

**THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND
FINANCIAL PERFORMANCE OF FUND MANAGERS IN KENYA**

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DECLARATION

I, Victor Ochieng Ochola, hereby submit this research work and declare that this research project is my original work and has not been presented for an award of a degree in any University.

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DEDICATION

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ABSTRACT

Corporate governance is an important tool. Failure to implement it can negatively affect the financial performance of organizations. Unilateral decision making, lack of transparency in audit and financial reports, incompetence and mismanagement are some of the problems that can arise in situations where corporate governance practices are not applied. This study sought to examine the relationship between corporate governance and financial performance of Fund Managers in Kenya. The objective of the study was to establish the relationship between corporate governance practices and their impact on financial performance of Fund Managers in Kenya.

A questionnaire was sent to all the 16 Fund Managers to collect primary data on various aspects of Corporate Governance (i.e. Chairman-CEO Duality, Board Size, Board Meetings, Board Composition and Insider Shareholding) while the Financial statements of the Fund Managers were used to compute ROE. A pre-test was done on the questionnaire to establish whether it measured what it was meant to measure. A correlation analysis was also done on the independent variables to determine whether they had significant relationship among them at 5% level. The data collected was analyzed using SPSS. Linear regression was used to quantify the strength of the relationship between the independent variables (Corporate governance practices) and the dependent variable (Financial performance).

The study established that financial performance of Fund Managers in Kenya as measured by the Return on Equity is significantly influenced by corporate governance practices. Specifically the corporate governance variables of CEO – Chairman Duality, Board Size and Insider Shareholding had a positive relationship with ROE while the ROE of Fund Managers with high number of Board Meetings and high number of internal directors compared to external directors was negative. It is recommended that similar studies that include other variables in addition to or in exclusion to some of the variables used in this study be conducted.

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LIST OF ABBREVIATIONS

CMA	Capital Markets Authority
RBA	Retirement Benefits Authority
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
INGOs	Non-Governmental Organizations
OP	Organization Performance
NSE	Nairobi Stock Exchange
CEO	Chief Executive Officer
EPS	Earning Per Share
NSE	Nairobi Stock Exchange
KLSE	Kuala Luapur Stock Exchange
IPS	Investment Policy Statement

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Corporate governance concept first appeared in the 1930s and was not broadly discussed until the outbreak of the Asian Finance crisis in the 1990s. Various recent scandals around the world for instance the Enron case in the US in 2001 and the Procomp Informatics Limited case in Taiwan in 2004 caused many nations to aggressively mandate corporation governance to make sure that investors, vendors, creditors, and other stakeholders are treated fairly (Huang, 2007). The Economist Intelligence Unit Limited (2002) defines corporate governance as a system by which corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants on the corporation, such as the board, managers, shareholders and other stakeholders.

According to Sharpe (1996), investment management is the process by which money is managed. It may be active or passive management, use of implicit or explicit procedures and, is relatively controlled or uncontrolled. A properly defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws.

1.1.1 Corporate Governance

Corporate governance is a field in economic that looks at ways to secure and encourage the efficient management of corporations through the use of incentive mechanisms, such as contracts, organizational designs and legislation. The aim of all governance mechanisms is to

reduce the agency costs that exist due to the separation and control especially in large public corporations (Jensen and Meckling, 1976). A net reduction in agency costs should, in theory, help improve / increase corporate governance. Corporate governance encompasses authority, accountability, stewardship, leadership direction and control exercised in the organization. It broadly refers to the rules, processes, or laws by which businesses are operated, regulated, and controlled. In other words, it refers to the process by which organizations are directed, controlled and held to account. In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. The improvement of corporate governance practices is widely recognized as one of the essential elements in strengthening the foundation for the long-term economic performance of countries and corporations.

As is the trend with other countries, corporate governance has gained prominence in the Kenya. Investors are demanding high standards of corporate governance in the companies in which they invest. The need for corporate governance is becoming more pronounced as a way of safeguarding the interests of various stakeholders. The importance of corporate governance for corporate success as well as for social welfare cannot therefore be under estimated. Examples of massive corporate collapses resulting from weak system of corporate governance have highlighted the need to improve and reform corporate governance at both international and local levels. In Uganda, the Bank failure (Greenland) was attributed to poor Corporate Governance (Musaali, 2007). The failure of Kenya National Assurance Company was blamed on poor corporate governance and specifically mismanagement (Kenya Insurance Survey, 2004).

1.1.2 Financial Performance

Performance refers to the extent to which an organization's goals and objectives are achieved effectively and efficiently while financial performance is a general measure of a firm's overall financial health status over a given period of time. Financial performance is therefore a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. It involves measuring the results of a firm's policies and operations in monetary terms based on allocated resources to most viable investment projects that can generate returns towards maximizations of its owner's value of investments.

According to San and Heng (2011), corporate performance can be measured by variables which involve productivity, profitability, growth or even customers' satisfaction. Organization's performance (OP) is partly dependent on its technology, processes, systems and employees. It is concerned with efficiency and effectiveness of operations. It is an indicator which measures how well an enterprise achieves their objectives, (Hamon, 2003). An organization can assess its OP according to the efficiency and effectiveness of goal achievement (Robbins and Coulter, 2002). Blair (1995) puts forward major areas in which performance can be examined. These include: liquidity, profitability, financial efficiency and debt repayment capability.

1.1.3 The Relationship between Corporate Governance and Financial Performance

The presence an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy. As a result, the cost of capital is lower and firms are encouraged to use resources more efficiently, thereby underpinning growth (OECD, 2004).

Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital. For emerging market countries, good corporate governance reduces vulnerability to financial crisis, reinforces property rights, reduces transaction costs and cost of capital and leads to capital market development. Weak corporate governance framework reduces investor confidence and discourage outside investor. Also pension funds continue to invest more in equity markets, good corporate governance is crucial for preserving retirement benefits (The World Bank, 2008).

There are two reasons why good corporate governance increases firm value. First, good governance increases investor trust. Investors might perceive well-governed firms as less risky and apply a lower expected rate of return, which leads to a higher firm valuation. Secondly, better-governed firms might have more efficient operations, resulting in a higher expected future cash-flow stream (Jensen and Meckling, 1976).

1.1.4 Fund Management in Kenya

Fund Managers are market professionals who promulgate analysis and research on capital market securities and advise investors on such securities at a fee usually charged at a percentage of the fund value. As at 13th June 2013, there were 16 registered Fund Managers licensed to operate in Kenya as per the RBA website. In Kenya, Fund Management industry is regulated Capital Markets Authority which was set up in 1989 through an Act of Parliament (Cap. 485A Laws of Kenya). Fund Managers are also partly regulated by the Retirement Benefits Authority because they are investing a huge chunk of pension funds. The managers must be licensed by the Retirement Benefits Authority on an annual basis in order to carry out fund management of pension scheme assets.

The Retirement Benefits Act requires each retirement benefits scheme to seek the services of a registered fund manager. The manager, for the purposes of the Retirement Benefits Act, is a company whose business includes undertaking, pursuant to a contract or other arrangement, the management of the funds and other assets of a scheme fund for purposes of investment; providing consultancy services on the investment of scheme funds; and reporting or disseminating information concerning the assets available for investment of scheme funds. Before pension scheme trustees engage the services of a fund manager, they are required to come up with a prudent investment policy on the investment of the scheme funds, clearly stating the scheme's investment objectives and the benchmarks that will be used to measure the scheme's performance. The IPS goes one step further by clearly defining the specific investments to be included in the portfolio and proposing how and when they should be incorporated. The IPS serves as a guide for the ongoing management of a scheme portfolio, ensuring a common understanding of the strategy and a consistent and focused execution of the scheme plan. The objective of the investment policy statement is to maximize the total rate of return through a broadly diversified portfolio in line with the investment guidelines given in the Retirement Benefits Regulations 2000.

Fund Managers face a number of challenges in their investment functions including lack of liquidity, unethical behavior among stock brokers, high stock brokerage costs, inhibitive regulations, little focus on performance, limited discretion, Trustees' limited understanding of risk-return relationship and limited investment products. Risks faced during fund management duties include inflation, market volatility, political risk, competition risk, credit risk, equity-price risk and information asymmetry.

1.2 Research Problem

Although there is a growing literature linking corporate governance to company performance, there is equally a growing diversity of results. The diversity of results has been partly explained by differences in the theoretical perspectives applied, selected research methodologies, measurement of performance and conflicting views on board involvement in decision making and, in part, to the contextual nature of the individual firm. For a sustainable performance and growth, there is dire need for good corporate practices in any organization.

Abdullah (2004) analyzed all companies listed on the main Board of Kuala Lumpur Stock Exchange between 1994 and 1996 to investigate the effect of board composition and CEO on company performance (ROA, ROE, EPS and profit margin). In contrast to Rechner and Dalton (1991), he found that board independence and CEO duality did not have any relation to firm performance. He also found that board independence is negatively associated with CEO duality. Thus, firms with CEO duality have lower percentage of outside director. However, he found out that Malaysia companies had been dominated by outside director and majority firms practiced non-dual leadership structure.

Hanffa and Hudaib (2006) investigated the relationship between six corporate governance variables (Board size, board composition, CEO duality, multiple directorship, ownership concentration and managerial shareholding) and two performance measures (Tobins Q and ROA) in Malaysia. Their study focused on the 347 firms listed on the KLSE between 1996 and 2000. They found out that board size and ownership concentration is significantly associated with both market and accounting measures. Board size had a negative correlation with the

market performance providing evidence that the market views big boards as ineffective but had a positive correlation with accounting performance. Concentrated shareholding also had a negative correlation with the market performance suggesting that market performance is better for firms with diffused ownership. It had a positive correlation with accounting performance. It also found a negative significant relationship between multiple directorship and market performance suggesting better market performance when directors do not hold additional directorship.

Muriithi, (2004) on his study about the relationship between corporate governance mechanisms on performance of firms quoted on the NSE performed descriptive statistics analysis and cross sectional multiple regression analysis on 44 companies that were listed on the NSE in the period between 1999 and 2003. He found out that an average board size of Kenyan listed firm is 8 and non-executives hold a significantly larger percentage of board seats (76%), 0.13% of the sample population had C.E.O. duality, the five largest shareholders in Kenyan listed firms account for 70% of the outstanding shares on average while Institutional investors, individual investors, foreign investors, financial institutions, and the state control 51%, 22%, 26%, 10% and 3.4% of the outstanding shares respectively. He concluded that both board size and C.E.O. duality have significant relationships only with stock market returns, no measure of firm performance has a significant relationship with the percentage of non-executive board members, state ownership is negatively related to ROA but has no significant relationship with RET and Tobin's Q ratio while state share ownership seems to lead to inefficiency and low profitability. He also concluded that financial institutions ownership is positively related to Tobin's Q but has no significant relationship with RET and ROA while ownership by individuals and institutional investors are not significantly related to any of the performance measures.

Although a number of studies have been done locally and outside the country to establish whether there is a relationship between corporate governance and financial performance, there still exists knowledge gap as none of the studies has examined the relationship of corporate governance and the financial performance of Fund Managers in Kenya. This study therefore sought to answer the question: What is the relationship between corporate governance and financial performance of Fund Managers in Kenya?

1.3 Objective of the Study

To determine the relationship between corporate governance and financial performance of Fund Managers in Kenya.

1.4 Value of the Study

The study will enable management of organizations to appreciate the importance of corporate governance its effects on financial performance as well providing an in depth understanding of corporate governance issues.

The study will also enable the researchers and academicians to have a chance of sharing new ideas obtained from the study. The researchers and academicians will use the knowledge gained to advance in their fields of interest as well as getting an opportunity to do further research.

The study will also go a long way in helping the policy makers gain a deeper understanding of the role of corporate governance on the financial performance of Fund Managers.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

There is a growing demand by the Society that businesses be well governed. This demand by society has also extended to other stakeholders who believe that corporate organizations should not only look at profit maximization but also other issues such as corporate responsibilities. A well-defined and functioning corporate governance system helps a firm to attract investment, raise funds and strengthen the foundation for firm financial performance.

2.2 Theories of Corporate Governance

2.2.1 Agency Theory

Jensen and Meckling (2006) stated that an agency relationship is a contract under which one or more persons (the principal (s)) engage another person (the agent) to perform some services on their behalf which involves delegating some decision – making authority to the agent. The problem is that the interest of managers and shareholders is not always the same. Managers will use the excess free cash flow available to fulfill their personal interests instead of increasing returns to the shareholders (Jensen and Reeback, 2003).

In theory, shareholders of a company are the only owners and the duty of top management should be solely to ensure that shareholders' interests are met. In other words, the duty of top managers is to manage the company in such a way that returns to shareholders are maximized thereby increasing the profit figures and cash flows (Ellist, 2002). However, Jensen and Mecling (2006) explained that managers do not always run the firm to maximize returns to the

shareholders. Their agency theory was developed from this explanation and the principal-agent problem was taken into consideration as a key factor to determine the performance of the firm.

Himmelberg, (1999) concluded that when shareholders are not too diffuse to monitor managers, corporate assets can be used for the benefit of managers rather than for maximizing shareholder wealth. It is well known that a solution to this problem is to give managers an equity stake in the firm. Doing so helps to resolve the moral hazard by aligning managerial interests with shareholders' interests.

According to Agrawal and Knoeber (1996), agency problems arise within a firm whenever managers have incentives to pursue their own interests at the expense of the shareholders' interests. Several mechanisms can reduce these agency problems. An obvious one is managerial shareholdings. In addition, concentrated shareholdings by institutions or by block holders can increase managerial monitoring and so improve firm performance, as can an outsider representation on corporate boards. The use of debt financing can improve performance by inducing monitoring by lenders. The idea of agency theory therefore is precisely to address problems arising from the separation between ownership and management caused by differences in motivation and objectives between owners and managers, asymmetry of information and risk references.

2.2.2 Stewardship Theory

According to Donaldson and Davis (1994), managers are good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders returns. Their argument is that senior executives will not disadvantage shareholders for fear of jeopardizing their

reputation. Managers are therefore essentially considered as trustworthy individuals and good stewards of the resources entrusted to them (Donaldson, 1995).

Supporters of this theory argue that superior corporate performance is linked to a majority of inside directors who work to maximize profit for shareholders. The reasoning is that inside directors understand the business they govern better than outside directors and so they can make superior decisions. Donaldson & Davis noted that managers are principally motivated by achievement and responsibility needs.

Hawley and Williams (1996) stated that the logical extension is either towards an executive-dominated board or towards no board at all. Boards can become redundant when there is a dominant active shareholder, especially when the major shareholder is a family or government. However, research by Pfeffer (1972) has shown that the value of external directors is not so much how they influence managers but how they influence the other stakeholders of the firm. He found out when an industry is highly regulated, more outsiders are likely to be present on the board to reassure the regulators, bankers and other interest groups of the stability of a company's performance and going concern.

2.2.3 Stakeholders Theory

This theory is regarded as the most fundamental challenge to the agency theory because it emphasizes that the purpose of firm should be defined broader than the mere maximization of shareholder welfare. Other parties who have interest in firm's long term success should also be taken into account when a firm's objective function is defined.

Supporters of the theory believe that the theory is more equitable and socially efficient (Keasey, 1997). These stakeholders include employees, suppliers and customers. These supporters believe that ethical treatment of stakeholders will benefit the firm because trust relationships are built with stakeholders.

In defining stakeholder theory, Clarkson (1994) stated that the firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services. This view was supported by Blair (1995) who proposed that the goal of directors and management should be maximizing total wealth creation by the firm. The key to achieving this is to enhance the voice of and provide ownership-like incentives to those participants in the firm who contribute or control critical, specialized inputs (firm specific human capital) and to align the interests of these critical stakeholders with the interests of outside, passive shareholders.

2.3 Corporate Governance Practices

2.3.1 CEO – Chairman Duality

CEO – Chairman Duality is a situation where the CEO is also the chairperson of the board of directors. This kind of a situation is likely to hinder management accountability (Baliga, Moyer and Rao 1996) and may inhibit the board's ability to function properly as an independent body because the central role of the chairperson is usually to monitor the activities of the top management. Yermack (1996) used a sample of 452 firms in the Forbes Magazine's rankings of the 500 largest US public firms between 1984 and 1991, to conclude that the firms are more valuable when the CEO and board chairman are separate.

2.3.2 Size of the Board

The size of the board should not be either too small or too large. The Companies Act is silent on the board size (it sets a minimum of 2 directors) of public listed companies in Kenya. However, according to the CMA guidelines on corporate governance practices (2002), the size of the board should not be too large to undermine an interactive discussion during boarding meetings or too small such that the inclusion of a wider expertise and skills to improve the effectiveness of the board is compromised. When the Board size is too small, it will suffer from shortage of expertise. On the other hand, when a board is too large, it is also likely to have functions that grows conflict (O'Reilly, Caldwell and Barnett 1989); it may also be inefficient in taking decisive action due to frequent interruptions or co-ordination difficulties (Shleifer and Visney 1997). Kogan and Wallach (1996) argued that the larger the board, the more difficult to reach an agreement. Yermack (1996) argued that there is negative correlation between board size and the companies' Tobin Q and that smaller board is more efficient than a larger one on monitoring top managers.

2.3.3 Board Meetings

Neither the Companies Act nor the CMA guidelines on corporate governance prescribe the frequency of the board meetings. However, a number of public listed companies in Kenya now report on the number of board meetings they held during the year. Boards should be ready to increase meetings frequency if the situation requires a high supervision and control (Shivdasani and Zenner, 2004). Other studies suggest that boards should balance the costs and benefits of frequency. For instance, if the board increases the frequency of its meetings, the recovery from poor performance is faster (Vafeas, 1999).

2.3.4 Board Composition

The proportion of inside directors (Executive directors) versus outside directors (Non-executive directors) also has strong implications on corporate governance. Insider directors participate in the decision processes and are able to access inside information. By virtue of their status, insider directors can be easily influenced by the CEO in the decision making process. The CMA corporate governance guidelines (2002) propose that a balanced board constitutes an effective board. It therefore requires that the board of directors of every listed company should reflect a balance between independent, non-executive directors and executive directors. The independent and non-executive directors should form at least one-third of the membership of the board to ensure that no individual or small group of individuals can dominate board decision-making. According to John and Senbet (1998), boards of directors are more independent when the proportion of outside directors increases

2.3.5 Board Committees

Members of Board Committees should be independent, qualified and competent. John and Senbet (1998) report empirical evidence showing that the presence of monitoring committees (audit, nomination, and compensation committees) is positively related to factors associated with the benefits of monitoring. However, the presence of insiders in the compensation committees increases the probability of making decisions in favour of the CEO's interests (Newman and Mozes, 1999). Moreover, when the CEO sits on the nominating committee or when no nominating committee exists, firms appoint fewer independent outside directors and more gray outsiders with conflicts of interest (Shivdasani and Yermack, 1999). Klein (2002) noted that independent audit committees reduce the likelihood of earnings management, thus improving

transparency. However, when the CEO serves on the nominating committee, the audit one is less likely to have a majority of independent directors (Klein, 2002). According to Bedard et al., (2004), audit committee's members are in charge of overseeing internal control and financial reporting, so they should possess a certain level of financial competency.

2.3.6 Insider Share Ownership

This is the proportion of shares that is owned by the CEO and the internal directors. Inside ownership refers to the proportion of equity held by insiders. If board activity is a good proxy for active monitoring by the board of directors, then board activity should be a substitute for high levels of inside ownership in disciplining managers (Shivdasani and Yermack, 1999).

2.4 Measures of Financial Performance

2.4.1 Return on Assets / Return on Investment

ROA gives an indication of how efficient management is at using its assets to generate earnings.

It is displayed as a percentage. It is calculated as follows:

$$\text{ROA} = (\text{After tax profit} + \text{Interest (before tax)}) / \text{shareholder's Equity}$$

Some investors add interest expense back into net income when calculating ROA because they would like to use operating returns before cost of borrowing.

2.4.2 Return on Equity

ROE measures an organization's profitability by showing how much profit an organization generates with the money shareholders have invested. If the ratio is higher than the industry average, this may be an indication of poor performance. According to Xu and Wang (1997),

when the ratio is too low, the performance may not be bad if the current assets are very liquid (cash and securities).

ROE is calculated as follows:-

Return on Equity = After tax profit/shareholder's Equity

2.4.3 Tobins Q

It measures the expected future profitability due valuable growth opportunities and / or competitive advantage. It is calculated as follows:

Tobins Q = Market value of debt + Market value of Equity/Replacement costs of all assets

2.5 Empirical Review on Corporate Governance and Financial Performance

Various studies have been conducted to examine the relationship of corporate governance and the financial performance of organizations.

Kyereboah (2007) did a study on the relationship between corporate governance and firm performance from an African perspective. The study considered 103 listed companies drawn from Ghana, Nigeria, Kenya and South Africa and 52 Microfinance institutions from Ghana. The findings of the study indicated that large and independent boards enhance firm value and that when a CEO serves as board chair, it has negative effect on performance. The findings also revealed that a CEO's tenure in office enhances firms' profitability while board activity intensity has a negative effect on firm profitability. The size of audit committees and the frequency of their meetings have a positive influence on market-based performance measures and institutional shareholding essentially sends a positive signal to potential investors thereby enhancing market

valuation of firms. Firms in the finance sector were seen to employ smaller board sizes and fewer outside directors partly due to the existence of other regulatory mechanisms. More so, it was found that large board sizes enhance shareholders wealth. The mining sector was seen as dominant in maximizing shareholder value in terms of dividend yield. The results also pointed out that firms with investment or growth opportunities employ large boards, have longer CEO tenure and are profitable and that the extent of growth response to governance structures is influenced by both country and sector specific effects.

Akodo (2008) examined the relationship between corporate governance and financial performance in four public universities in Uganda. The study was prompted by the institutional turbulences as a result of adhoc policy and decision making processes and poor financial performance of public universities and was aimed at establishing the relationship between corporate governance, board roles, contingency, board effectiveness and financial performance of the four public universities in Uganda. Spearman Correlation Coefficient and Multiple Regression Analysis were used to determine the magnitude of the relationship corporate governance and financial performance. The findings revealed that corporate governance variables namely; board size had a negative effect on financial performance while policy and decision making had a significant positive relationship with financial performance. Corporate governance had a significant positive relationship with board roles, board roles had a significant positive relationship with board effectiveness, and contingency had a significant positive relationship with board roles and effectiveness. The study concluded that there is need for public universities to formulate policies and make decisions that can stand test of time and at the same time constitute manageable Council and Senate committees who understand their roles if the universities are to realize improved financial performance.

Akeyo (2012) in studying the relationship between corporate governance and performance of International Non-Governmental Organizations (INGOs) in Somalia, noted that corporate governance is an important tool in management of INGOs and failure to implement it can affect their performance. The objective of his study was to establish the corporate governance practices and their impact on performance. To achieve these objectives, he used a causal design study. The population of the study was obtained from a list of INGOs who were members of the Somalia NGO Consortium. The study targeted members of board of directors and managers who were privy to the information as the respondents. The study established that the majority of the INGOs had implemented 4 corporate governance practices, board size and composition, board meetings, audit committee and transparency and disclosure. When regression analysis was conducted on each of the 4 corporate governance practices, separately, there was a positive relation with performance though insignificant. It was found out that, together the four corporate governance practices had a weak positive relationship with performance. He concluded that unilateral decision making, lack of transparency in audit and financial reports, incompetence and mismanagement are some of the problems that can arise in a situation where corporate governance does not exist and if they are not arrested they can have a negative impact on performance.

Namiro (2008) in her study on relationship between levels of implementation of CMA guidelines on corporate governance and profitability of companies listed at the NSE noted that profitability of companies listed at the NSE has been on the increase. She also pointed out that increase in performance could be partly attributed to the adoption of the corporate governance guidelines, the size of the boards, proportion of outside directors and the number of meetings.

Otieno (2012) examined the Corporate Governance factors and Financial Performance of Commercial banks in Kenya with the aim of establishing the effects of corporate governance practices and policies on financial performance of commercial banks. He used a sample ratio of 0.3 to obtain sample representation of all the 44 commercial banks in Kenya. He found out that corporate governance play an important role on bank stability, performance and bank's ability to provide liquidity in difficult market conditions. From the findings, he concluded that corporate governance factors (CGPR, CGPO, DPP and SRR) accounts for 22.4 % of the financial performance of commercial banks.

Liech (2011) did a study on the relationship between corporate governance practices and financial performance of all the 30 local airlines operating in the Kenya as at that time. He explained how corporate governance practices are measured using corporate governance index and used return on assets (ROA) as a measure of financial performance. The study found that there is a significant relationship between corporate governance practices and financial performance of airlines. The airlines with strong corporate governance practices had better financial performance, with a degree of variation on ROA at 81.4%.

Areba (2011) in his study on the relationship between corporate governance practices and performance in commercial state corporations in Kenya, concluded that board size and composition, splitting of the roles of the chairman and chief executive, optimal mix of inside and outside directions, proportion of outside directors, executive remuneration, number of non-executive directors, participation of outside directors and number board of directors affected the

financial performance of the corporation. He recommended that state owned enterprises should adopt good governance systems as a way of enhancing their financial performance.

Opiyo (2011) did a study on the relationship between financial performance and Corporate Governance with specific reference to SACCO's operating in Nairobi. A sample of 98 SACCO's were selected from a population of 131 and a regression analysis was performed for purposes of data analysis to determine the relationship between the dependent and independent variables. He considered CEO duality, Gender diversity, Audit Committee, Board composition on gender, and Number of board meetings as the dimensions of corporate governance practices representing the independent variables and ROA and ROI as the financial performance measures representing the dependent variables in his regression model. He found out that corporate governance did not have significant relationship on ROA but established that there was a significant relationship in ROI with the dimensions of corporate governance used in the study. Specifically the corporate governance variable of Audit committee had higher positive relationship on ROI while that of Number of board committee meetings recorded a negative relationship.

Kimosop (2011) studied the relationship between corporate governance and financial performance on all the 41 insurance companies licensed by IRA in Kenya during the year 2006 to 2009. The study found out that there is significant influence of board size, non-executive directorships, insider shareholding, board meeting frequency and CEO-Chairman duality on the financial performance of insurance companies. Board size and non-executive directorships had a negative relationship with ROA whereas insider shareholding and board meeting frequency had a

positive relationship with ROA. However, board size, non-executive directorships, insider shareholding and board meeting frequency had a positive relationship with ROE.

2.6 Summary of the Literature Review

Although different studies have been done locally and outside the country to establish whether there is a relationship between corporate governance and financial performance there still exists knowledge gap as none of the studies has examined the relationship of corporate governance and the financial performance of Fund Managers in Kenya. Further, the studies have yielded mixed results due to lack of standardization, country focus, and choice of corporate governance mechanism, data sources as well as the statistical methodology.

It is evident from the literature review that there is a relationship between corporate governance practices and the financial performance of any organization. However the level of the relationship varies from one organization / industry to the other. Companies should therefore be encouraged to practice corporate governance in order to improve on their financial performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter has discussed the research methodology that was followed in the study. It examined and justified the research design that was applied in the study as well as stating the population of interest for the study and the sample that was used. The data collection methods and how the data was validated are provided while the data analysis technique applied and the justification for its use are also given.

3.2 Research Design

The study employed a cross sectional survey design whereby access to the widest possible amount of data from the targeted Fund Managers in Kenya was sought. According to Chandra (2003), surveys are relatively inexpensive (especially if self-administered). This method has been applied before by Bartram et al (2003) and Freeman, Cox and Wright (2006) among other researchers.

3.3 Population and Sample

The population of interest of the study was all the 16 Fund Managers in Kenya licensed by RBA and CMA as at 30th June 2013. The reasoning for studying all the Fund Managers was guided by Nachmias and Nachmias (2007) on the need for sampling who indicated that when the population is small, error of sampling increases and it is advisable to study the whole population.

3.4 Data Collection

In this study, a semi structured questionnaire was used to gather primary data on whether the CEO was different from the Chairman of the Board, the number of Directors in a Board, the frequency of Board Meetings, the number of shares being held by the Outsider Directors and the number of shares being held by the CEO and Insider Directors. The physical copies of the questionnaires were hand delivered. However, in cases where this was impossible due to the limited time and cost, questionnaires were administered through the internet. A sample study questionnaire has been provided under as *Appendix II*. Audited Financial statements necessary for the computation of ROE were obtained from RBA.

3.5 Reliability and Validity of Data

Harper (2002) argues that for a questionnaire to produce useful results, it must have validity and reliability. To test for these two qualities, a pre-test was done to establish whether the questionnaire measures what it purported to measure. According to Masibo (2005), pre-testing provides a check on the feasibility of the proposed procedure for coding data as well as showing up flaws and ambiguities in the instruments of data collection.

3.6 Data Analysis

Data was analyzed using SPSS since it is best suited for establishing quantitative association between variables. Linear regression was used to quantify the strength of the relationship between the independent variables (Corporate governance practices) and the dependent variable (Financial performance).

The equation that was used to establish the relationship was:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where;

Y = Financial performance measured by ROE.

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 represent the co-efficients of corporate governance

X1 = CEO–Chairman Duality (Measured by the separation of the two positions)

X2 = Board size (Measured by the number of directors sitting in a board)

X3 = Board meetings (Measured by the number of meeting held during the year)

X4 = Board composition (Measured by the proportion of insider directors to outside directors)

X5 = Insider shareholding (Measured by the proportion of shares held by the CEO and insider directors)

α = Constant term representing other factors other than the above corporate governance which are not defined in the model.

e = Error term

The researcher also performed a correlation analysis on the independent variables to find out if they had significant relationship among them at 5% level. The purpose was to ensure that no multi co-linearity existed between the variables with the aim of including them in the multiple regression analysis as well as determining the ones that had significant influences on financial performance dimensions that were used in the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents data findings from the field, its analysis and interpretations there-of. The primary data was gathered through the questionnaires while the secondary data on the financial statements of the Fund Managers was obtained from RBA and analyzed using SPSS. The study was carried out on 12 Fund Managers which responded to the questionnaires. This implies that response rate was 75%. The response rate was considered adequate for the study given that a number of studies using this data collection procedure have had lower response rates. The commendable response rate was achieved at after the researcher made frantic efforts trying to reach the respondents.

4.2 Findings of the Study on Corporate Governance Practices

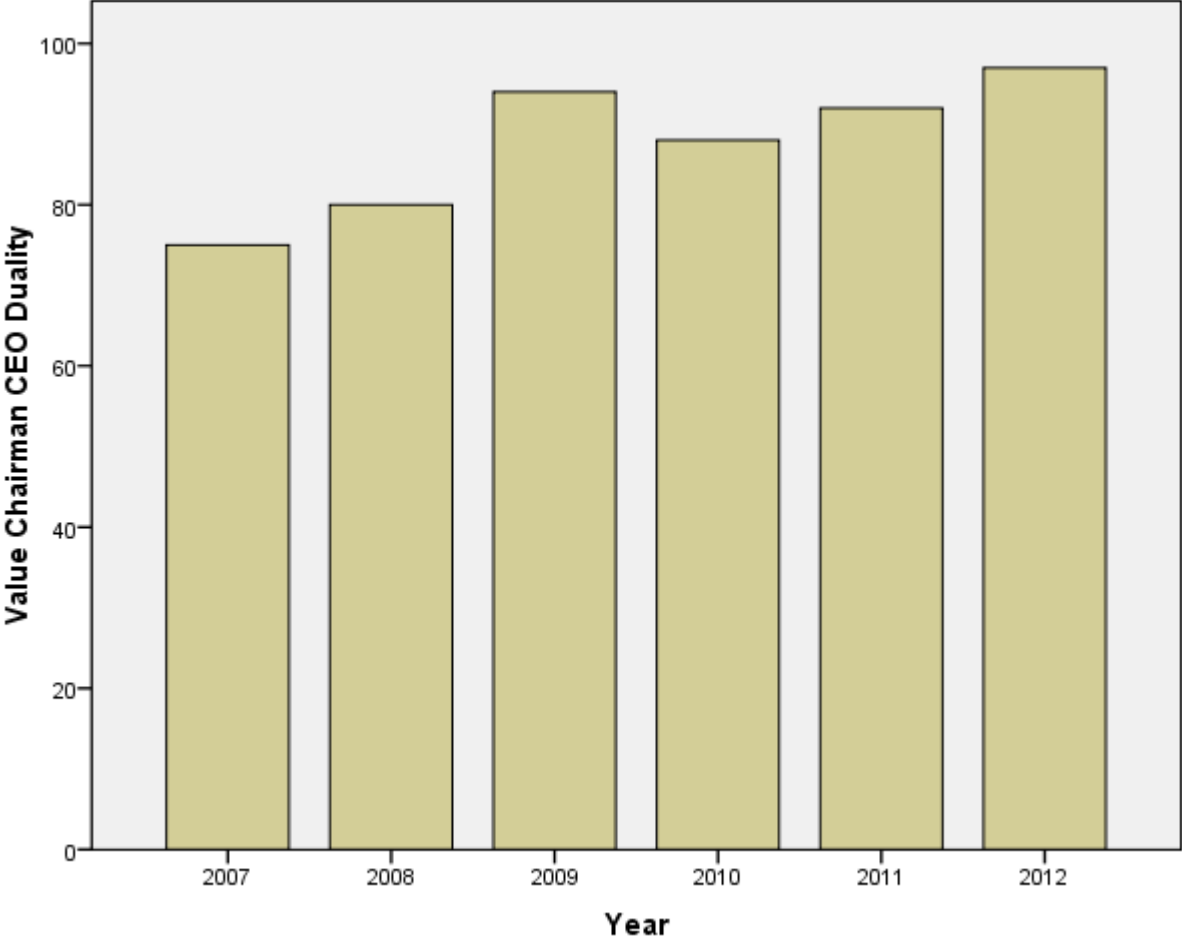
4.2.1 CEO – Chairman Duality

The study examined the extent to which the roles of the CEO and those of the Chairperson of the board of directors of Fund Managers are separated.

Table 4.2.1: Percentage number of companies that don't practice Chairman-CEO Duality

Year	2007	2008	2009	2010	2011	2012
% Number of companies that do not practice Chairman-CEO Duality	75%	75%	94%	88%	92%	97%

Figure 4.2.1: Percentage number of companies that don't practice Chairman-CEO Duality



The study revealed most of the Fund Managers have separated the office of the CEO and that of the chairman of the Board as shown in table 4.2.1 and figure 4.2.1 above. The roles of the Chairperson and those of the CEO were also separate and distinct. However a half of the respondents stated that they were not sure whether the division of the responsibilities of the Chairman and those of the CEO were clearly set out in writing.

4.2.2 Size of the Board of Directors

The study sought to examine the number of directors sitting in the board on average at any given year.

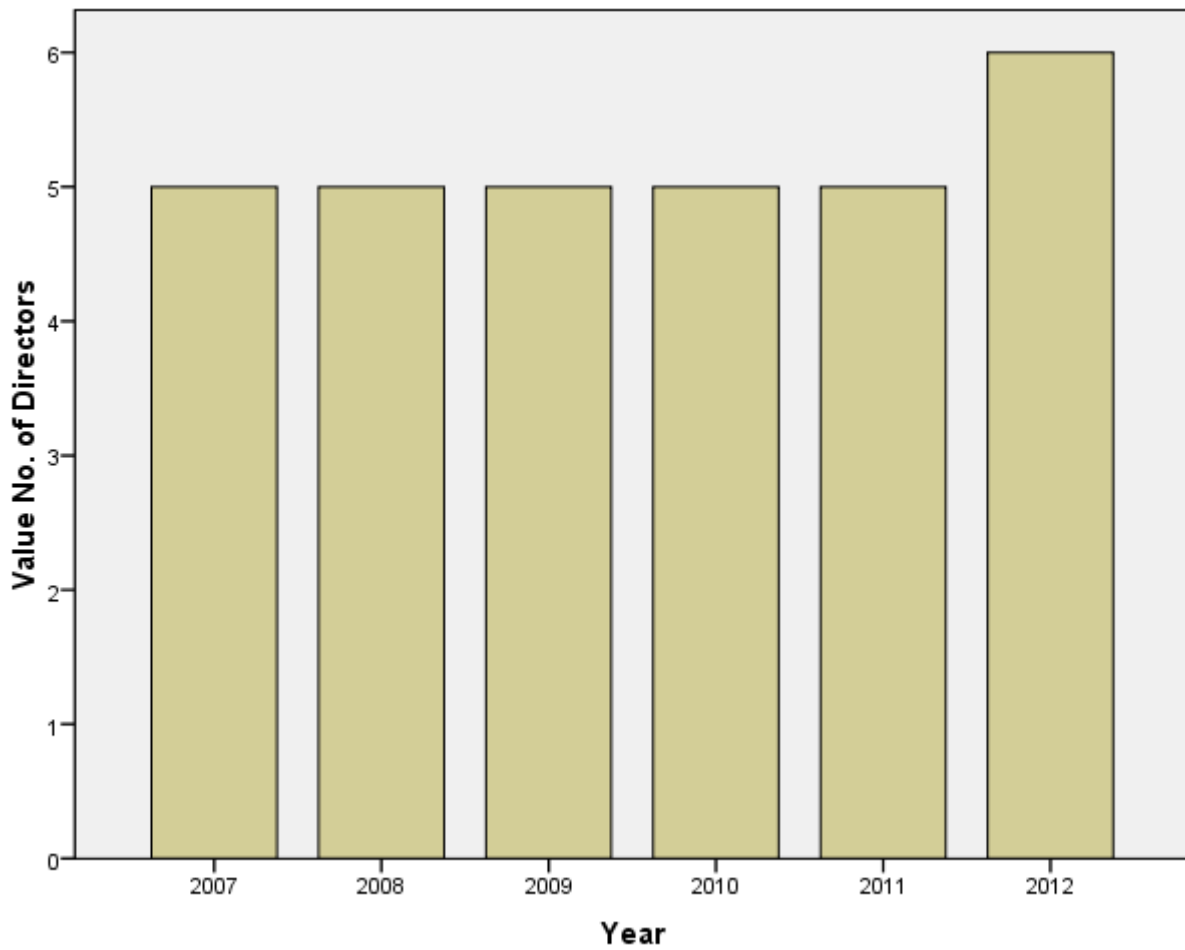
Table 4.2.2: Summary of the Board Size

Year	2007	2008	2009	2010	2011	2012
Average Number of Directors per Year	5	5	5	5	5	6

From table 4.2.2 above, it was revealed that on average there were five (5) directors during years 2007 to 2011. However during the year 2012, the average number of directors went up to six (6).

Figure 4.2.2: Summary of the Board Size

From figure 4.2.2 below, it was revealed that on average there were five (5) directors during years 2007 to 2011. However during the year 2012, the average number of directors went up to six (6).



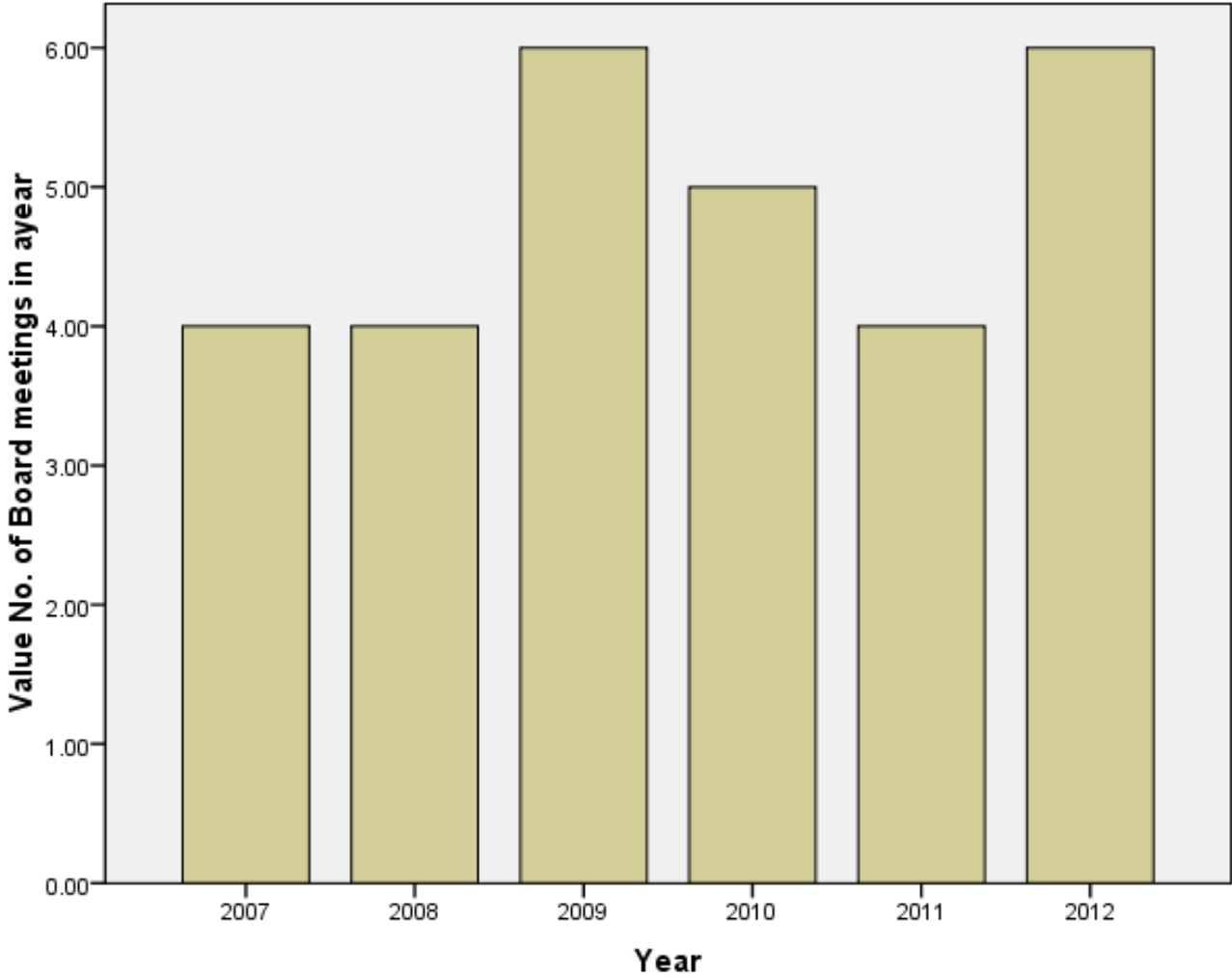
4.2.3 Board Meetings

The study examined the frequency within which meetings of the Board of Directors are held in a year. The results from the study revealed that on average, the number of board meeting held in years 2007, 2008 and 2011 was 4, however in years 2009 and 2012 the number was 6 but in year 2010, the number of board meetings held on average was 5 as shown in table 4.2.3 below. The study found out that most boards were holding quarterly meetings translating to four (4) meeting in each calendar year.

Table 4.2.3: Average Number of Board Meetings in a Year

Year	2007	2008	2009	2010	2011	2012
Average number of Board Meetings in a year	4	4	6	5	4	6

Figure 4.2.3: Average Number of Board Meetings in a Year



From figure 4.2.3 above, the average number of board meetings was 4 in years 2007, 2008 and 2011. In year 2009 and 2012 the average number was 6 but in year 2010, the number was 5.

4.2.4 Insider Shareholding

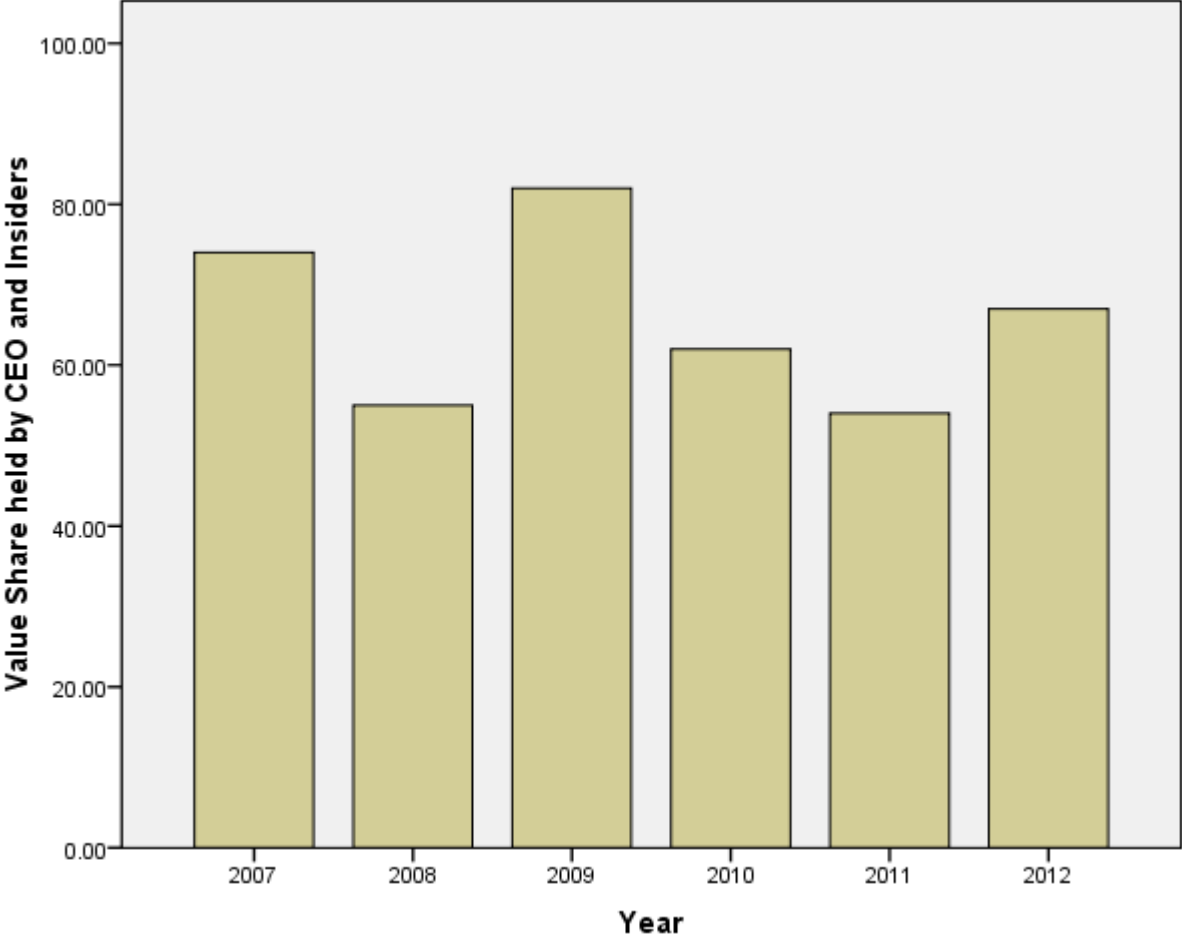
The study found out that the CEO and insider directors of Fund Managers hold more than 50% of the shares of the company.

Table 4.2.4: Average Percentage Number of Shares held by CEO and Insider Directors

Year	2007	2008	2009	2010	2011	2012
Average % Number of shares held by CEO and insider directors	74%	55%	82%	62%	54%	67%

On average, the percentage number of shares held by the CEO and insider shareholders was higher in 2009 at 82% and lower in the year 2011 at 54% as shown in table 4.2.4 above.

Figure 4.2.4: Average Percentage Number of Shares held by CEO and Insider Directors



On average, the percentage number of shares held by the CEO and insider directors was higher in 2009 at 82% and lower in the year 2011 at 54% as shown in figure 4.2.4 above.

4.2.5 Board Composition

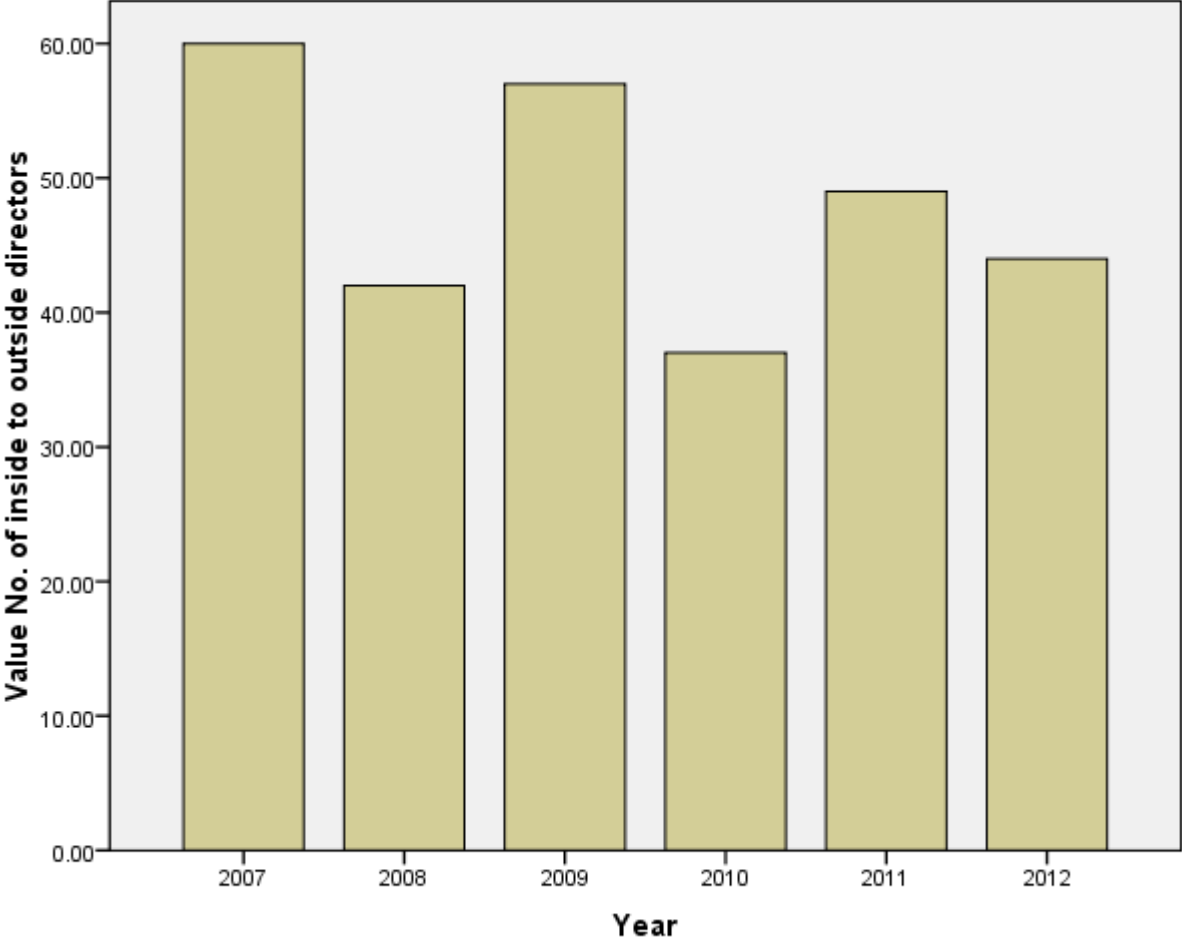
The members of any Board of Directors are usually composed of either insider directors only or outsider directors only or a mixture of both insider and outsider directors.

Table 4.2.5: Proportion of Insider Directors to Outsider Directors

Year	2007	2008	2009	2010	2011	2012
Average Percentage Number of insider directors to outsider directors	60%	42%	57%	37%	49%	44%

The study found out that on average, the percentage number of insider director to outsider directors was 60% in year 2007, 42% in year 2008, 57% in year 2009, 37% in year 2010, 49% in year 2011 and 44% in year 2012 as shown in table 4.2.5 above.

Figure 4.2.5: Proportion of Insider Directors to Outsider Directors



On average, the percentage number of insider director to outsider directors was 60% in year 2007, 42% in year 2008, 57% in year 2009, 37% in year 2010, 49% in year 2011 and 44% in year 2012 as shown in figure 4.2.5 above.

4.3 Analysis of the Return on Equity

From the analysis of the data obtained from the financial statements of the Fund Managers, on average, the ROE was high in the years 2007 and 2010 at 19.45 and 19.10 respectively. However, on average, ROE was at its lowest point in the year 2011 at 4.91 as shown in table 4.3.1 below.

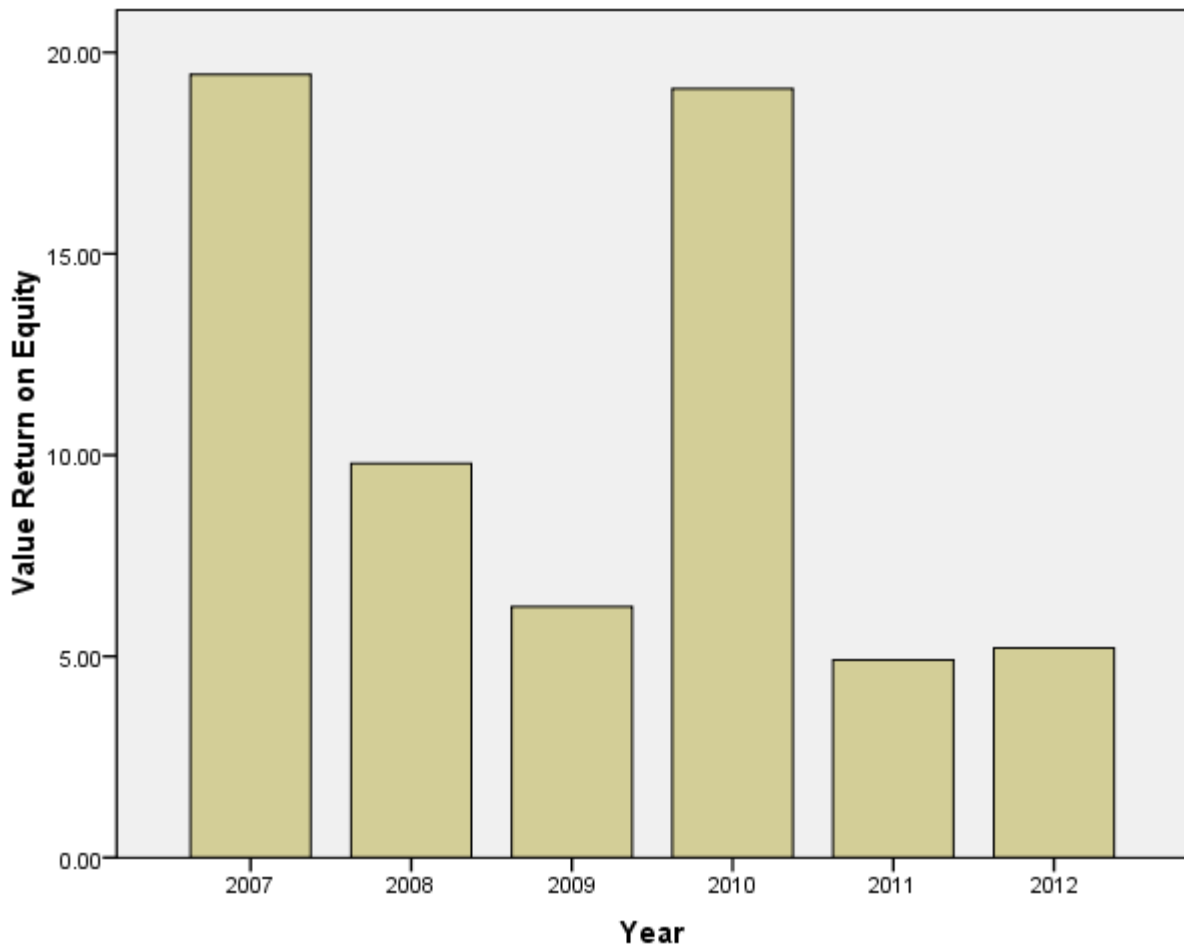
Table 4.3.1: Average ROE

Year	2007	2008	2009	2010	2011
Average ROE per year	19.45	9.79	6.23	19.10	4.91

From the figure 4.3.1 below and table 4.3.1 above, ROE on average was high in the years 2007 and 2010. However, from appendix III, most of the Fund Managers performed poorly in the year 2011 during the period between year 2007 and 2011. This explains the reason why on average, ROE was at its lowest point in the year 2011.

During the period between year 2007 and 2011, the highest registered financial performance in terms of ROE was 85.21 while the worst performance was -54.82.

Figure 4.3.1: Average ROE



4.4 Regression Analysis

Theoretical studies and practical experiences have demonstrated that companies that practice corporate governance tend to deliver better financial results against those who do not have corporate governance mechanisms. Corporate governance therefore serves as a company's internal control system as well as providing an effective supervision over the optimum utilization of company's resources.

The study was conducted to evaluate the relationship of corporate governance on financial performance of Fund Managers in Kenya through examining the corporate governance parameters and financial performance of Fund Managers from 2007-2012 by applying linear regression through SPSS. The model was of the functional form:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where;

Y = Financial performance measured by ROE.

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 represent the co-efficients of corporate governance

X1 = CEO–Chairman Duality (Measured by the separation of the two positions)

X2 = Board size (Measured by the number of directors sitting in a board)

X3 = Board meetings (Measured by the number of meeting held during the year)

X4 = Board composition (Measured by the proportion of insider directors to outsider directors)

X5 = Insider shareholding (Measured by the proportion of shares held by the CEO and insider directors)

α = Constant term representing other factors other than the above corporate governance which are not defined in the model.

e = Error term

Table 4.4.1: Regression and the Coefficients

Model	Unstandardized Coefficients		Significance (T-Test)
	B	Std. Error	
(Constant)	-76.396	0.000	0.00
Average number of Directors	10.718	0.000	0.00
Chairman - CEO Duality	1.260	0.000	0.00
Average number of Board Meetings in a year	-34.692	0.000	0.00
Proportion of Insider to Outsider Directors	-2.411	0.000	0.00
Percentage of Share held by CEO and Insider Directors	3.124	0.000	0.00

Regression analysis was done using ROE against specific practices of corporate governance. The factors were taken to be the critical factors for the corporate governance. The factors included whether the chairperson of the board different from the CEO of the company, the size of the board, how often the board conducts their meetings, the composition of board of directors and whether the CEO and internal directors own company stock.

From the table of regression co-efficients, the established regression equation was as follows:

$$\text{ROE} = Y = -76.396 + 1.26 X_1 + 10.718 X_2 - 34.692 X_3 - 2.41 X_4 + 3.124 X_5 + e$$

From the above regression equation, it implies that an increase in the number of directors by 1% increases the ROE by 10.718% and vice versa while an increase in the number of Fund Managers practicing Chairman-CEO duality by 1% increases the ROE of the Fund Managers by 1.26% and vice versa. Similarly, an increase in the number of shares held by CEO and insiders by 1% increases the ROE of Fund Managers by 3.124%. However, an increase in the number of board meetings held in a year by 1% results in a reduction in ROE by 34.612% and vice versa while an increase in the proportion of insider to outsider directors by 1% reduces the ROE by 2.411%.

Table 4.4.2: Model summary

Model	R	R Square	Adjusted R Squared	Significance (T-Test)
	1.000	1.000	0.98	0.00

The model has an R-square of 100% meaning that all the changes in ROE are explained by the five independent variables namely number of directors, chairman CEO duality, percentage of shares held by the CEO and insiders directors, number of board meetings and proportion of insider to outsider directors. The model is significant at 5% level of significance since the T-value is less than 0.05.

4.5 Summary of Findings and Discussions

From the regression analysis, it is evident that there is a significant influence of corporate governance on Return on Equity. The number of directors, Chairman - CEO duality and percentage of shares held by the CEO and insiders have a positive and significant effect on the ROE of Fund Managers. On the other hand, the number of board meetings held in a year and the proportion of insider to outsider directors' have a negative and significant effect on the ROE of Fund Managers.

The model summary presented in table 4.4.2 above showed that the relationship is strong because the adjusted R square value was 0.98.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the findings of the study are summarized, discussed and conclusions drawn. The chapter also highlights limitations of the study and recommendations and areas considered necessary for further study. The researcher's intention was to investigate corporate governance practices of Fund Managers in Kenya and examine the relationship between corporate governance practices and financial performance of Fund Managers in Kenya.

5.2 Summary

Data analysis on CEO – Chairman Duality revealed more than three quarters of the Fund Managers do not practice CEO – Chairman Duality. The roles of Chairperson of the Board and the CEO were separated and held by different persons. From the study, the office of the CEO and that of the Chairman of the Board of most Fund Managers are separate and distinct.

It was also established that the Boards of Fund Managers had formed Board committees in light of the need to provide support and guidance to the management. The most common committees were the Audit, Appointment and Remuneration Committees. On Board Size, it was revealed that on average there were five (5) directors during years 2007 to 2011. However during the year 2012, the average number of directors went up to six.

On the area of the various board meetings, the results of the study found out that most boards were holding quarterly meetings which are translating into four meetings each calendar year.

Further, it was revealed that board procedures were being followed. The study established that meetings were organized and were conducted in a manner that encouraged open communication, meaningful participation and timely resolution of issues.

On multiple regressions, all the corporate governance factors that were considered most critical had a significance of less than 0.05. Results revealed that these factors highly contributed to the financial performance of the Fund Managers. The composition of the board and frequency of board meetings, though insignificant, had a negative relationship with ROE. The results confirm studies by Jensen (1993) who argued that board meetings do not necessarily enhance firm performance and that board meeting frequency increases when there are problems.

The study found out that the CEO and insider directors of Fund Managers hold more than 50% of the shares of the company. On average, the percentage number of shares held by the CEO and insider directors was higher in 2009 at 82% and lower in the year 2011 at 54%.

5.3 Conclusions

The findings of the study indicate that there is a positive relationship between Board size, CEO – Chairman Duality and insider shareholding with the ROE. On the other hand there is a negative relationship between the composition of the board and number of board meeting with Return on Equity.

Further, it is clear from the findings of this study that the boards of Fund Managers in Kenya meet regularly. The study also concludes that CEO – Chairman Duality does not exist in nearly all the Fund Managers who responded to the questionnaires.

The overall conclusion therefore in this study is that corporate governance has a positive impact on the financial performance of Fund Managers in Kenya.

5.4 Limitations

This study though deeply researched could not have been finalized without limitations. For completeness and better understanding of the implications of research findings, it is crucial that the limitations of this study be highlighted.

All the Fund Managers were not willing to provide copies of their audited financial statements. This is the explanation why the researcher decided to obtain the financial statements of the Fund Managers directly from one of the regulators (RBA). However, even from the regulator, the researcher was unable to obtain year 2012 audited financial statements for the Fund Managers in good time.

A few of the respondents also did not respond to the questionnaires despite several reminders through telephone calls and e-mails. Again some of the respondents could not provide information on the shareholding as they considered such issues confidential despite the researcher's assurance that any information provided was to be used only for purpose of the study.

The other limitations include resource constraints in terms of money and time. The research was carried out within a very strict time boundary meaning that an in depth study could not be performed or carried out. The researcher had to use courier to hand deliver the questionnaires as well picking the completed questionnaires and this was very costly. A lot of money was spent on printing.

The researcher noted that the reluctance to release information by Fund Managers was largely due to the presence of organizational rules that do not allow release of information considered as confidential. Further there was also suspicion that the information provided could reach their competitors.

However, despite the above, the validity of conclusions drawn based on the results of the study was not compromised.

5.5 Recommendations

5.5.1 Policy Recommendations

The two regulators (RBA and CMA) should draw minimal requirements for corporate governance in the Fund Management industry to serve as guideline for Fund Managers.

The study also recommends that Fund Managers should regularly review their corporate governance structures. This is mainly because corporate governance is about building credibility, ensuring transparency and accountability. Corporate governance also brings new strategic outlook through external independent directors.

The Fund Managers should also be encouraged to employ good corporate governance practices to provide the necessary system of checks and balances by ensuring that the roles of chairperson and that of the CEO are not exercised by the same individual.

The study also recommends that Board members once appointed, should undertake to undergo an induction course and other trainings on corporate governance. In addition, the board's performance (including the chairperson's performance) should be appraised on an annual basis and those who fail to discharge their duties and responsibilities accordingly should be removed from office. On the other hand, the Board should appraise the performance of the CEO.

The board should develop a board governance policy and a code of conduct for board members to give the directors guidance on how to proceed under various circumstances that might arise and ways in which the directors may discharge their duties. The chairperson and board members should avoid giving direct instructions to staff members. They should also refrain from conducting management meeting with staff.

While regular board meetings are essential for good governance, study recommends four to six board meetings per year. Too many meetings are considered unnecessary as such meetings usually have the tendency shifting the focus of the board from strategic and policy issues to operational and day to day matters thus paving the path for internal conflicts.

All board members should regularly be reminded of their collective responsibility for decisions and the need to have equal status in discussions as well as striving to make decisions that further the organization's purpose, rather than the interests of any specific group or organization.

5.5.2 Recommendations for further Research

It is generally believed that no research is an end in itself. What this research has achieved in this area of study is minimal thus requiring further research.

The same study could be undertaken over a longer time span to assess whether there are any major differences in the findings when data is taken over a longer time period of time.

It would also be necessary to conduct similar studies that include other variables in addition to or in exclusion to some of the variables used in this study.

The questionnaire that was used to collect data on the frequency of board meetings, board size, and the number of shares held by the CEO and insider directors as well the board composition may be improved to make use of interviews or any other means that is likely to increase the response rate.

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Appendix I: List of Registered Fund Managers in Kenya

1. African Alliance Kenya Investment Bank Limited
2. Amana Capital Limited
3. Apollo Asset Management Company Limited
4. British-American Asset Managers Limited
5. CIC Asset Management Limited
6. CO-OP Trust Investment Services Limited
7. Dry Associates Limited
8. Genesis Kenya Investment Management Limited
9. ICEA LION Asset Management Limited
10. Kenindia Asset Management Company Limited
11. Madison Asset Management Services Limited
12. Old Mutual Asset Managers (Kenya) Limited
13. Pinebridge Investment East Africa Company Limited
14. Sanlam Investment East Arica Company Limited
15. Stanlib Kenya Limited
16. Zimele Asset Management Company Limited

Appendix II: Summary of the Board Size

Fund Managers	Year					
	2007	2008	2009	2010	2011	2012
Genesis Kenya Investment Management Ltd	6	6	6	6	6	6
Old Mutual Asset Managers (K) Ltd	6	6	6	6	5	6
ICEA LION Asset Management Limited	6	6	6	6	6	8
Madison Asset Management Limited	4	4	4	4	4	4
Sanlam Investment Management Kenya Ltd	4	4	5	5	4	6
Stanbic Investment Management Services (EA) Ltd	10	10	8	8	8	6
Zimele Asset Management Company Ltd	6	6	6	6	6	6
Kenindia Asset Management Company Ltd	6	4	4	4	4	10
African Alliance Kenya Investment Bank Limited	4	4	4	4	4	4
British American Asset Managers Ltd	6	6	6	6	7	6
Dry Associates Limited	3	3	3	4	4	4
Apollo Asset Management Company Limited	2	2	3	3	3	3
Total number of Directors per year	63	61	61	62	61	69
Average number of directors per year	5	5	5	5	5	6

Appendix III: Summary of the Return on Equity

Fund Managers	2007	2008	2009	2010	2011
Genesis Kenya Investment Management Ltd	41.14	35.47	43.23	57.24	58.79
Old Mutual Asset Managers (K) Ltd	-	-	-15.74	-54.81	-21.94
ICEA LION Asset Management Limited	7.66	9.26	15.57	25.48	19.93
Madison Asset Management Limited	13.95	9.12	-26.05	13.58	-67.96
Sanlam Investment Management Kenya Ltd	35.07	-4.88	-2.05	54.24	-5.98
Stanbic Investment Management Services Ltd	19.78	41.47	41.31	46.02	51.09
Zimele Asset Management Company Ltd	-10.24	-13.73	-21.87	3.06	13.21
Kenindia Asset Management Company Ltd	9.78	-23.06	8.94	17.70	-18.96
African Alliance Kenya Investment Bank Ltd	-	-	85.21	-9.05	-23.55
British American Asset Managers Ltd	37.56	9.24	-54.82	21.26	32.83
Dry Associates Limited	40.12	35.40	17.65	27.79	9.75
Apollo Asset Management Company Limited	-0.31	-0.44	-7.58	26.70	11.65
Average ROE per year	19.45	9.79	6.23	19.10	4.91

Appendix IV: Questionnaire

Instructions

1. Tick appropriately in the box () or fill in the space provided.
2. Feel free to give further relevant information to the research not in the questionnaire.

PART 1: GENERAL INFORMATION

1. Name of your company.....
2. Respondent:
 - a). Name (optional).....
 - b). Department.....
 - c). Designation.....

PART 2: Corporate Governance Measures

1. CEO-Chairman Duality
 - a) Is the Chairperson of the Board different from the CEO? Yes No
 - b) Is role of Chairperson and CEO separate? Yes No
 - c) Is the division of the Chairperson and CEO's responsibilities clearly set out in writing and agreed by the board?

Yes No

2. Board Size

What is the number of directors in the board?

3. Board meetings

a) Do the board members attend more than 75% of the board meetings? Yes No

b) Do independent directors meet without the management? Yes No

c) What is the number of board meetings held in a year.....

4. Composition of the board

a) What is the number of inside directors?

b) What is the number of outside directors?

5. Insider shareholding

a) What is the number shares held by the CEO?

b) What is the number shares held by the insider directors?

c) What is the number of shares held by the outsider directors?

THANK YOU