporate Practice (June 1995).

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- Report of the Belgian Commission on Corporate Governance (Brussels Stock Exchange) (Cardon Report) (1998).

- Federation of Belgian Companies, Corporate Governance Principles (1998).

Brazil

- Brazilian Institute of Corporate Directors, Brazilian Code of Best Practices (Preliminary Proposal, April 1997).

Canada

- Toronto Stock Exchange Committee on Corporate Governance in Canada, "Where Were the Directors?" Guidelines for Improved Corporate Governance in Canada (Dey Report) (December 1994).

France

- Conseil National du Patronat Francais (CNPF) and Association Francaise des Entreprises Privees (AFEP), The Boards of Directors of Listed Companies in France (Vienot Report) (10 July 1995).

Hong Kong

- The Stock Exchange of Hong Kong, Code of Best Practice (December 1989; revised June 1996).

India

- Confederation of Indian Industry, Desirable Corporate Governance in India-A Code (Draft, 19 April 1997).

Ireland

- Irish Association of Investment Managers, Statement of Best Practice on the Role and Responsibilities of Directors of Public Limited Companies (1991; revised 1993).

Japan

- Japan Federation of Economic Organisations (Keidanren), Urgent Recommendations Concerning Corporate Governance (Provisional Draft, 16 September 1997).
- Corporate Governance Forum of Japan, Corporate Governance Principles-A Japanese View (Interim Report, 30 October 1997).

Kyrgyz Republic

- Working Group on Corporate Governance, Handbook on Best Practice Corporate Governance in the Kyrgy Republic (Draft, June 1997).

Netherlands

- Committee on Corporate Governance, Corporate Governance in the Netherlands-Forty Recommendations (Peters Report) (25 June 1997).

South Africa

- The Institute of Directors in Southern Africa, The King Report on Corporate Governance (King Report) (29 November 1994).

United Kingdom

- Report of the Committee on the Financial Aspects of Corporate Governance (Cadbury Report) (1 December 1992).
- Committee on Corporate Governance Final Report (Hampel Report) (January 1998).

United States

- The American Law Institute, Principles of Corporate Governance: Analysis and Recommendations (1992).
- American Bar Association Section of Business Law, Corporate Directors Guidebook (1978; revised 1994).
- General Motors Board of Directors, GM Board of Directors Corporate Governance Guidelines on Significant Corporate Governance Issues (January 1994; revised August 1995; revised June 1997).
- National Association of Corporate Directors, Report of the NACD Commission on Director Professionalism (November 1996).
- Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), TIAA-CREF on Corporate Governance (1996).
- California Public Employees' Retirement System (CalPERS), Corporate Governance Coret Principles & Guidelines (Draft, March 1998).
- The Business Roundtable, Statement on Corporate governance (September 1997).

(Source: OEDC , *A Report to the OECD by the Business Sector Advisory Group on Corporate Governance,* Paris, OECD 1998).

Appendix 2

List of sample companies

United Kingdom	Capital Employed (£'000)
1. Barclays	14,034,000
2. BG	12,778,000
3. Lloyds TSB Group	10,094,000
4. B.A.T Industries	9,293,000
5. Imperial Chemical Industries	6,512,000
6. Bass	4,950,000
7. The Peninsular and Oriental Steam Navigation Company	4,885,000
8. Marks and Spencer	4,299,900
9. The General Electric Company	4,121,000
10. Standard Chartered	3,898,000
11. Severn Trent	3,164,500
12. The British Land Company	2,771,300
13. PowerGen	2,404,000
14. Anglian Water	2,308,900
15. Enterprise Oil	2,105,600
16. Tate & Lyle	2,060,700
17. Reckitt and Colman	1,807,700
18. Arjo Wiggins Appleton	1,773,400
19. Mirror Group	961,600
20. BICC	894,000
21. Brixton Estate	883,915
22. Govett Oriental Investment Trust	741,728
23. Signet Group	693,216
24. Vaux Group	574,979
25. Caledonia Investments	556,000
26. London Merchant Securities	536,175
27. The Rugby Group	532,300
28. Bardon Group	523,200
29. The Scottish American Investment Company	516,431
30. Delta	487,000
31. Meyer International	452,400
32. The Wolverhampton & Dudley Breweries	435,227
33. Monument Oil and Gas	386,713
34. Smiths Industries	334,300

Canada	Capital Employed (£'000)
1. Seagram Company	10,789,071
2. Bell Canada	7,670,120
3. Scotiabank	7,145,057
4. The Thomson Corporation	6,865,367
5. Royal Bank of Canada	6,136,936
6. Alcan Aluminium	5,108,903
7. Nortel	4,542,096
8. CT Financial Services	4,205,638
9. Canadian Imperial Bank of Commerce	4,111,360
10. Esso (Imperial Oil)	3,803,323
11. Petro Canada	2,989,825
12. Laidlaw Incorporation	2,835,498
13. Power Corporation of Canada	2,546,664
14. Rogers Communications Incorporation	2,318,751
15. IPL Energy Incorporation	2,219,733
16. Pancanadian Petroleum	2,075,655
17. BC Tel	1,868,104
18. Placer Dome	1,725,894
19. Cambridge Shopping Centres	955,482
20. Abitibi-Price	945,113
21. Stelco	897,040
22. Cameco Corporation	790,889
23. Sears Canada	776,253
24. Canfor Corporation	766,282
25. Maritime Telegraph & Telephone	676,387
26. Fairfax	652,538
27. Canadian Airlines	514,188
28. Extendicare	490,817
29. Cambior	474,249
30. Inco	446,310
31. Inmet Mining Corporation	443,597
32. Southam	420,516
33. Investors Group	375,670
34. Kinross Gold Corporation	324,264

Netherlands	**Capital Employed (£'000)**
1. Ing Groep	14,713,516
2. Philips Electronics	12,755,545
3. ABN AMRO Holding	11,905,737
4. KPN	9,073,047
5. Aegon	7,011,411
6. KLM Royal Dutch Airlines	4,933,783
7. Akzo Nobel	4,911,202
8. Rodamco	4,160,761
9. De Nationale Investeringsbank	4,082,442
10. Robeco	3,969,785
11. DSM	3,171,006
12. Heineken Holding	2,778,716
13. Koninklijke Hoogovens	2,406,542
14. KNP BT	2,352,942
15. Rolinco	2,190,212
16. Fortis Amev	2,012,774
17. ASR Anno 1720	1,884,441
18. Ahold	1,796,109
19. Oce-Van der Grinten	953,255
20. Wereldhave	891,795
21. VIB	883,840
22. Pakhoed	740,525
23. Hagermeyer	688,159
24. Bols Wessanen	578,778
25. Gist-Brocades	562,845
26. VNU	539,611
27. Van Ommeren	531,530
28. KBB	526,722
29. CSM	514,815
30. Stork	486,270
31. Hollandsche Beton Groep	455,398
32. Nitrica	432,819
33. NPM	386,288
34. Wolter Kluwer	338,717

France	Capital Employed (£'000)
1. Eaux	13,974,571
2. Suez	13,131,323
3. Renault	11,888,850
4. UAP	9,152,968
5. Lyonnaise Des Eaux	7,324,458
6. Michelin	5,544,709
7. Lafrage	4,773,786
8. L'oreal	3,945,207
9. Eridania Beghin-Say	3,924,958
10. CCF	3,898,954
11. Pinault Printemps-Redoute	3,238,833
12. Gan Groupe	3,091,570
13. Lagardere Groupe	2,949,802
14. Bouygues	2,638,548
15. Ciments Francias	2,488,178
16. Havas	1,988,099
17. Euro Disney	1,711,554
18. Promodes	1,589,420
19. EMC Groupe	1,042,609
20. Dassault Aviation	903,103
21. Club Mediterranee	846,407
22. Sagem Groupe	723,413
23. Seita	680,020
24. Sommer Allibert	580,271
25. Essilor International	566,296
26. Colas	536,113
27. Simco	532,620
28. Vallourec	522,541
29. Machine Bull	507,740
30. Schneider	482,965
31. Bertrand Faure	468,733
32. Primagaz	447,908
33. Castorama	414,389
34. DMC	378,919

Germany	Capital Employed (£'000)
1. BASF	15,420,349
2. Viag	14,433,456
3. BMW	11,444,965
4. Commerzbank	9,270,994
5. Mannesmann	7,920,980
6. Bayerische Hypotheken-und Wechel-Bank	5,051,896
7. Preussag	4,975,428
8. Vereinigte Elektrizitatswerke Westfalen	4,313,385
9. MAN	4,238,952
10. Berliner Kraft-und Licht	3,777,328
11. Audi	2,973,198
12. Linde	2,780,040
13. Degussa	2,411,743
14. ASEA Brown Boveri	2,282,083
15. Metallgesellschaft	2,126,347
16. Continental	2,010,530
17. Hochtief	2,005,339
18. AGIV	1,597,400
19. IKB Deutsche Indusriebank	1,275,822
20. Klockner-Werke	888,803
21. PWA	877,581
22. FAG Kugelfischer Georg Schafer	737,775
23. Klockner-Humboldt-Deutz	684,365
24. Dyckerhoff & Widmann	586,846
25. AVA	564,278
26. Strabag	564,275
27. Douglas Holding	561,324
28. Fresenius	507,174
29. Varta	502,036
30. Brau und Brunnen	484,098
31. Herlitz	467,090
32. Kolbenschmidt	387,724
33. KSB	381,558
34. Felten & Guilleaume Energietechnik	332,569

Sweden	Capital Employed (£'000)
1. Svenska Handelsbanken	9,271,968
2. Volvo	7,671,001
3. Stadshypotek	6,989,232
4. Svenska Cellulosa	4,835,267
5. Erricsson	4,666,453
6. Stora Kopparbergs Bergslags	4,661,788
7. Astra	3,407,390
8. Skandinaviska Enskilda Banken	2,573,133
9. Skanska	2,454,274
10. Sandvik	2,283,126
11. SKF	2,221,704
12. Incentive	2,186,036
13. Mo och Domsjo	1,982,915
14. Nordbanken	1,909,927
15. Kinnevik	1,571,229
16. AGA	1,550,819
17. Skandia Insurance Company	1,468,502
18. Trellegorg	1,388,031
19. NCC	1,102,689
20. Scancerm	889,935
21. Industrivarden	723,468
22. Marieberg	719,479
23. Avesta Sheffield	703,079
24. Stena Line	664,859
25. Celsius	625,790
26. Gullspangs Kraft	612,333
27. Perstorp	601,100
28. Siab	544,736
29. Bilspedition Transport & Logistics	497,891
30. Custos	471,597
31. Graningeverkens	458,919
32. Ratos	436,566
33. Esselte	386,903
34. Atle	341,277

Appendix 3

List of persons who commented on the selection of disclosure items

1. Martyn E. Jones of Deloitte and Touche.
2. Professor R.S.O. Wallace of Middlesex University
3. Keith Russell of AEA Technology PLC
4. Peter Holgate of Cooper and Lybrand
5. C E Duddridge of The Equitable Life Assurance Society
6. Professor Chris Mallin of Nottingham Trent University
7. G H R Musker of Zeneca Group PLC