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The Mediating Effect of Dividend Policy on the Quality of Corporate Governance and Informative Income Smoothing

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ABSTRACT

The present study investigates the mediating effect of the dividend policy on the relationship between corporate governance quality and informative income smoothing. Tucker and Zarowin (TZ) and Albrecht and Richardson (AR) approaches are utilized as the proxies of informative income smoothing. In addition, the accumulated coding method and dividend are applied to measure the corporate governance quality and dividend policy respectively. By applying a systematic elimination method, 109 firms remained as the final sample for the period from 2007 to 2014. Using the TZ method, we found that there is a significant and positive relationship between corporate governance quality and informative income smoothing. Finally, according to the results of Sobel's Test, the role of dividend policy as a mediating variable was not verified in the relationship between corporate governance quality and informative corporate governance (TZ); however, if the AR method is used for measuring informative income smoothing, the dividend policy may mediate the relationship between corporate governance quality and informative income smoothing.

Keywords: Dividend policy, informative income smoothing, informative income smoothing, quality of corporate governance.

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Introduction

The objective of financial reporting is to provide information that is used for decision-making. In this regard, accounting income could be a benchmark for predicting future financial events. Based on the company's prior income periods, individuals are able to forecast dividends, future cash flows and buy, sell, or hold shares that result in a change to share prices (stock returns) (Mehrani, Karami, & Seyed Hosseini, 2014).

Investors believe that a fixed income, compared to a fluctuating interest, could guarantee the payment of higher dividends. Accordingly, companies that have smoother incomes are better for investment. On the other hand, the manager can influence the reported earnings within the framework of generally accepted accounting principles and smooth it from year to year systematically. Therefore, smoothing could affect the decisions of investors (Taleb Beydokhti, Vadeei, & Kazerooni, 2011). In general, income smoothing could be investigated from two distinctly different views.

The first point of view expresses that if managers use income smoothing to transfer their assessment of future earnings based on their financial knowledge and management and also to convey their assessment, smoothing of projected future earnings will be beneficial (Rahmani & Bashirimanesh, 2011; Tucker & Zarowin, 2006). This type of smoothing provides the managers with useful information to improve the predictions of future cash flows. Therefore, income smoothing will be informative. Proponents of this view can be cited as Badertscher, Collins and Lyz (2012) and Tucker and Zarowin (2006).

Based on the second point of view, managers with no adequate information about the firm's future status, report corporate incomes unrealistically and use income smoothing as a means of falsifications in order to maintain their personal interests. In this case, the smoothing will be problematic. Such problems in poorly performing units can be dangerous in the near future and hiding the problem by smoothing is like concealing the reality and will eventually be as Enron (Rahmani & Bashirimanesh, 2011). The smoothing in this manner will be deceptive for the proponents of Liu and Ryan (2006).

Asuman (2009) believed that income smoothing reduces the actual risk predictions. Besides, Akhgar and Jelvezan (2015) showed that income smoothing leads to stock prices' rise and borrowing rates by the firm and as a result, investment risk was reduced in these companies. Moreover, Gao and Zhang (2015) specified that companies with a high level of income

smoothing and social responsibility experience a better correlation between current returns and future earnings and this makes it possible for the investors to predict the future cash flows.

The importance of income smoothing has led the managers to apply it using different methods, such as acceleration and delays in shipping and invoicing, inventory increase and decrease at the end of the period, and change the method of calculating depreciation. If the smoothing is informative with not only is it not harmful for the company (Faello, 2012). Since financial statement users need information about the company's future cash flow to establish a connection between the current stock returns and future earnings (future earnings response coefficient), the company requires the income smoothing to be informative (Cheng & Li, 2014). One of the main mechanisms to control smoothing is corporate governance. The task of corporate governance mechanisms is to connect groups and individuals, whose interests are in conflict with each other. By reducing the information asymmetry, the possibility of abuse of power and unethical behavior of managers is reduced and the quality and reliability of financial reporting will rise (Liu & Zhang, 2017).

On the other hand, according to a study conducted by Graham, Harvey, and Rajgopal (2005), 96.9 percent of Japanese managers must do more income smoothing to get a stable dividend, maintain cash flow, and also reassure customers and suppliers towards a sustainable trade company. In addition, based on some other investigations by Burgstahler, Hail and Leuz (2006), corporate governance guidelines lead to the reduction of income smoothing (income smoothing deceptive) in the firms. Based on Faello (2012), however, by strengthening corporate governance mechanisms, such as audit committee, could increase the informative income smoothing. Essentially, income smoothing brings about the transition of managers' knowledge and increases investor confidence over the sustainability of incomes.

According to the above description, the main inquiry of the present research is whether the policy of dividend policy, as a mediator variable, has a significant effect on the relationship between the quality of corporate governance and informative income smoothing. Thus, the present article aimed to examine the effect of mediating dividend policy on quality of corporate governance and informative income smoothing in companies listed on the Tehran Stock Exchange.

Literature Review

Gao and Zhang (2015) revealed that the growth of income smoothing results in a more powerful link between the current stock returns and future earnings and makes the investors predict the future cash flows. Cheng and Li (2014) stated that income smoothing improves the connection between the current stock returns and future earnings (future earnings response coefficient. Chen, Da, and Priestley (2012) found that while predicting stock prices dividend policy is an irrelevant factor, it is an important factor to predict the dividend growth. Therefore, inability to predict dividend growth in the next period does not have a meaningful connection with cash flow and price deviation.

Bill et al. (2011) pointed out that the effect of the law on the protection of minority shareholders dividend is more evident in small companies with poor corporate governance mechanisms. The results of the article by Kim and Lee (2008) showed that companies with effective corporate governance face additional financing constraints and therefore, pay fewer dividends. Badavar Nahandi and Taghizadeh Khanqah (2014) proved that stronger corporate governance provides cleaner information and reduced information asymmetry escalates the performance of investments significantly during the growth, maturity, and decline of the companies. Furthermore, they demonstrated that at different stages of the life cycle of firms there is a significant difference between the intensity of the relationship between corporate governance mechanisms and investment performance.

Meshki and Nourdideh (2012) proved that stable earnings of smoother firms are more than those that do not apply income smoothing. Moreover, income smoothing leads to a positive reaction of capital markets to profits and those firms holding smoothing evidence usually report more stable earnings per share in future. Rouhi et al. (2013) revealed that concentration of ownership has a negative relationship with profit sharing. Furthermore, the percentage of non-executive board members has a positive correlation with profit sharing. Moreover, there is a meaningful relationship between the percentage of institutional ownership, the percentage of management ownership, the percentage of family ownership and board independence and profit sharing.

In a study by Taleb Beydokhti, Vadeei and Kazerooni (2011), it was designated that income smoothing intensifies the information content and smoothing is not performed for the purpose of information distortion and also the company’s future benefits have a direct and positive relationship

with the smoothed profit. In addition, income smoothing increases the information content of earnings in predicting future accrual. Setayesh and Kazemnejad (2009) discovered that corporate ownership and board independence positively and institutional ownership negatively affects the proportion of firms dividends paid.

The following hypotheses formed and developed to investigate mediating dividend policy on the quality of corporate governance and informative income smoothing in companies listed on Tehran Stock Exchange:

Hypothesis1: Dividend policy as a mediator variable influences the proportion of impact of corporate governance quality on informative income smoothing;

Hypothesis1-1: Dividend policy affects the quality of corporate governance; and

Hypothesis1-2: The quality of corporate governance and dividend policy affects informative income smoothing.

Research Methodology

The present study is an applied investigation using panel logit regression analysis and panel data to test the hypotheses. The data used in this research were collected through Rahavard-e Novin database and the archive of electronic copies of financial statements in Radis.ir and Codal.ir. Eviews, Stata, and R Software were used for data analysis and research hypothesis testing.

Data and Sample

The participants of the current study were all the companies listed on Tehran Stock Exchange between 2007 and 2014. In this investigation, the systematic elimination method was used to determine the sample of the study. The selected companies should not have the following conditions until the end of 2007:

- Must be listed on the Tehran Stock Exchange up to the end of March 2005;
- In order to increase the comparability, those companies were considered that their financial history leads up to the end of March each year;
- Their fiscal year has not been changed and have continuity during the study period;
- Are in hold of the information required in the definition of variables;
- Firms that profit during the study period;

- In order to select the active companies, their shares must have been traded on Tehran Stock Exchange every 6 months; and
- Companies chosen for the study shall not be categorized among investment and intermediaries firms.

By applying the above conditions and based on the systematic elimination, 109 companies were selected with the available data between 2007 and 2014.

Research model

In this article and to investigate hypothesis1, two hypotheses shall be tested first. Model 1 was used to test the hypothesis1-1:

$$DPS_{it}= ß_{10} + ß_{11}\,QCG_{it}+ ß_{12}\,SIZE_{it} +ß_{13}\,LEV_{it}+ ß_{14}\,GROW_{it} + \varepsilon_{1i,t} \quad (1)$$

Model 2 and 3 was used to test hypothesis1-2:

$$IIS\ (TZ)_{it} = ß_{20} + ß_{21}\,QCG_{it} + ß_{22}\,DPS_{it} + ß_{23}\,SIZE_{it} +ß_{24}\,LEV_{it}+ ß_{25}\,GROW_{it}+ \varepsilon_{2it} \quad (2)$$

$$IIS\ (AR)_{it} = ß_{30} + ß_{31}\,QCG_{it} + ß_{32}\,DPS_{it} + ß_{33}\,SIZE_{it} +ß_{34}\,LEV_{it}+ ß_{35}\,GROW_{it}+ \varepsilon_{2it} \quad (3)$$

Research Variable

To test the variables of the hypothesis in the present article, they are divided into four different groups of dependent, independent, intermediary, and control variables that will be discussed later in details.

Dependent Variable

The dependent variable of the study is informative income smoothing (IISit). Two methods of Tucker and Zarowin (2006) and Albrecht and Richardson (1990) were used to measure the informative income smoothing.

Tucker and Zarowin (TZ) method: This method is an accrual-based income smoothing scale. It investigated the negative correlation between changes in discretionary accruals and changes in pre-managed earnings of discretionary accruals to measure the informative income smoothing. They also used sectional modified model of Jones to measure the discretionary accruals as follows:

$$Accruals_t= a\,(1/Assets_{t-1}) + b\,\Delta Sales_t+c\,PPE_t+d\,ROA_t+\mu_t$$

Where, Accrualst is total accruals in the current year (the difference between net income and operating cash flow), Assetst-1 is total assets last year, Δ Salest is the sales of this year (the difference between this year and last year's sales), PPEt represents the gross value of property and equipment

in the current year, and ROAt is the return on assets in the current year (equivalent net income of this year to total assets last year).

In the above model, all variables were divided into total assets in the previous year. As discovered by the researchers, the Jones' model is not suitable for units with good and poor performance; total accruals include discretionary and non-discretionary accruals. Based on Jones' model, a (1/Assetst-1), b Δ Salest, c PPEt, d ROAt are non-discretionary accruals (NDA). Thus, μt represents discretionary accruals (DAP) in this model. Pre-managed earnings of discretionary accruals (PDI) are calculated according to discretionary accruals deduction from the net profit. The amount of income smoothing is the correlation coefficient between changes in discretionary accruals and changes in pre-managed earnings discretionary accruals (CORR (ΔDAP, ΔPDI)). Negative correlation coefficient represents informative income smoothing. If the correlation between changes in discretionary accruals and changes in pre-managed earnings of discretionary accruals is positive, informative income smoothing would not be applied by the company manager.

Albrecht and Richardson (AR) method: This is an accrual-based income smoothing and cash flow scale as follows:

$$\frac{CV\Delta I}{CV\Delta S}$$

Where, ΔI is a change in income over different periods, ΔS is changes in sales over different periods, and CV represents the coefficient of variation for specific variable (equivalent to the ratio of standard deviation of a specific variable to the average of that same variable).

Albrecht and Richardson utilized a more comprehensive model to measure the informative income smoothing based on four different profit scales:

Operating profit= sales minus cost of sales and operating expenses, (Excluding depreciation and amortization);

Operating profit= operating income minus depreciation and amortization;

Operating profit= Income before deduction of unexpected items; and

Operating profit= Net income.

If the ratio obtained from each of the four above scales is less than one, it shows that the informative income smoothing is performed by a company manager and one is considered. Besides, if the standard deviation is equal to or more than one, it means that the informative income smoothing has not

been applied by the managers and it is considered as zero.

Independent Variable

The independent variable of the study is the quality of corporate governance (QCGit), which according to Code of Corporate Governance passed in 2006, is measured using 69 factors. Such that, if one of the factors fits code 1 will be assigned, otherwise it would be 0. Finally, the accumulation variable and coding methodology were used to operationalize the corporate governance code. Based on this methodology, each of the sixty-nine qualities of corporate governance factors is labeled with 1 or 0 (according to the definition made operational). The sum of these scores leads to a corporate governance quality score based on the percentage.

Mediator variable:

The Mediator variable of the present study is dividend policy. Dividends (DPS) are utilized as a yardstick for measuring the dividend policy.

Control variables:

Control variables of the current investigation are as follows:

SIZEit: Company size (firms' total assets)

LEVit: Financial leverage (debt to assets ratio)

GROWit: Company growth (market-to-book ratio as measured by the market value of divided by the book value of equity).

Results

Descriptive statistics

In order to evaluate and analyze the primary data, descriptive statistics of variables were calculated and presented in Table 1.

Table 1. Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Std. Dev
IIS (TZ)	-0.307	-0.607	0.999	-0.999	0.707
QCG	0.256	0.260	0.550	0.086	0.076
DPS	878.185	500	6500	0	1046.279
LEV	0.571	0.588	1.001	0.103	0.173
SIZE	13.831	13.608	19.009	10.815	1.451
GROW	2.904	2.285	15.051	0.115	2.271

The average financial leverage indicates that most of the investigated companies have used the external borrowing (for example, bank facilities) to finance their needs. Besides, since the Mean data on the corporate governance quality is lower than the median, one can draw this conclusion that most of the companies surveyed are of low rank in terms of corporate governance quality. The maximum value of corporate governance qualities also means that no company has been able to earn more than 55% of the allocated credit. In addition, among the research variables, corporate governance quality with a standard deviation of 0.0767 has the least dispersion; therefore, it is more stable and accurate. The dividend with a standard deviation of 1046.279 is more dispersed than other variables and is less accurate, accordingly.

Multiple regression analysis

In order to test the normal distribution of data between variables, Jarque-Bera test was used. Due to the fact that Jarque-Bera test statistic is about 0.0001, data distribution between variables is not normal. In addition, to verify the reliability of the research variables, Levin, Lin, and Chu test and Fisher-PP were performed. As the probability statistic of both tests was 0.0001, there is no reason to reject the H0 hypothesis based on the reliability of the research variables. Accordingly, using these variables in the model does not result in a spurious regression. The Breusch–Pagan (BP) test for panel models was used to choose between pool data and panel data models and Chow test was used for panel logit model. In addition, the Hausman test was used to select the model type (fixed effects and random effects). As the correlation coefficient between the variables was not at a high level, there was no linear problem among the error terms. The Stata likelihood ratio test was used to investigate variance dissimilarity among the error terms. As the Likelihood ratio test probability of hypothesis 1-1 (model 1) was 0.0001, there was the problem of variance inconsistency among the error terms. EGLS model was utilized to resolve this problem. However, due to Likelihood ratio test probability of the hypothesis1-2 (model 2), that was 0.2681. It is worth noting that the review of the heterogeneity of variance and correlation error terms was used only for panel models and this was done for the panel logit model. The stata Worldrich test was used in order to calculate autocorrelation of the error terms. Additionally, considering the AR (1), fitting was applied to meet the autocorrelation in the regression model. Based on the results of hypothesis1-1 (model 1) as presented in

Table 2, the quality of corporate governance and financial leverage was statistically significant and had a negative relationship with the dividend policy (shared profit). In addition, the variable of company size was statistically significant and enjoyed a positive relationship with the dividend policy (shared profit).

Table 2. The results of hypothesis 1-1 (model 1)

Fixed Effects Model		**Dependent Variable: DPS**	
Variable	Coef.	t	P>|t|
QCG	-786.552	-2.386	0.017
SIZE	292.523	9.817	0.000
LEV	-1501.428	-11.074	0.000
GROW	11.336	1.821	0.069
R-squared	0.831	F-statistic	28.322
Adjusted R-squared	0.802	Prob (F-statistic)	0.000
Durbin-Watson		1.972	

According to the probability (F-statistic) (0.0001), the totality of the model was accepted. Additionally, the coefficient of determination (R-squared) (0.8314) proved that the independent variable clarifies approximately 83 percent of the dependent variable changes. The results obtained from the above test prove the fact that the quality of corporate governance had a negative relationship with dividend policy, despite different measuring methods was in line with the research conducted by La porta et al. (2000) and Fakhari and Yousef Alitabar (2011). According to the results of hypothesis1-2 (model 2) testing presented in Table 3, the quality of corporate governance and company size were statistically significant and had a direct positive relationship with informative income smoothing. However, informative income smoothing (TZ) and other variables showed no significant relationship.

Table 3. The results of hypothesis 1-2 (model 2)

Fixed Effects Model		**Dependent Variable: IIS (TZ)**	
Variable	Coef	z	P>|z|
QCG	1.2071	2.88	0.004
DPS	-8.64e-06	-0.31	0.76
SIZE	0.0875	3.71	0.0001
LEV	0.0092	0.05	0.959
GROW	-0.0008	-0.07	0.943
Wald chi2(4)	27.24	Prob > chi2	0.0001

According to Wald (F-distribution) test, the totality of the model was accepted. The results obtained from the above hypothesis were in line with that of the Faello (2012), Zhang (2008), Izadinia, Rasaiian, and Rezaei Rajaei (2012) despite using of different measures. According to the results of hypothesis1-2 (model 3) testing presented in Table 4, dividends and company size were statistically significant and had an indirect negative relationship with informative income smoothing. However, informative income smoothing (AR) and other variables showed no significant relationship.

Table 4. The results of hypothesis 1-2 (model 3)

Random Effects Model		**Dependent Variable: IIS (AR)**	
Variable	Coef.	t-value	Pr(>t)
QCG	7.924e-01	0.965	0.3343
DPS	-2.617e-04	-3.468	0.0005
SIZE	-1.050e-01	-2.225	0.026
LEV	-1.686e-02	-0.045	0.9641
GROW	-4.162e-03	-0.157	0.8754
Fisher Scoring (Prob)		0/0791	

According to Fisher Scoring and statistical probability tests, the totality of the model was accepted. The results found were consistent with Faello (2012), but were contrary to Shoorvarzy and Pahlavan (2010). As the results of correlation suggested, there was a significant relationship between the quality of corporate governance and dividend policy (dividend) and between dividend policy (dividends) and informative income smoothing (AR). This made it possible to study the investigation of a complete mediator relationship. On the other hand, as there was a significant relationship between dividend policy (dividends) and income smoothing awareness (TZ) as well as the quality of corporate governance and informative income smoothing (TZ), this was possible to investigate a partial mediator relationship.

In the present study, Sobel's Test was used to evaluate the hypothesis of mediation. To test the hypothesis1, the hypothesis1-1 and hypothesis1-2 should be tested first. Later, to evaluate the hypothesis of mediation, Sobel's Test is used. It is worth noting that Sobel's Test is applied online using the http://quantpsy.org/Sobel's/Sobel's.htm address.

Table 5. The results of Sobel's Test

Hypothesis	T stat.	Std. Error:	p-value:	result
1-2 (model 2)	0.3028	0.0224	0.762	Rejected
1-2 (model 3)	1.966	0.1046	0.0492	Not rejected

According to the results presented in Table 5, dividend policy (dividend) cannot affect the effectiveness of quality of corporate governance on informative income smoothing in hypothesis1-2 (model 2). However, due to Sobel's Test statistical probability in hypothesis1-2 (model 3), it can be stated that at the confidence level of 95 percent dividend policy (dividend) could affect the effectiveness of corporate governance quality on informative income smoothing (AR) as a mediator.

Conclusion

The present study predicted the effect of mediating dividend policy on the quality of corporate governance and informative income smoothing in companies listed on the Tehran Stock Exchange. The results from hypothesis1-1 (model 1) suggested that there is a significant negative relationship between the quality of corporate governance and the dividend policy (shared profit). This means that based on the alternative method, companies with weaker corporate governance pay more dividends to their shareholders. Payments of more dividends encourage shareholders to invest more in the company.

The results of hypothesis1-2 (model 2) suggested that there is a significant negative relationship between the quality of corporate governance and informative income smoothing (TZ). This means that any enhancement in the quality of corporate governance requires the managers to reveal more confidential information to consumers, investors, and other beneficiaries of financial statements through informative income smoothing, which provides a strong correlation between the current stock returns and future earnings and offers an ability to predict future cash flows to consumers. However, there was no evidence of a significant relationship between dividend policy and informative income smoothing (TZ).

The results of the hypothesis1-2 (model 3) indicated that there is no significant relationship between the quality of corporate governance and informative income smoothing (AR), but there is a significant negative relationship between dividends and informative income smoothing (AR). This study followed an alternative relationship between the quality of corporate governance and dividend policy. Conversely, as there was a

theoretically direct relationship between the quality of corporate governance and informative income smoothing, business unit managers distribute more dividends to their shareholders in order to hide the weaknesses of corporate governance quality. Moreover, due to the weak quality of corporate governance, the managers show less motivation to transfer their confidential information to the users of financial statements. As a result, informative income smoothing is also reduced.

Finally, Sobel’s Test was applied to investigate hypothesis1 (mediation hypothesis) using the results obtained from testing hypothesis1-1 and hypothesis1-2. Based on the results of the Sobel’s Test, the effectiveness of dividend policy (dividend) regarding the quality of corporate governance and informative income smoothing as a mediating variable was not verified. On the contrary, through Albrecht and Richardson (AR) for measuring informative income smoothing, the effectiveness of dividend policy (dividend) regarding the quality of corporate governance and informative income smoothing as a mediating variable was actually verified.

As the results of this and other studies on informative income smoothing indicate, most of the company managers avoid informative income smoothing. On the other hand, as financing of the firms in Iran is often supplied through debt and equity, credit obtaining is of utmost importance to them. Thus, in companies with weaker shareholder rights, more dividends may be distributed to win the favor of shareholders and investors. According to the above-mentioned points, it is suggested that investors and financial analysts, as investors’ representatives, go through financial statements and information meticulously in forming portfolios. They need to pay a great deal of attention to the quality of corporate governance in the business unit such as the proportion of non-executive to executive board members, institutional shareholders in addition to dividends.

This is mainly due to the fact that opportunistic managers often use dividend as a cover-up tool in the face of weaknesses in quality of corporate governance.

As a suggestion for further research, we recommend using other measures such as the ratio of dividends to earnings per share to measure dividend policy. Besides, use of other quality of corporate governance mechanisms such as the proportion of non-executive to executive board members, institutional shareholders, and the sessions formed by the auditing committee is suggested in order to measure the quality of corporate governance.

Appendix A: Sixty-nine factors used to measure the quality of corporate governance according to the regulations of corporate-strategic system enacted in 2007

1	Whether the roles of the chairman and managing director of the companies have been separately specified.
2	Whether the chairman of the board of directors is independent.
3	Whether the majority of directors are non-executive.
4	Whether the directors are explicitly classified into executives and non-executives.
5	Whether the biography of the board of directors has been disclosed.
6	Whether the membership of the Board of Directors has been disclosed in management of other companies.
7	Whether the board of directors does not act as a member of the board of directors in more than five companies.
8	Whether all the meetings of the board of directors have been disclosed.
9	Whether the records of private meetings of the board of directors have been disclosed.
10	Whether the number of members of the board of directors has been reached to at least a fixed number in the strategic- corporate regulations' draft (7 members).
11	Whether the members of the board of directors hold the least number of shares to be at their disposal by the end of the cooperation.
12	Whether the agenda of the meetings of the board of directors would be at the disposal of directors prior to the holding of the meetings.
13	Whether members of the board of directors would be elected for two-year duration.
14	Whether the board of directors once a year examines the corporate strategic plans and the ongoing affairs of the company at least in a meeting.
15	Whether a program is prepared for continuous training of all the members of the board of directors.
16	Whether the directors of the company are under the cover of insurance liable for the payment of potential compensations.
Audit committee	
17	Whether the committee has been established.
18	Whether the competence of the committee has been disclosed.
19	Whether the committee consists of quite enough number of non-bound directors.
20	Whether the identities of the board of the directors of the committee have been disclosed.
21	Whether the director of the committee is independent.
22	Whether the committee consists of at least five members.
23	Whether the identities of the committee members have been disclosed.
24	Whether the meetings of the committee have been disclosed.
25	Whether the records of meetings of the committee have been disclosed.
26	Whether the members of the audit committee act in less than three auditing committees of the companies.
27	Whether the committee convenes the meeting at least six times over a year.
Risk management committee	
28	Whether the committee has been established.
29	Whether the competence of the committee has been disclosed.

30	Whether the committee consists of quite enough number of non-bound directors.
31	Whether the identity of the committee director has been disclosed.
32	Whether the director of the committee is independent.
33	Whether the identities of the committee members have been disclosed.
34	Whether the meetings of the committee have been disclosed.
35	Whether the records of meetings of the committee have been disclosed.
36	Whether the results of each meeting of the committee are reported to the next meeting of the board of directors.
37	Whether the committee consists of at least three members.
38	Whether the committee convenes the meeting at least four times over a year.
39	Whether the committee discloses the ongoing risks of the company.
40	Whether the company contains explicit control procedures to manage the risk.
The committee of service or right and benefit compensation	
41	Whether the committee has been established.
42	Whether the competence of the committee has been disclosed.
43	Whether the committee consists of at least five members.
44	Whether the identity of the committee director has been disclosed.
45	Whether the director of the committee is independent.
46	Whether the identities of the committee members have been disclosed.
47	Whether the meetings of the committee have been disclosed.
48	Whether the records of meetings of the committee have been disclosed.
49	Whether the committee convenes the meeting at least four times over a year.
Disclosure and transparency	
50	Whether the ownership structure of the company has been disclosed.
51	Whether the bonus details of the board of directors have been disclosed.
52	Whether the loans of the company have been disclosed.
53	Whether the functions of the company have been disclosed.
54	Whether the objectives and strategies of the company have been disclosed.
55	Whether the principal operations of the company have been disclosed.
56	Whether the policies of profit division have been disclosed.
57	Whether the transactions with depending parties have been disclosed.
58	Whether the exceptional cases of the corporate-strategic regulations' draft have been disclosed.
Internal control	
59	Whether the results of the audit indicating the effectiveness of the internal control systems of the company have been disclosed.
60	Whether the financial statements are signed by the board of directors and managing director.
61	Whether the company would provide a declaration with regard to exit the accounting standards.
62	Whether the company provides a draft for corporate sovereignty.
Rights of the stockholders and general meeting	

63	Whether the general meeting is convened once a year.
64	Whether the agenda of the general meeting has been published in the website of the company.
65	Whether the stockholders can send a third party, on behalf of themselves, to ordinary general meetings.
66	Whether the formation date of general meeting is published.
67	Whether the results of the meeting are immediately announced in stock exchange website.
68	Whether the general meeting is convened within the six months following the termination of the fiscal year.
69	Whether the corporation discloses its social partnership.

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