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CORPORATE GOVERNANCE RATINGS AND CORPORATE GOVERNANCE IMPROVEMENTS (EVIDENCE FROM SAHA RATING AGENCY LISTED COMPANIES)

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Abstract
Corporate governance ratings are becoming powerful source of information for investors, regulators, shareholders and stakeholder on companies' commitment to excellence in its governance practices. The purpose of this study is to empirically investigate corporate governance practice improvements of Borsa Istanbul Stock Exchange listed companies subsequent to every corporate governance rating report and it was intended to identify the prevailing improvements among the shareholders, public disclosure and transparency, stakeholders and board of directors rating criterion. To achieve the objective of the study data were collected from 26 companies and secondary data was obtained from companies' scores disclosed in the annual reports of the SAHA corporate governance and credit rating Inc from the period 2014-2016. Descriptive statistics was carried out. Accordingly the results entail that most of the companies have steadily increased corporate governance scores throughout the study periods for all corporate governance sub components except shareholders right in which its scores was declined during 2015. Moreover, comparatively and in cumulative results, stakeholders right and public transparency and disclosure sub-components were prompted for better improvements in corporate governance scores among the companies selected for this study.

Keywords: Corporate Governance, Corporate Governance Rating Scores.

1. Introduction

In the wake of the Enron and WorldCom corporate scandals, a number of firms began to provide ratings of the quality of companies' corporate governance. These firms claim that their ratings help investors improve the performance of their portfolios by identifying firms with good or bad corporate governance. For that matter, many companies work hard to improve their governance ratings in the belief that doing so will make them more attractive to investors. Subsequently, many rating agencies were emerged in international wide and in national jurisdictions.

Corporate governance ratings are becoming powerful source of information for investors, regulators, shareholders and stakeholder on companies' commitment to excellence in its governance practices. Moreover, it evaluates the interactions between a company's management, its board of directors, shareholders and other financial stakeholders. Because the extent to which a company adopts and conforms to codes and guidelines of good corporate governance practices can be reflected by the award of a corporate governance scores on a scale that can be numeric, letter-based or alphanumeric. It is assumed that the higher the corporate governance score, the good the corporate governance and consequently result the higher the corporate performance.

The study on Slovenia revealed that corporate governance indices were important in measuring and improving governance quality. The results of the research based on the SEECGAN Index methodology indicated that mandatory requirements and voluntary recommendations of high governance standards had a positive impact on the corporate governance practice in the country (Djokić & Duh, 2016)[1]. However, the study aimed by Arioglu, et.al, (n.d)[2] to investigate the market reaction to the increases and decreases in corporate governance ratings of public firms quoted at the Borsa Istanbul, as well as the market reaction to the increases and decreases in the scores for the sub components of the total ratings was come up with unexpected result. Investors reacted negatively to the announcements of both decreases and increase in the overall corporate governance ratings and the scores for shareholders, public disclosure and transparency, stakeholders and board of directors. To the contrary, The Corporate Governance Scores of the Thai Institute of Directors (IOD) shows association with earnings quality. In this study, the firm which has a high IOD score, which means high corporate governance scores, has enhanced earnings quality (Meeampol, Rodpetch, & Srinammuang, 2013)[3]**.**

Likewise, the study findings in Turkish high performing companies and low performing ordinarycompanies score moderate measures of corporate governance. However, the high performing companies in Turkey score higher on the norms of good corporate governance than comparable companies and the differences were statistically significant. Which implies that the Turkish high performing companies apply superior corporate governance practices (Turel, et.al., 2012)[4].This indicates that companies were triggered to see their companies evaluated by the rating agencies. Moreover, companies were initiated for their company evaluation due to the impact of the corporate governance scores on their performance. The study by Javaid & Saboor, (2015)[5] also proved that the corporate governance index score has positive and significant relationship with performance both in terms of accounting and market based measurements.

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Though it is difficult to quantify improvements in shareholder value that is attributable directly to corporate governance improvements and/or good behavior, shareholder engagement and activism on corporate governance issues is a relatively new phenomenon and its impact on corporate behavior has only recently become evident (FTSE Research , 2005)[6]. The findings of Bollaert & Dilé,(2009)[7] also showed that there was an overall improvement in the corporate governance quality of Estonian listed firms between 1999 and 2007. The greatest increase in quality was in accounting quality and in disclosure and transparency. There were however some areas in which progress could be made, such as in the existence of audit, remuneration and nomination committees.

SAHA corporate governance rating is one of the rating agencies reflect the extent to which company's corporate governance practice and policies comply with Organization for Economic Cooperation and Development and Capital Market Board principles such as shareholders, public disclosure and transparency, stakeholders and board of directors which serve the interest of investors, shareholders and stakeholders to examine against the company's corporate governance practices qualities using information obtained from annual reports, interim extraordinary reports, articles of association, shareholders meeting minutes, meeting minutes of board of directors, organizational structures of the company, company's corporate governance compliance reports, ethical codes, disclosure policies, external auditors reports and other source.

Like other corporate governance rating agencies, the SAHA rating has disclosed corporate governance rating reports of numerous companies end of every year. Indeed, it is worthwhile to investigate how the companies were responding to the rating results every year. So far, to the knowledge of the researcher, there is no research output that reveals how the companies reacting towards preceding rating results.

Therefore, this study was aimed to ascertain the corporate governance practice improvements of those listed companies subsequent to every corporate governance rating report. In addition, the study was intended to identify the prevailing improvements among the shareholders, public disclosure and transparency, stakeholders and board of directors rating criterion.

2. Review of Related Literature

2.1 Corporate Governance Rating

Corporate Governance ratings measure the magnitude of what extent the companies are applying Corporate Governance Principles. It is determined by the rating institutions so as to assist for investors, regulators and shareholders to assess the company's compliance with the corporate governance principles as a whole. Various rating methods were used by different rating organization in many countries. Moreover, many researchers have also applied a range of rating methods to evaluate corporate governance practices of the companies.

2.2 Institutional Shareholders Service (ISS)

ISS Corporate Governance Quotient metric was established in June 2002. ISS reports the governance scores in proxy voting reports for its client and these proxy analysis reports are widely disseminated and they find a way into public domain. ISS provides its corporate governance quotient score on a relative percentile basis ranging from 0 to 100. The two main 'raw' scores are derived from 61 governance variables which arise from eight core governance topics; (i) board structure and composition, (ii) charter and bylaw provisions, (iii) audit issues, (iv) anti-takeover practices, (v) executive and director compensation, (vi) progressive practices such as board performance review, (vii) director and officer stock ownership, and (viii) director's education. For the Corporate governance index rating of Financial Times Securities Exchange (FTSE) and ISS have identified a set of five common themes of corporate governance using a wide range of accepted standards and codes. Those themes include board structure, equity structure, compensation, audit process and ownership. To facilitate analytical comparison, each company is scored in relation to its peers according to each of its five themes. Within each theme, companies are ranked by their total scores and then allocated a number between one and five. Five is associated with a high rating, and one is associated with a lower rating with the top performing quintile given a rating of five, and the lowest performing quintile given a rating of one (Beckley & Wu, 2006)[8]

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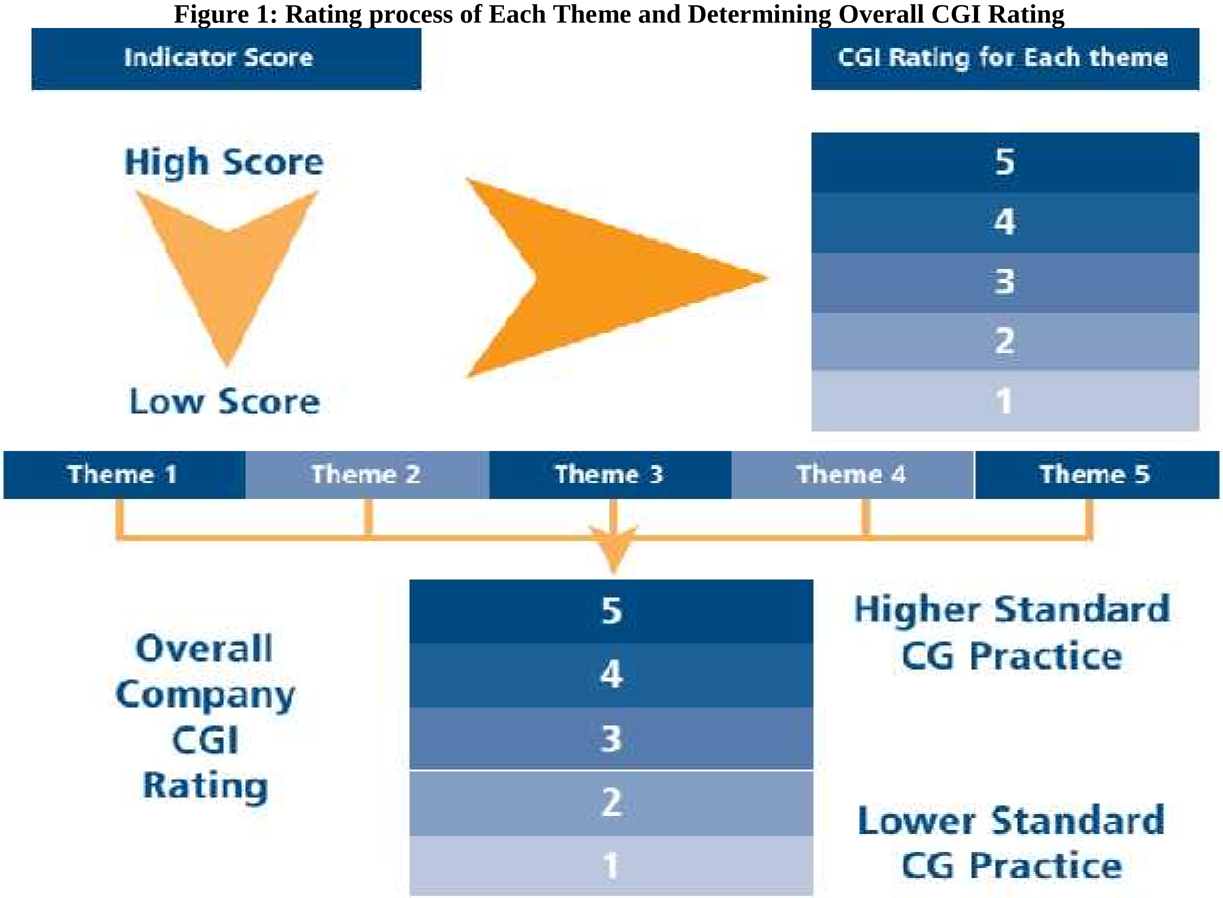
Figure 1: Rating process of Each Theme and Determining Overall CGI Rating



Source: (FTSE Research , 2005)[9]

2.3 Governance Metrics International (GMI)

GMI overall global rating is derived from 600 variables, extracted from securities regulations, various codes of best practices, and exchange listing requirements. GMI generates a basic rating for all subscribed companies. The 600 variables are objectively structured to generate a yes, no, or undisclosed as possible answers. Information is gathered from public sources such as regulatory filings, company websites, news services, certain specialized websites and the Dow Jones Global Industry Classification System. The GMI rating methodology like the other rating institutions gathers information about a firm across seven categories; board accountability, financial disclosure and internal controls, executive compensation, market for control and ownership base, reputational and socially responsible investment issues, corporate behavior, and shareholder's rights. These categories are further divided into subsections and each individual metric is assigned a numerical value. The collected data becomes an input for a relational database from where GMI sends the data entry reports to subscribed companies for a final accuracy check. The last step is to use company-adjusted data to run a propriety scoring model which calculates the ratings. The scoring model assigns ratings from 1 (lowest) to ten (highest). GMI scores are also assigned relatively. GMI ratings are relative to the entire GMI universe and also against other firms in the same country. A total of fourteen scores are assigned to each firm. For each of the seven categories discussed above, GMI assigns two ratings; one is the global rating and second is a separate score for each category. Due to limitations of data availability, we only use overall global ratings in our analysis (Anderson, 2003)[10].

2.4 ASEAN Corporate Governance Scorecard

To maintain the objectivity and independence of the methodology, the ACMF has enlisted corporate governance experts in the region to develop the Scorecard and assessment criteria. The experts for the initiative were chosen based on their experience in corporate governance ranking initiatives in their own countries and their recognition as authorities in the area of corporate governance.

The OECD Principles of Corporate Governance (OECD Principles) were used as the main benchmark for developing the Scorecard, given its global acceptance by policymakers, investors and other stakeholders.

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Consequently, many of the items in the Scorecard may be best practices which go beyond the requirements of national legislation.

The Scorecard covers the following five areas of the OECD Principles

Table 1: Corporate Governance Scorecard and Weight

Corporate Governance Scorecard	No of Items /Descriptors	Weight
A. Rights of shareholders	26	10%
B. Equitable treatment of shareholders	17	15%
C. Role of Stakeholders	21	10%
D. Disclosure and Transparency	42	25%
E. Responsibilities of the Board	79	40%
Total Items & Weightage of Sections in Level 1	185	100

The use of two levels of scoring is designed to better capture the actual implementation of the substance of good corporate governance with 253 variables. Level 1 comprises of 185 descriptors/items that are in essence indicative of (i) the laws, rules, regulations and requirements of each ASEAN member country, and (ii) basic expectations of the OECD Principles. Level 2 consists of 68 (i) bonus items reflecting other emerging good practices, and (ii) penalty items reflecting actions and events which were an indicative of poor governance.

2.5 Standard and Poor's (S&P)

S&P assesses a company's Corporate Governance Scores (CGS) based on the interactions among management, the board of directors, and financial stakeholders, but it emphasizes interactions with shareholders. The purpose of the S&P CGS is to enable senior management and directors to benchmark their own corporate policies. However, the assessment can be done on a public or confidential basis and involves the analysis of public and non-public information, as well as, meetings with directors and senior management.

After meeting with a company's management and directors, and grading their responses based on OECD's "Principles of CG" and other criteria, S&P assigns an overall CGS to the company plus a score for each of the four separate components. They use a grading scale of 1 (lowest) to 10 (highest), unless a company refuses to provide meaningful information, in which case the company receives a "zero".

2.6 SAHA Corporate Governance Rating

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various Professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high- level bodies. Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Holding's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors. Based on these principles, the SAHA Corporate Governance Rating methodology comprises around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles.

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To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:
Shareholders:……………………………………..25%
Public Disclosure and Transparency……………….25%
Stakeholders:……………………………….......15%
Board of Directors…………………………………35%

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub- section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well (SAHA, 2015)[11].

Table 2: Rating Definition

Rating	Definition
9 - 10	The company performs **very well** in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs **well** in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the ISE Corporate Governance Index on the highest level.
6	The company performs **fair** in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs **weakly** as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs **very weakly** and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

Source: SAHA Corporate Governance and Credit Rating Service Inc.(2015)

2.7 The Corporate Governance Index for Trinidad & Tobago (CGITT)

The Corporate Governance Index for Trinidad & Tobago (CGITT) was constructed for the firms listed on the Trinidad & Tobago Stock Exchange (TTSE). The CGITT rates from 0 to 100 where higher values indicate better corporate governance with the intention to assist investors and to encourage firms to practice proper corporate governance system. The CGITT uses these to construct the index so that both the investors and the firms themselves can easily evaluate the firm's corporate governance framework whether it has limitations relative to what the regulators expect to be in practice. Most of the of the rating agencies collect the information for the index from public sources including the Annual Reports of companies, their disclosed financial statements, information listed on the stock exchange website and on their own company website and from the newspapers. However, it is impossible to evaluate to companies operating in less developed countries where information lacks accessibility, self-evaluation and non-response Therefore, many studies make use of surveys targeted at firms to formulate corporate governance indices to excel the response rate advantages. It is for these reasons that the Corporate Governance Index for Trinidad & Tobago is constructed using only information from public sources. The index was constructed using 93 questions for non conglomerate firms and 95 questions for conglomerate firms. The statements were all stated in interrogative forms (Yes or No).

In addition the CGITT is questions were grouped into five sub indices which measure the major components of corporate governance:

Table 3: Corporate Governance Sub-indices and Weight According To CGITT

S. No	Corporate Governance sub-indices	No of questions	Weight
1	Board Responsibility	30	30%
2	Board Structure	10	15%
3	Shareholder Rights	8	20%
4	Transparency & Disclosure	31	20%
5	Audit Committee	14	15%

The weights were used to indicate the importance of each of these components to the overall CGITT. The weights were given according to their relative important to corporate governance (Tu, Khanh, & Quyen, 2014)[12]and (Ramlal, n.d)[13]

3. Methodology
This study is conducted based on secondary data

3.1 Sampling Methods
The total numbers of companies displayed in the website of SAHA Rating Agency during May 2017 were 52 companies but only fifty per cent of the companies which mean twenty six companies were selected purposively for the study for the fact that those companies were having three years consecutive data (2014-2016).it has been also evidenced that those companies were listed in Borsa Istanbul Stock Exchange. The other twenty six companies were excluded from the study because those companies include either only insufficient data or include data out of the interested periods. During 2014 to 2016, the SAHA rating methodology was applied those twenty six companies.

3.2 Data Collection Techniques
In this research the secondary data was utilized which was obtained from company scores disclosed in the annual reports of the SAHA corporate governance and credit rating Inc. and listed in Istanbul Stock Exchange from the year 2014 to year 2016. These reports were acquired from the official site of rating agency (http://www.saharating.com /~saharati/en/ services/corporate-governance-rating/corporate-governance-ratings/) and Exchange Commission of Turkey from Borsa Istanbul Stock Exchange. These annual reports comprise corporate governance ratings in which disclose their compliance with principles of the OECD as well as the Capital Markets Board’s (CMB) Corporate Governance Principles classified into shareholders, public transparency and disclosure, stakeholders and board of directors. Each company scores in each of the four attributes were extracted from the rating reports for the consecutive three years (2014-2016).

3.3 Statistical Tools
The collected data from secondary sources were analyzed using descriptive statistics such as means, standard deviation and variance analysis. To see whether the corporate governance ratings were changed through time or not was analyzed using standard deviation and the improvements or the decline in the corporate governance ratings of each rating components were explored using their variances over time.

4. Results and Discussion
Obviously, corporate governance rating grade shows to what extent the companies comply with the corporate governance principles set out by the Capital Market Board (CMB) and the Company’s compliance level with the principles was definably measured with methods under the main titles Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors. Within this context, each company rating reports was published every year by SAHA corporate governance rating and credit rating Inc. Hence, this study provoked two basic questions to answer in relation with corporate governance rating. Firstly, does the preceding period corporate governance rating results lead to improve or decline the corporate governance practice of recent year? Secondly, which corporate governance rating sub-component tends to change either improves or decline?

To answer the two prominent questions the gathered data were organized and presented in the below table and analyzed as follows.

Table 4: Mean, Standard Deviation, Minimum and Maximum Corporate Governance Scores

Year	Rating Components	Mean	Std. Dev.	*Improvement /Decline %	Min	Max
2014	Shareholders	91.16	3.96		83.3	95.86
	Public Disclosure & Transparency	93.08	3.64		78.9	98.21
	Stakeholders	94.71	3.57		84.35	98.6
	Board of Directors	89.41	2.16		85.55	93.46
2015	Shareholders	90.74	4.21	-0.46	84.09	95.86
	Public Disclosure & Transparency	94.2	3.73	1.20	82.13	98.55
	Stakeholders	95.23	3.02	0.55	86.78	99.41
	Board of Directors	90.84	1.65	1.60	85.99	93.08
2016	Shareholders	91.19	4.32	0.50	83.62	97.32
	Public Disclosure & Transparency	95.18	2.52	1.04	88.3	98.55
	Stakeholders	96.41	2.52	1.24	91.34	99.51
	Board of Directors	91.2	2.23	0.40	85.99	97.72

Note: *Improvement/decline calculated as $\left(\frac{\text{Previous score} - \text{current score}}{\text{Previous Score}} x100\%\right)$

Table 4 presents descriptive statistics on governance scores of 26 companies listed in Borsa Istanbul stock exchange and rated by SAHA corporate governance and credit rating Inc. during 2014-2016.

Data in relation to overall of corporate governance scores for the year 2014 show that the highest score achieved by firms was 98.6 out of 100 points to stakeholders and the lowest score was 78.9 entailed with public disclosure and transparency sub components for all number of firms. During the same period, each sub components mean scores for shareholders, public disclosure and transparency and disclosure, stakeholders as well as board of directors revealed as 91.16, 93.08, 94.71 and 84.41 and standard deviation values of 3.96, 3.64, 3.57 and 2.16 respectively. These results suggest that there is no wide range of mean scores and most companies scored at the higher end because the mean difference between the highest score and the lowest scores are only 5.3 points. However, relatively companies were achieved on average the highest corporate governance score on stakeholders (94.71) and the lowest score (89.41) on board of directors.

During 2015 the highest mean score prevails to stakeholders' right at 95.23 and its standard deviation was 3.02. On the opposite shareholders right component has a lowest mean score of 90.78 and standard deviation of 4.21.The other components mean scores and standard deviations were also appeared to be 94.2 (SD.3.73), 90.84(SD.1.65) for public disclosure and transparency and board of directors respectively.

Finally during 2016 the mean score and standard deviation of shareholders right, public disclosure and transparency, stakeholders right and board of directors responsibilities were revealed 91.19,(SD. 4.32), 95.18 (SD.2.52), 96.41 (SD. 2.52) and 91.20 (SD. 2.23) respectively. This indicates that all scores reflect that the companies were practicing corporate governance at higher quality standards according to the decision rule of the rating agency. However, the relative comparisons among the sub-component scores show that stakeholders' right (96.41) has the highest scores and shareholders right (91.19) has the lowest scores.

Overall, companies' corporate governance scores were showing improvements comparing with previous year scores. Particularly, components such as public disclosure and transparency, stakeholders' rights and board of directors' responsibilities have shown improvements by 1.2%, 0.55% and 1.60% correspondingly during 2015. Whereas the shareholders right score was decreased by 0.46% during the same period. This indicates that companies were utilizing the corporate governance scores of the previous years to improve the subsequent period's quality of their corporate governance. Considering 2014 as a base year, the highest improvement was shown in board of directors' responsibility (1.60%) score and the lowest improvement in shareholders right (-0.46%).

Regarding the improvements of corporate governance practices during 2016 comparing with the previous year scores, all components of corporate governance ratings has shown improvement. The highest score increment (1.24%) was associated with stakeholder right and the lowest percentage increase (0.40%) in score was regarded with board of directors' responsibilities.

When we compare the corporate governance scores of the companies throughout the three consecutive years, the companies tally under the stakeholders' right heading was the highest consecutively for three years followed by public disclosure and transparency which was reflected in their mean scores of the former 94.71, 95.23, 96.41 for the years 2014, 2015, and 2016 respectively. On the contrary, shareholders right and board of directors' responsibilities attained comparatively lower scores for the former (91.16, 90.74and 91.19) as well as (89.41, 90.84, and 91.20) for the later throughout the three years.

In general it can be inferred that the preceding years corporate governance scores leads for the improvement of the subsequent corporate governance practice. This in return resulted from the positive outcomes experienced from each element of each sub components. This means the remarkable changes in quality of corporate governance shareholders right comes from the improvements on facilitating the exercise of shareholders' statutory rights, shareholders' right to obtain and evaluate information, protection of minority rights, the right to participate in the general shareholders' meeting, voting rights, dividend rights and transfer of shares on practice. Likewise, the scores on public disclosure and transparency could be attained if and only if principles and means for public disclosure put in place and corporate web site, annual report, external audit were enabling shareholders and stakeholders' access accurate, timely and relevant information.

On the other hand, betterment of corporate governance scores pertaining stakeholders could also resulted from the improvements in company policy regarding stakeholders, stakeholders' participation in the company management, and company policy on human resources, strategic relations with customers and suppliers and promotion of ethical rules and corporate social responsibility. Moreover, board of directors could discharge their corporate responsibilities in proper manner and enhance their corporate governance scores whenever functions of the board of directors, principles of activity of the board of directors, structure of the board of directors, meetings of the board of directors, committees established within the board of directors, and remuneration of the board of directors and senior management were practicing according to prescribed principles , rules and regulations.

5. Conclusion and Suggestion

5.1 Conclusion

According the above analysis this research is come up with the following conclusions.
Most of the companies have steadily increased corporate governance scores throughout the study periods for all corporate governance sub components except shareholders right in which its scores was declined during 2015. However, the magnitude of improvements among sub-components of corporate governance was not proportional. Comparatively and in cumulative results, stakeholders right and public transparency and disclosure sub-components were prompted for better improvements in corporate governance scores among the companies selected for this study. In other words, most of the companies were implementing the corporate governance principles mainly concerned with stakeholders' right and public disclosure and transparency.

5.2 Suggestions

Many investors believe that investing in quality growth companies with good governance practices is a key for generating long term sustainable investment returns and improve downside risk protection. As a result investors often look for reliable and relevant information which promotes their investment decision. Shareholders as well as stakeholders also demand information that enables them to view treats and opportunities come across on their interest. On the other hand corporate board of directors and senior management also need external evaluation of their firms to maintain confidence on their shareholders and stakeholders. Therefore, the independent rating agencies should strive to provide relevant and reliable information regarding corporate governance practices of companies for the interested parties.

The conclusion indicates that the companies are respecting the rights of stakeholders almost approaching to optimum level. However, equivalent treatments should be also given to shareholders who solely bear the risk of the company. Hence, board of directors and company senior managements should promote the improvement corporate governance practices with respect shareholders considering the feedbacks provided by the rating agencies.

On the other hand, the rating agencies should also provide substantial information to the companies which will show the implications of the rating results on enhancing future prospects and company value in addition to disclosing the rating results.

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