Corporate Governance Mechanisms in Commercial Banks of Nepal

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Abstract

Corporate governance in banking sector has received great attention among policymakers, practitioners and academicians in Nepal due to governance failures in some financial institutions in recent period. This study attempts to examine the corporate governance mechanisms adopted by Nepalese commercial banks by using a panel data of 30 commercial banks from 2012 to 2016. The internal corporate governance mechanisms are board structure and composition, board committees, director independence, transparency and disclosure, director remuneration, and shareholders rights. The study employs ANOVA test to examine differences in corporate governance mechanisms among state-owned, joint venture, and domestic banks. The study findings reveal that the corporate governance practices in financial institutions of Nepal is somewhat satisfactory; however, significant improvements are required especially in case of state-owned banks and local private banks. In order to achieve the policy of government of Nepal to enhance financial system stability, one of the major areas for policy focus should be to promote enhancement of corporate governance standards in the financial institutions as the stability of the banking sector depends largely on corporate governance practices they adopt. Promoting director independence, improving transparency and disclosure, and enhancing shareholders' right are found to be important for improving standard of corporate governance in Nepal.

Keywords: Board composition, board committees, corporate governance, transparency and disclosure

Introduction

Corporate governance is an emerging concept that has received huge attention from policymakers and practitioners in recent periods due to various corporate scandals and governance failures. It is a system, process and practices that ensures that a firm is well governed and create sustainable values for its stakeholders. It ensures transparency, accountability, responsibility and fairness in corporate operations and practices. According to the OECD Principles (OECD, 2004), it incorporates relationship among internal and external stakeholders like management, customers, employees, shareholders and other stakeholders in ensuring best corporate practices. It offers a framework for structuring governance system including formulation of strategies, goals and objectives of a firm and ensuring their effective implementation, monitoring and supervision. It also comprise of regulatory framework that guides delegation of authority, distribution of responsibilities and ensure rights of all stakeholders are respected (Page, 2005). Similarly, Zheng (2007) state that corporations are built on contractual basis among stakeholders and encompass legal, societal, cultural and socio-economic factors on which firms originate. Furthermore, Huse (2007) view corporate governance as a system for directing and controlling a firm.

The financial sector which is the main element of economy has received much interested topic in recent times (Arun & Turner 2004; Das & Ghosh 2004; Mallin et al., 2005). There exists abundant prior literature which identifies sound and stable financial system as a foundation of economic growth (Millstein, 2012**)**. There are some key differences of financial institutions as compared to non-financial firms that differentiate the corporate governance issues. The nature of agency conflict is different for banks other financial institutions. In addition to serving the needs of its shareholder, a financial institution must take into account interest of other stakeholders, for example, depositors. Depositors are principal stakeholder in case of banks and adding them to the principal agent conflict needs incorporation of moral hazard and adverse selection problems (Mishkin, 2004). According to Alexander (2006), bank regulation is required for the protection of depositors and stability of the financial sector. A sound and stable financial system is a prerequisite for economic growth. Despite the small size of the economy, the number of financial institutions in Nepal is relatively large as compared to similar economies (IMF, 2014). Nepal Rastra Bank (NRB) which is the central bank of Nepal and regulatory authority of the financial institutions has undertaken financial reform programs, enacted prudent regulations, and formulated policies for promoting financial sector stability. Despite the efforts, the financial industry in Nepal has witnessed imprudent banking practices, financial scandals, and banking failures.

Recent problems seen in some financial institutions in Nepal has been linked to failure of governance practices. Corporate governance practice adopted by banks depends on corporate governance mechanisms adopted. The internal corporate governance mechanisms are board structure and composition, board committees, director independence, transparency and disclosure, director remuneration, and shareholders rights. The main purpose of the study is to examine the corporate governance practices adopted by Nepalese commercial banks and assess the soundness of the corporate governance in the banks. Moreover, the study also attempts to identify the trend and differences of corporate governance mechanisms in joint venture, private sector and state-owned banks of Nepal.

Corporate Governance Mechanisms

Corporate governance comprises of various mechanisms that provides effective direction and control of a firm that creates value for its stakeholders (Morck, 2002). The mechanisms can be classified as internal and external mechanisms. The external mechanisms include legal framework, market structure and forces, regulatory structure, external watchdogs and agencies, and protection of minority ownership rights. Similarly, the internal mechanisms comprise of boards composition and structure, ownership structure, management, compensation practices, internal control and risk management, transparency in the current financial operations and reporting, and shareholders right protection (Lipman & Lipman, 2006). The mechanisms form a basis for ensuring that a firm is well governed and are foundations for development of an index for measuring the quality of corporate governance. To be effective, the governance mechanism should play a role in reducing agency conflict and positively influence performance and value of a firm (Denis, 2001). Theoretically, these mechanisms should provide incentives to the management for maximizing value. Zheng (2007) state that in countries with concentrated ownership and weak legal protection for shareholders, principal-principal agency conflict is the theoretical foundation for explaining the corporate governance mechanisms.

Board Structure and Composition

Board structure and composition effect how effectively a board functions. It comprise of board size, diversity, diligence, independence and responsibilities. Board size is a key mechanism that influences how well a board performs. Large boards bring more resources, skill set and network that benefit the corporation. However, the benefits can be outweighed by costs of slow decision making, conflicts, groupings that hinder effective board functioning. Prior literature suggests that small boards are better than large boards as it increases membership coordination, reduces communication difficulties, and a lower incidence of severe free-rider problems. Similarly, a board comprising of significant number of independent directors is found to bring independence and prudence in board decisions and functioning. Independent directors are more able to effectively monitor and control management actions and hence play a key role in reducing agency problem (Fama & Jensen, 1983).

Board Committees

Board comprise of sub-committees like audit, risk management, human resource, nomination etc. The committees make efficient use of time and expertise of board members. The committees make board function effectively as each committees focus on key aspect of governance. The committee structure facilitates allocation of skills and responsibilities among subgroups of directors and addresses the need to effectively use key skills of directors in the area they can make the most contribution (Aglietta, 2008). Due to this, corporate governance regulations promote and provide provision for formation of board level committees. Key responsibilities such as audit, remuneration and nomination are performed more effectively through standing committees composed on smaller subgroups of independent directors.

Board Diversity

Board diversity has been linked with better board functioning and representation. The diversity should be in terms of skill set, education, experience area, age, gender, ethnicity, stakeholder representation and independence. Diversity affects the ways groups behave. There have been number of studies on different issues related with influence of board diversity on board membership and firm performance. Existing literature suggest a positive relationship between gender-wise, racial diversity and firm financial performance (Carter et al., 2003).

Executive Compensation

Executive compensative has received renewed attention as a key mechanism of corporate governance after the global financial crisis. Prior literature identify linkages between executive compensation package structure with risk taking and short termism in decision making. Incentive like stock grants and stock options have been found to reduce agency conflict between the principals and agents and create value. However, the rising income inequality among employees and management has raised question on current compensation practices (Baker & Anderson, 2010). As suggested by Jensen and Meckling (1976), a compensation system that aligns the interest of the management with the shareholders' value promotes firm performance.

Transparency and Disclosure

Transparency and disclosure are important corporate governance mechanism which insures that equitable, accurate and timely dissemination of corporate information is made regarding different aspects of the company. The OECD (2004) guidelines on corporate governance recommend that transparency to be maintained on the financial and operating results of the company. Disclosure of company objectives, ownership and voting rights, compensation practices for executives and board members, related party transaction, foreseeable risk factors, employee issues, externalities and governance structures and policies should be made. Similarly, Hermalin and Weisback (2008) access to information reduces information asymmetry and allows management as well as shareholders to make informed decision.

Data and Methods

The study is based on panel data of all A-class financial institutions of Nepal. The required secondary data are collected from the annual reports of the financial institutions and the Nepal Rastra Bank (NRB) database. NRB, the central bank of Nepal has classified financial institutions into in A, B, C and D category on basis of capitalization. The commercial banks are classified as A-class financial institutions. The data includes both financial institution cross-section entities and annual time series from 2012 to 2016. As all financial institutions are not in operation during the whole study period, unbalanced panel data set is constructed. Therefore, the empirical study draws on an unbalanced panel data set which has both financial institution and time dimension.

The study is based on secondary data. The data required have been collected from audited financial reports of the financial institutions. The financial reports were obtained from the annual reports of the banks. Data on performance was collected from annual bank supervision report published by the Nepal Rastra Bank. The reports have been obtained from the websites of NRB and the financial institutions.

The sampling unit of the study comprises of A-class financial institutions licensed by the central bank of Nepal. Hence, all the 30 commercial banks in operation during the study period have been selected as sample of the study.

The study employs various descriptive and inferential statistics for analysis of the secondary data. Inferential statistics has been employed to analyze the differences in corporate governance mechanisms among public, joint venture and private banks are also made to describe differences in the practices among bank types. The hypothesis test one-way ANOVA is used to analyze mean differences in board characteristics and corporate governance mechanisms among public, joint venture and private sector financial institutions. The null hypothesis of no significant difference of corporate governance practices among the financial institution types is tested against alternate hypothesis presence of statistically significant differences in mean values of corporate governance mechanisms using F-test.

Blau Index is a popular measure of diversity. In this study board diversity is measured in term of academic background of board of directors, namely: management, law, economics and others. In order to fulfill the advisory and supervisory role effectively, board of directors of financial institutions require knowledge of economics, law and management. The Blau index used in the study is computed as:

$$Blau\ Index = 1 - \sum_{k=1}^{K} P_k^2 Blau\ Index = 1 - \sum_{k=1}^{K} P_k^2$$

Where, k = diversity feature (i.e. eductional background) and k = 1,2,3…. K. Pk = the percentage of directors who have the diversity feature “k”. The Blau Index value lies between 0 to maximum value obtained as (K-1)/K. Smaller values of the index indicate lower level of board diversity and vice-versa. Care has been taken to ensure truthfulness and accuracy of research instrument and methods. Secondary data are collected from audited annual reports and database of central bank which insures credibility of data. Additionally, secondary data has been collected and verified from multiple sources to check consistency of data.

Measures have been undertaken to maintain academic integrity of the research process. Works of others referred during the study have been cited and acknowledged. The data analysis and results discussion have been undertaken objectively . Diagnostics tests are run to examine whether the underlying assumptions of the statistical techniques used are violated. Finally, incomplete, biased and inaccurate reporting of results is avoided and conclusions and recommendations are made only on the basis of the study findings.

Result and Discussion

Table 1 presents the trend of board composition of the sample financial institutions during the 5-year study period and output of one-way ANOVA test used for analyzing differences in board composition by bank type. The initial columns show the trend of average annual board composition variables from 2012 to 2016. The overall column presents the aggregate average figures. The columns labeled PSB, JVB and LPB show the average values of public sector banks, foreign joint venture banks and local private banks respectively. Finally, the F-stat column presents the F-statistics from one-way ANOVA test. It is applied to test for equality of mean for board composition variables among the three bank type. The null hypothesis of no statistically significant differences in mean values of the variables by bank type is tested against the alternate hypothesis of significant difference in mean values of the variables among the bank categories.

The variable BSIZE represents board size which exhibits increasing trend. It means that the average board size of the banks is getting larger. The average board size has increased from 7.1 in 2012 to 7.5 in 2016. Larger board size is expected to bring diverse skills set to the board so that objective decisions can be made. The average board size of PSB, JVB and LPB financial institutions is 6.9, 7.4 and 7.3 respectively. The joint venture banks have the largest board size and public sector banks have the smallest. However, the F-statistics is found to be insignificant in conventional level of significance. Hence, no significant difference is found in board size of the three types of banks.

Similarly, the variable PUBDIR is indicator of public directors on board. It also shows increasing trend. The average number of public director on board in 2012 was 1.7 while it has increased to 2.1 in 2016. In percentage terms, the average number of public directors on board has increased from 23.4 percent to 27.2 percent during the study period. There is not much change in the representation of public directors during the study period. It indicates that the minority shareholders of the banks are not satisfactorily able to increase their representation on board. Among the three categories of bank, JVC have the highest average number of public directors on board while the PSB have the lowest. The F-statistics is insignificant indicating that no significant differences exist on average number of public directors on board by the bank categories.

Table 1

Trend and Differences in Board Composition

	2012	2013	2014	2015	2016	Overall	PSB	JVB	LPB	F-stat
BSIZE	7.1	7.2	7.3	7.4	7.5	7.3	6.9	7.4	7.3	0.9
PUBDIR	1.7	1.8	2.0	2.1	2.1	1.9	1.7	2.1	1.9	0.9
%	23.4	24.9	26.4	27.2	27.2	25.6	21.0	27.4	25.7	
INSDIR	0.7	0.7	0.7	0.7	0.8	0.7	0.0	2.0	0.4	65.5***
%	10.3	9.7	10.0	10.4	10.7	10.5	0.0	28.9	5.8	
PRFDIR	0.7	0.8	0.9	1.0	1.0	0.9	0.7	1.0	0.9	5.0**
%	10.2	10.6	12.4	13.8	14.0	12.2	8.9	14.2	12.0	
PRMDIR	3.9	3.9	3.7	3.6	3.5	3.7	4.4	2.3	4.1	29.5***
%	55.8	54.4	50.8	48.6	48.1	51.5	67.8	29.6	56.5	
INDDIR	3.1	3.3	3.6	3.8	3.9	3.5	2.3	5.1	3.2	35.6***
%	43.9	45.2	48.8	51.4	51.9	48.3	30.0	70.4	43.5	
BLIND	0.57	0.57	0.59	0.6	0.6	0.6	0.7	0.7	0.6	21.0***

Note: ** and *** means the statistic is significant at 5% and 1% level of significance respectively.

The trend of representation of institutional director (INSDIR) on board exhibits nearly a constant pattern. However, the F-statistics is significant at 1 percent level of significance which reveals that there is significant variation in mean number of institutional directors among the three bank categories. The JVB have 2 institutional directors on board on average which is the highest. There is no presence of institutional directors in case of PSBs. Similarly, the average percentage of professional directors has increased from 10.2 percent in 2012 to 10.7 percent in 2016 which is just a miniature change. Again, significant difference is observed in mean value of professional directors among the bank types with JVB having the highest percentage of professional directors.

The representation of promoter directors (PRMDIR) on board has decreased from 55.8 percent to 48.1 percent during the study period. This may be due to promoters reducing their shareholding in banks. The PSB have the largest number of promoters on board while JVB the lowest. Lower promoter representation on board is thought to increase the board independence and enhance governance practices. The percentage of promoter directors for PSB, JVB and LPB is found 67.8, 29.6 and 56.5 percent respectively. Similarly, the average number of independent director (INDDIR) has steadily increased from 3.1 in 2012 to 3.9 in 2016. In percentage terms, it has grown from 43.9 to 51.9 percent during the study period which reveals that director independence is increasing in the financial institutions. The JVB has the largest percentage of independent directors on board followed by LPB. The PSB has the lowest percentage of independent directors. The null hypothesis of no significant difference in mean value is rejected for both variables PRMDIR and INDDIR. Hence, the average value of promoter director and independent director is different among the three bank type. Based on the results, it can be inferred that JVB in Nepal follow the best corporate governance practices in term of board independence. The PSB have the weakest practices among the three bank categories.

Finally, the trend of the board diversity index, the Blau Index (BLIND) reveals that the board of the banks are becoming more diverse in terms of academic expertise. The F-statistics for the variable is found to be significant at 1 percent level of significance. It indicates that the board diversity is different among the three categories of banks. The JVB has the most diverse board. The average board diversity index for PSB and LPB are found to be similar. Overall, the findings from the Table I provides evidence that the corporate governance practice in term of board composition in the banks in improving with increase in minority shareholder representation, board independence, and board diversity.

Table II below illustrates trend in average values of key corporate governance mechanism variables used in the study and also exhibits average of the variables by bank type. Panel A shows the information on board committee number (COMN), frequency of annual board meetings (BOME), and number of committees chaired by non-executive directors (CNED). The average number of committees is revealing a slightly declining trend while frequency of board meetings is relatively stable through the study period. The average number of committees chaired by NED has slightly increased from 75.4 percent in 2012 to 79.8 percent in 2016. The value of F-statistics is found to be significant for only the variables BOME and CNED. It demonstrates that although no significant difference is established for mean values of average number of committees, there exist difference in average frequency of board meetings and number of committees chaired by NED among the three bank type. The frequency of board meeting is highest for PSB and lowest in JVB. Frequency of board meeting is an indicator of board diligence. Likewise, the JVBs have the highest percentage of committees chaired by NED. The percentage of committees chaired by NED in JVB is 81 percent. In contrast, the PSBs have the least percentage of committees chaired by NED which is 48 percent. More board committees chaired by NED is an important indicator of board independence and its capacity to supervise and monitor management.

Table 2

Trend and Differences in Corporate Governance Mechanisms

	2012	2013	2014	2015	2016	Overall	PSB	JVB	LPB	F
Panel A: Board Committees										
COMN	3.33	3.37	3.30	3.17	3.23	3.30	2.87	3.34	3.35	1.42
BOME	24.87	24.57	24.67	23.87	24.19	24.40	44.60	16.43	24.17	79***
CNED	2.37	2.33	2.33	2.30	2.48	2.38	1.40	2.54	2.46	27***
%	75.44	72.89	73.94	75.89	79.89	75.53	48.89	81.00	77.53	
Panel B: Director Remuneration										
RECH	9,013	9,130	9,263	9,263	9,384	9,179	2,467	10,429	9,726	63***
REBM	7,067	7,217	7,350	7,350	7,435	7,240	2,000	8,329	7,630	44***
Panel C: Audit Committee										
ASIZE	3.63	3.63	3.73	3.83	3.97	3.77	4.13	3.69	3.75	2.2
ANCH	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	NA
AINDDR	2.33	2.30	2.37	2.40	2.39	2.36	2.67	2.57	2.24	3.7
%	64.72	63.67	63.89	63.00	60.43	62.93	67.11	69.24	60.21	
AUCM	12.60	13.33	13.03	13.07	13.52	13.11	31.73	9.40	11.67	188***
Panel D: AGM Participation										
AGMDP	5.37	5.60	5.50	5.70	6.00	5.60	5.20	6.29	5.42	5***
AGMSR	62.63	62.10	62.50	61.40	62.23	62.05	75.39	66.98	58.47	34***
AGMSP	12.33	12.37	12.30	12.43	12.45	12.38	7.07	15.66	12.05	14***
Panel E: Disclosure										
DWEB	9.67	9.70	9.83	9.90	9.81	9.71	5.67	13.31	9.08	24***
DAR	8.70	8.53	8.67	8.73	8.94	8.80	7.67	10.03	8.55	6***
DINDX	54.02	53.63	54.41	54.80	55.12	54.43	39.22	68.66	51.84	22***

Note: *** means the statistics is significant at 1% level of significance.

Panel B for Table II displays remuneration of board chairman (RECH) and board member (REBM). The trend for both the variables RECH and REBM is increasing with time which shows that the average remuneration of board chairman and board members is growing during the study period. The meeting allowance per meeting for board chairman has increased from Rs. 9,013 in 2012 to Rs. 9384 while that for board members has increased from Rs. 7,067 to Rs. 7,435. The remuneration is highest for board of directors of JVB and lowest for PSB. The average meeting allowance for board chair of JVB, LPB and PSB is Rs. 10,429, Rs. 9,726 and Rs. 2,467 respectively. Likewise, the average remuneration for board members is Rs. 8,329, Rs. 7,630 and Rs. 2,000 for JVB, LPB, and PSB respectively. The results of one-way ANOVA test provide evidence for significant differences in mean remuneration of the board of directors by bank type. Hence, it can be inferred from the results that board members of JVB are paid the highest followed by LPB directors. The directors of PSB are the least paid.

Similarly, Panel C depicts trend and differences in audit committee size (ASIZE), meetings (AUCM) and independence (AINDDR). The audit committee size and frequency of audit meeting per annum portray slightly upward trend. In contrast, the average number of independent directors in the committee is displaying a decreasing pattern. The percentage of independent directors in the committee has declined from 64.7 percent in 2012 to 60.4 percent in 2016. The audit committee is found to be chaired by NED as shown by constant ANCH variable throughout the study period as per the requirement of the NRB. The values of the F-statistics in the last column show that the statistics is significant only for the variable AUCM. The result demonstrates that out of the four variables related to audit committee, significant difference among the three bank type is found only for audit committee meeting. The PSBs have the highest frequency of audit committee meetings followed by the LPBs. The frequency of the meetings is 31.7, 11.6 and 9.4 per annum for PSB, LPB and JVB respectively.

The figures for average number of directors attending the annual general meeting (AGMDP), shareholders represented (AGMSR), and shareholder participation (AGMSP) are presented in Panel D. The values reveal that director participation has slightly increased while shareholder representation is somewhat constant. In similar manner, the average shareholder's participating during AGM discussions also exhibits a nearly constant trend. The F-statistics associated with all the three variables are found to be significant at 1 percent significance level. Thus, significant difference is observed in behavior of director participation, shareholder representation, and shareholder participation during AGM with respect to the three bank categories. The director participation is highest in case of JVB and lowest for PSB. In similar manner, shareholder participation is highest for JVB and lowest for PSB. On the contrary, shareholder representation is found highest for PSB.

Finally, the analysis of trend and differences in disclosure practices among PSB, JVB and LPB is presented in the last panel of Table II. All the three variables exhibit a trivial upward trend which indicates that the disclosure practices of the banks have slightly improved during the study period. The results of the one-way ANOVA test show significant F-statistics value for all three variables. Hence, it can be inferred that significant differences is present regarding the disclosure practices among PSB, JVB and LPB. The average scores for web disclosure and disclosure in annual report of JVB is 13.31 and 10.03 respectively which is the highest among the banks. The average value of disclosure index for JBV, LPB and PSB is 68.6, 51.8 and 39.2 respectively. Therefore, it can be concluded that JBV have relatively superior disclosure practices as compared to others. The disclosure practices of PSBs are the weakest.

Summarizing the above results, relatively the JVBs have been found to adopt sound corporate governance practices among the three bank types. The PSBs have the weakest corporate governance standard. However, on average corporate governance indicators of Nepalese bank are not highly satisfactory.

Conclusion

The corporate governance practices have been examined employing various descriptive and inferential statistics and the results reveal that the financial institutions in Nepal have acceptable but substandard level of corporate governance practices. Additionally, the governance standard at joint venture banks is found to be relatively satisfactory as compared to public and local private sector banks. Significant improvements in corporate governance practices are required especially in case of state-owned banks and local private banks. In order to achieve the policy of government of Nepal to enhance financial system stability, one of the major areas for policy focus should be to promote enhancement of corporate governance standards in the financial institutions as the stability of the banking sector depends largely on corporate governance practices they adopt. Furthermore, sound performance of banking sector is a key prerequisite for development of financial sector and to achieve it, improvement in corporate governance standards in the financial institutions either through legal enforcement for compliance by bringing more stringent corporate governance codes or facilitating voluntary adoption of corporate governance best practices is essential. Promoting director independence, improving transparency and disclosure, and enhancing shareholders' right are found to be important for improving standard of corporate governance in Nepal.

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Appendix I

Measures and Operationalization of Variables

Variables	Measure	Operational Definition
A. Board Structure and Composition Variables		
Board Size (BSIZE)	Board Structure	Number of board of directors.
Public Director (PUBDIR)	Board Composition	Proportion of directors representing ordinary public shareholders on board
Institutional Director (INSDIR)	Board Composition	Proportion of institutional shareholders representative on board
Professional Director (PRFDIR)	Board Composition	Proportion of professional director listed by NRB on board
Promoter Director (PRMDIR)	Board Composition	Proportion of directors representing promoter shareholders on board
Independent Director (INDDIR)	Board Independence	Proportion of independent directors on board.
Blau Index (BLIND)	Board Diversity	The diversity of the board in terms of academic background.
B. Board Functioning		
Board Meetings (BOME)	Board Diligence	The annual number of board meetings

Board Committees (COMN)	Board Structure	The number of board level committees
Committees Chaired by NED (CNED)	Board Independence	The proportion of board level committees chaired by independent directors
C. Audit Committee Variables		
Audit Committee Size (ASIZE)	Audit Committee Structure	Number of members including chairman of audit committee
Non-executive Chair (ANCH)	Audit Committee Independence	Dummy variable representing 1 if audit committee is chaired by non-executive director and zero otherwise
Independent Directors (AINDPR)	Audit Committee Independence	Proportion of independent directors on audit committee
Audit Committee Meetings (AUCM)	Audit Committee Diligence	Number of audit committee meetings in a year
D: Shareholders' Rights		
Shareholder's Represented (AGMSR)	Shareholders rights	Percentage of shareholders represented in terms of shareholding in annual general meeting
Shareholder Participation (AGMSP)	Shareholders rights	Number of shareholders putting questions on company affairs formally during annual general meetings
Director Participation (AGMDP)	Respect for Shareholders rights	Percentage of directors present in annual general meetings
E: Remuneration		
Chairman's Remuneration (RECH)	Board Remuneration	Remuneration provided to chairman per board meetings attended as meeting allowance
Board Member's Remuneration (REBM)	Board Remuneration	Remuneration provided to board members per board meetings attended as meeting allowance
F: Disclosure and Transparency		
Web Disclosure (DWEB)	Disclosure and Transparency	Score of disclosure based on information disclosed in the official website
Annual Report Disclosure (DAR)	Disclosure and Transparency	Score of disclosure based on information disclosed in published annual report
Disclosure Index (DINDX)	Disclosure and Transparency	Score of disclosure based on information disclosed on official website and annual report