EXPLORING THE CORPORATE GOVERNANCE AND RISK MANAGEMENT DISCLOSURE PERFORMANCE NEXUS IN ISLAMIC BANKS: AN EMPIRICAL ANALYSIS

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I. INTRODUCTION

Financial failures are always linked to issues of corporate governance (CG) as the latter is continuously perceived being the triggering factor for such fallout. Being inadvertently famous for its adverse effects, CG is also associated with, and has implications on, risk management (RM) practices of corporations. The global financial crisis in 2007 demonstrated the importance of CG and RM for banks as well as corporations and also highlighted the importance of the ethical formulation of such practices.

One of the most profound traits of Islamic Banks (IBs) is its ethical foundation, and ethicality in contemporary times is not limited to the ethical nature of businesses but also the disclosure of activities as stipulated by international agencies. The disclosure approach is often used to validate information as communicated through mediums such as the banks' Annual Reports (AR) to help improve the stakeholders' understanding of the banks' nature of businesses, current, and future plans, thus strengthening the banks' credibility. Ethicality is perceived as IBs' trademark of which pertinent information for stakeholders and shareholders in the decision-making processes are to be revealed as required by the Islamic principles. In an attempt to contribute to the literature on corporate governance (CG) and risk management (RM), the disclosure approach is used to examine the relationship between them besides gauging the acceptance of the framework and practices while identifying the significant components that have the most influence on CG and RM.

The paper aims at analysing the relationship between CG and RM disclosures through the information communicated in their ARs whereby the disclosure levels of these two variables are measured through disclosure analysis by developing specific indices for CG and RM. This paper, hence, aims to examine the correlation between CG and RM by identifying

disclosure levels within their individual dimensions. It is also an attempt to examine the type of correlation between CG and RM to identify whether there is a positive or negative relationship between the two. Furthermore, a regression analysis was conducted to locate the determinants of CG and RM disclosure performance in which individual index dimensions were considered as an independent variable. To achieve the stated aim, this study analyses 153 annual reports (ARs) from 54 Islamic banks (IBs) between 2007 and 2012 (2007, 2009, 2010, 2012). Data collated through the ARs of the sampled IBs were analysed through content analysis. The collected data were used in two extensive and detailed indices, which were constructed to capture the CG and RM practices of IBs.

The research is rationalised on the assumption that there is a relationship between CG and RM on the ground that good practice concerning RM disclosure should be the result of good practice in CG performance. Hence, this study aims to test the hypothesis that there is a positive correlation between CG and RM disclosure levels in the IB sector.

The overall findings of the study reveal two important results: most IBs have poor scores in Shari'ah compliance and Shari'ah governance. Poor scores are also revealed in other dimensions such as ethics, audit, and b, composition. Risk management, on the other hand, depends very highly on reporting and disclosure. Secondly, CG and risk management disclosure levels do not have a strong correlation. Thirdly, regression results show that the Shari'ah dimension has a very high influence on the CG performance, while reporting and risk management control are significant components of the RM disclosure

The rest of the paper is organised as follows: Section 2 presents a literature review to identify the context and the observed gap in the literature, while Section 3 renders a detailed research methodology section which summarises the data generation process for CG and RM through disclosure analysis. Section 4 presents the descriptive findings on the disclosure performance for CG and RM at the bank and country level, while Section 5 presents detailed analysis and findings from the CG and RM disclosure performances. Section 6 extends the analysis into regression analysis to explore the impact of the individual dimensions on CG and RM indices' scores. Section 7 presents some reflective discussions on the results and Section 8 brings the paper to a conclusion.

2. LITERATURE REVIEW

Beyond the prevailing theories on CG, there is another strong fundamental principle that is governance related. Disclosure, which hinges on human behaviour, to a certain extent has implications on the perception of corporate governance. Although transparency has been lobbied pervasively, it is revealed that disclosure is quite a problematic issue and not easy to overcome as stressed by (Forker, 2012), the quality of disclosure is quite a concern and being debated in the UK.

Damagum and Chima (2013) divide disclosure into two: mandatory disclosures which are statutory disclosure, and voluntary disclosures as information that is in excess of disclosure requirements. Similarly, Meek *et al*. (1995:555) see voluntary disclosures are "representing free choices on the part of company management to provide accounting and other information deemed relevant to the decision needs of users of their AR" of which, Damagum and Chima (2013:166) views that the voluntary disclosure emanates from the fact that financial reports must meet the needs of the various users and be able to serve as a basis for investment decisions for the stakeholders.

The earlier work on disclosure mostly focused on corporations with respect to corporate governance. A study by Wallace (1988), for instance, looks at disclosure in terms of their mandatory requirements. His study which is based on the characteristics of Hong Kong–listed companies shows that the difference in terms of disclosure is affected by culture. Based on the scoring of ARs disclosure, he developed a disclosure index of which the outcome reveals culture as an important factor that triggers the difference[1] between the disclosure levels between countries[2]. Wallace's (1988) study also provides a basis that firm-specific factors help explain the variation in disclosure, besides stressing the role played by the environment of financial reporting which speculates on corporate reporting. He mentions that either the comprehensiveness of the reporting or the mandatory disclosure affects investors, rather than business dealings. He explains that the social aspect of the unification has a chain effect on investors through corporate reporting that affects investments.

Similarly, using the disclosure index which is developed in his research on public-listed companies, Owusu-Ansah (1998) investigates the adequacy of disclosure practices on

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[1] Hong Kong–listed companies provide mandatory information in a comprehensive manner in their ARs
[2] People's Republic of China (PRC) and Hong Kong

mandatory information by the companies on the African stock exchange. He assesses the 'stringency' of the mandatory disclosure of the regulated companies by the regulatory regime of that market and examines the relationship between mandatory disclosure and CG attributes such as ownership structure, audit quality, and company age, among others.

In shifting the focus on corporate accounting, Haniffa, and Cooke's (2002) study indicates that the interaction of environmental factors influences disclosure practices with regards to corporate governance. This is in line with a recent study by Darmadi (2011), who examined the disclosure level on CG through ARs of IBs. Based on his findings on disclosure, he views that board members and risk management aspects are strong while internal controls and board committees are weak. Haniffa and Cooke (2002) use content analysis to develop a disclosure index to examine companies' ARs to study the linkages between CG variables. They reveal that some firm-specific factors could affect disclosure. They mention the importance of CG and cultural characteristics as they highlight that disclosure in ARs (of Malaysian listed corporations) could possibly determine the disclosure of the corporations. In their study which uses a disclosure approach to examine ethicality disclosure, Haniffa and Hudaib (2007) use ARs in empirically examining disclosure levels in IBs concerning CG aspects. Based on disclosure, the study which analyses the gap between the ideal and communicated information from the IBs' ARs reveals some disparity in the result as far as IBs ethicality is concerned.

3. RESEARCH METHODOLOGY AND EMPIRICAL PROCESS

As evidenced in recent years, the use of content analysis and its significant issues has been discussed by several studies (Beattie, 2005). Content analysis is a widely used method of analysis in financial accounting research (Beattie; 2005). Using content analysis in its disclosure analysis, this paper examines the relationship of CG-RM based on the information provided by IBs through their communication aspect. It utilises secondary data from the sample IBs' ARs to gauge how much information the banks disclosed in relation to best practices.

Based on banks' best practices, a total of 135 qualifying statements[3] are developed (see Appendix 2). These qualifying statements, tabulated into worksheets represent the model for CG and RM. The worksheet (see Appendix 1) comprises 9 themes which are grouped into 15

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[3] The qualifying statements are constructs, thus are used interchangeably.

dimensions. There are 8 and 7 dimensions with 75 and 60 constructs for CG and RM respectively. Thus, any individual bank with an index score of 135 has the highest disclosure and vice versa.

Through the content analysis approach, information from the ARs is scanned and read through. The index for the respective CG and RM is constructed based on the information that IBs released in their ARs. The information from ARs is mapped against the qualifying statements to see whether they are qualified as pertinent information as far as disclosure is concerned. The information is tabulated, scored, and recorded in the worksheet.

A total of 53 IBs[4] are taken as a sample to represent different regions. In terms of sampling, the IBs are chosen based on the criteria that they; are Islamic financial institutions, published ARs in English, have ARs from the specific years as per the research's requirement. Thus from the 53 IBs, the secondary data is obtained from a collection of 182 published ARs over 4-year period, between 2007, 2009, 2010[5], and 2012[6]. For IBs that do not have ARs for the above specified years, the ARs for the years between 2003 and 2012 are used. It is important to note that non-standardization in terms of means of communication affects the efficiency in the collection of secondary data. Although most data are obtained from the ARs that are published online on the individual IB's website, analyses on CG and RM are also based on data that is compiled from financial statements and risk management reports. Data is also compiled from other sources such as IB magazines, online articles, and web-pages to help support information gathering.

As mentioned, this study uses content analysis qualitative research techniques in conducting disclosure analysis. Using ARs as its secondary data, the research ensures reliability and validity via coding, which is part of the content analysis of which, requires ARs to be read with emphasis placed on CG and RM-specific aspects. During the coding process, information obtained from the ARs is checked against the construct. If the data can be mapped, that means the specific data is disclosed as spelt out by the best practices.

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[4] See Table 3 for sample banks
[5] ARs for year either 2010 or 2011.
[6] Different IBs have ARs of different years (depending on AR's availability) although ARs for years 2007, 2009, 2010, 2012 are preferred. Else IBs with a minimum of 1 and maximum of 4 ARs for years 2003-2012 are considered.

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Then the scoring is done of which, each item is scored dichotomously; 1 if present or 0, otherwise. The scoring is additive in nature and the index is constructed. based on a weighted average, as simplified below:

$$Index_j = {}^{n}_{j}\sum_{t=1}X_{ij}/n_j \qquad\qquad (1)$$

where,

Index_j is the index, n_j is the number of constructs disclosed by j^{th} IB, $n_j <= 135^{7}$, and $x_{ij} = 1$ if i^{th} construct is disclosed (0 if i^{th} construct is not disclosed), so that $0 <= I_j <= 1$.

This model is identical to the one developed by Haniffa and Hudaib (2007). Generally, an index is derived by considering its total score, which is divided by 135 *i.e.* the total number of constructs. The sample mean disclosure for each dimension is derived by summing up the index of each individual bank divided by the sample size, which is 53. The scores obtained by each IB are recorded in the respective bank's table (Appendix 2 is used as a template). The table shows scores for each year of the ARs (depending on how many ARs each bank has) where the bank's score for each year is added up to give the individual IB its total scores for all the years.

Each IB's total score is calculated based on the above formula and is split according to the dimensions. To derive the 'Dimension Index' (D), the score of each dimension is divided against the total constructs of that dimension. Then the index is tabulated by taking into account the total number of ARs the IB has.

3.1. Constructing the CG Index

The construct of CG Index (CGI) is based on the total scores the bank obtains in its dimensions from D1 through D8 against the total number of constructs, totalling 75 taking into account the number of years (of the ARs). This construct applies to each individual sampled bank in each individual sampled country, referred to as the 'Bank CG Index'. The mean Bank CG Index is derived by adding up the CGI for all the banks divided by the number of banks.

The CG index is also constructed for each country, referred to as the 'Country CG Index'. The Country CG Index is constructed based on the total scores of each individual bank

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[7] Because in the example, three banks are used.

obtained for dimensions D1 through D8, considering the number of its ARs. For example, if the bank has a 4-year of ARs then all the scores for the 4 years are added up. Then each individual bank's total score is added up giving a country CG score. The country CG score is divided by the total number of qualifying statements (which is 75) for x year of AR. This means that if there are three banks in the country and each bank has 4-years of ARs then the denominator will be 75 multiplied by 3^8 then multiply by 4^9 which results in 900.

The mean Country CG Index is derived by adding up the CGI for all the countries divided by the number of countries.

3.2. Constructing the RM Index

The RM Index (also is referred to as the Bank RM Index or RMI) is developed based on the same formulation as CGI. Except that the total number of QS is 60 for RMI (instead of 75). The RMI is constructed based on the total scores the bank obtains in its D9 through D15 dimensions against the total QS in dimensions D9 through D15, which totals to 60, taking into account the number of ARs for the sampled years.

The RMI is constructed for each bank. The mean Bank RMI is derived by adding up the RMI for all the banks divided by the number of banks, which is also constructed for each country, referred to as Country RM Index.

Similar constructs apply to the RM Country Index except that the total QS is 60 instead of 75. The Country RM Index is constructed based on the total scores each individual bank obtains in dimensions D9 through D15, taking into account the number of years, where if the bank has a 4-year series of ARs then all the scores for these 4 years should be added up. This construct applies to each individual bank in the country where each individual bank's total score is added up to give a country RM score. The country RM score is divided by the total QS (which is 60) for x series of years. This means that if there are 3 banks in the country and each bank has a 4-year series of ARs then the denominator will be 60 multiplied by 3 (*i.e.* banks) and 4 (*i.e.* years) which results in the denominator being 720. The mean Country RM Index is derived by adding up the RMI for all the countries divided by the number of countries.

Scale of Disclosure

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[8] Because in the example, three banks are used.
[9] Because in the example, four years of ARs.

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Each index is categorised based on a scale from 1 to 0 (1 represents the highest disclosure, 0 for non-disclosure). The scoring method is in line with a study by Hasan (2011) on Shari'ah governance. Thus, this paper should be considered as part of the emerging research by expanding the practice of research. The classification for each disclosure index is as follows:

0.90 <= very high <= 1.0;

0.70 <= high < 0.90;

0.60 <= moderate < 0.70;

0.50 <= low < 0.60 and;

0 <= very low < 0.50.

4. DESCRIPTIVE EMPIRICAL FINDINGS ON THE DISCLOSURE PERFORMANCE

Since the objective of this paper is to explore how CG could relate to RM and *vice versa* in terms of relationship, this section aims to provide bank and country-level overall results. This section presents the disclosure analysis results for CG and RM, initially, through their individual dimensions. The examination of ARs, which is based on 15 dimensions compounded by the 9 underlying themes, is done thematically. The findings of CG disclosure are discussed based on dimensions (D1-D8) followed by the findings on disclosure of RM based on dimensions (D9 - D15).

4.1. Findings on the CG Disclosure - Overall Results for CGI

The disclosure performance on CG is estimated initially for each of the CG dimensions. It is based on the score of each dimension of CG that the CG index (CGI) is constructed. The overall result on CGI at the bank level is presented below, followed by the CGI results of disclosure at the country level.

Bank Level

The overall findings of the CGI for dimensions at bank level are depicted in Table 1, which shows that the mean disclosure for overall CGI is 0.25%, which is unjustifiably low considering that CG is the key aspect of the bank's strategic direction which encompasses the overall mission and operations. This is explained somewhat by the fact that CG may have not been widely adopted by IBs, and thus disclosure in relation to its principles may not occur in

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a short period of time. In addition, the political economies of the countries where IBs operate have not essentialised CG as an important structural matter.

As presented in Table 1, 3 IBs have 'high' scores on CGI disclosure. These are ABIB, BIMB, and KFH, which score between 0.79 to 0.74. It may imply the existence of a CG structure that has been in place and being adhered to by these banks. ABIB and BIMB score very highly under the board theme, while KFH demonstrates very high disclosure under the *Shari'ah* theme.

As can be seen, CIMB, JDIB, and BISB are among the 6 IBs that are classified as having 'moderate' disclosure with a score in the range of 0.66 and 0.60. Despite the 'very high' disclosure under the board theme, CIMB and JDIB's performances in overall CGI are just moderate due to their very poor scores in *Shari'ah* compliance and ethics respectively. As for BISB, it is consistently moderate in all dimensions but performs comparatively high in *Shari'ah* governance, except for in the audit and ethics dimensions. Ithmaar's performance in disclosure is quite consistent throughout the dimensions except for its relatively low disclosure under *Shari'ah* governance.

Table 1: Overall Bank Level Results for all the Dimensions

Bank	Index	Bank	Index	Bank	Index	Bank	Index	Bank	Index	Bank	Index
ABIB (Bah.)	0.793	HLIB	0.560	Hilal	0.407	Eskan	0.270	DIB	0.130	Emirates IB	0.070
BIMB	0.767	Khaleeji	0.553	ADIB (Abu Dhabi IB)	0.400	Asya	0.263	Kuveyt Turk	0.123	Kuwait Int.	0.053
KFH (Bah.)	0.740	BNI Syariah	0.551	ABCIB	0.370	AlRajhi	0.250	Jadwa	0.120	Al-Shamal	0.053
CIMB	0.667	As-Salam	0.483	BLME	0.340	Meezan	0.233	Shah Jalal	0.120	IBB	0.050
JDIB	0.633	EIIB	0.467	Capinnova	0.324	Bujr	0.200	Faisal(Sud.)	0.116	AlBaraka (Sud)	0.040
Bahrain Isl.	0.633	AlBaraka	0.463	QIB	0.307	BSM (Bank Shariah Mandiri)	0.190	Al-Arafah	0.113	Boubyan	0.030
RHB	0.610	Affin	0.458	AlJazira	0.300	IIAB	0.187	QIIB	0.107	Tadamon	0.027
JIB	0.607	Muamalat	0.437	Islami Bank Bangladesh	0.293	Al-Falah	0.153	IBQ	0.100	Faisal(Egy)	0.027
Ithmaar	0.597	Gatehouse	0.407	Alinma	0.271	Rayan	0.137	AlBaraka (Egy)	0.093		

Mean = 0.32

HLIB, Khaleeji, and BNI Shari'ah are the 3 IBs that have 'low' disclosure indices. HLIB's performances in the disclosure are high and quite consistent throughout the dimensions

except for disclosure under the *Shari'ah* theme which is very poor. This is quite similar to Khaleeji. As in the case of BNI *Shari'ah*, its low disclosure results come from *Shari'ah* compliance.

Banks from the 'very low' disclosure index group such as EIIB and Al Baraka demonstrate very poor disclosure on *Shari'ah* compliance. This is not unexpected, as EIIB has to adhere to FSA guidelines on top of its compliance list despite being an Islamic institution. Al Baraka Turk, on the other hand, does not reveal any disclosure in the *Shari'ah* dimension. Quite interestingly, it is noted that, even though Al Baraka Turk does not reveal its Islamic practices in view of it being imposed upon by tentative social pressure, this could also imply that observing Islamic practices may possibly act as a detriment that induces negative perception towards religiosity in Turkish's society, hence evidencing very poor disclosure on *Shari'ah* compliance.

Country Level

Similar to the bank-wise disclosure, having the mean index disclosure for the overall-country index at 0.25% for all the dimensions is very low. As presented in Table 2, there are no countries with 'very high' disclosure in the CGI dimension. Being in the 'high' disclosure group in the overall CGI, Malaysia's top position is contributed by its high scores especially in board leadership, board composition, and board meeting dimensions. This reflects very high government intervention in the bank's regulations. This could be reflected in the form of a strict regulatory framework enforced by the government on board-related matters.

Table 2: Overall Country Level Results for all the Dimensions

Country	Overall CGI	Country	Overall CGI	Country	Overall CGI
Malaysia	0.620	Turkey	0.283	Bangladesh	0.152
Bahrain	0.520	Saudi	0.233	Sudan	0.065
Jordan	0.508	UAE	0.216	Egypt	0.060
Indonesia	0.378	Pakistan	0.196	Kuwait	0.040
UK	0.303	Qatar	0.166	Yemen	0.027

Mean: 0.25

The remaining 10 sampled IB countries or 79% of the sampled countries are considered as scoring 'very low' in the overall CGI dimension, the scores ranging between 0.45 and 0.05. The sample shows that the countries' mean CGI disclosure is 0.28, which is quite low despite many discussions in the literature of its significance. The low CG disclosure is mainly

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affected by 3 dimensions: *Shari'ah* compliance, ethics, and *Shari'ah* governance, all of which demonstrate 'very low' mean scores of 0.12, 0.17, and 0.28, respectively. The 'low' disclosure of these dimensions is mainly contributed to by countries such as Kuwait, Saudi Arabia, and Qatar, apart from Bangladesh and Turkey. This could possibly indicate quite a lax commitment by the governments and the IBs themselves.

Countries such as Indonesia, Turkey, Saudi Arabia, UAE and Pakistan demonstrate 'very low' disclosure in their overall CGIs with the sampled IBs drawn from these countries. In general, the banks do not have strict regulatory guidelines that enforce them to work towards CG compliance. Saudi Arabia for instance, might not have streamlined directives between the regulators thus an implementation of CG best practices may be hard to achieve. As for the UK, the disclosure level seems to be quite encouraging despite its strong commitment to comply with regulatory bodies such as the FSA first.

4.2. Findings on the RM Disclosure - Overall Results for RMI

The disclosure on RM is done initially on each of the RM dimensions. It is based on the score of each dimension of RM that the RM index (RMI) is constructed. The overall result on RMI at the bank level is presented below, followed by the results on disclosure at the country level.

Bank Level

As shown in Table 3, the modest mean disclosure of 0.57 for overall risk management disclosure performance is very much affected by the scores from the banks in the 'very low' disclosure group. Boubyan, Meezan, Shah Jalal, JDIB, Jadwa, JIB, DIB, Islami Bank, Kuwait Int, and BNI Shari'ah are among the 28% (13) of the banks in the 'very low' group whose scores are in the range 0.45 to 0.01.

Table 3 shows that only one bank scores 'very high' while 17 banks are classified as 'high'. A total of 12 banks have 'moderate' scores and the remaining 5 banks indicate 'low' scores in overall risk management disclosure. Looking at the 'high' disclosure index of 0.91, this may imply that CIMB and other banks with 'high' disclosure, such as BIMB, EIIB, HLIB, ABIB, and RHB use disclosure as one of their strategies to increase the banks' access to capital markets. To a certain extent, this may imply that these banks have very strong market discipline, hence 'high' risk management disclosure is observed in this group. Theoretically, disclosure enhances the attractiveness of the banks' shares to current and prospective

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investors. Beyond this, investors can reduce their costs of information seeking to pertain to the banks.

Table 3: Overall Bank Level Results for all the Dimensions

Bank	Ov.RMI	Bank	Ov.RMI	Bank	Ov.RMI	Bank	Ov.RMI	Bank	Ov.RMI	Bank	Ov.RMI
CIMB	0.908	Affin	0.789	KFH (Bah.)	0.688	Eskan	0.625	Boubyan	0.446	AlBaraka (Egy)	0.300
BIMB	0.888	BLME	0.779	Kuveyt Turk	0.683	IIAB	0.608	Meezan	0.429	Islami Bank Bangladesh	0.267
EIIB	0.883	ABCIB	0.763	Gatehouse	0.675	Al-Arafah	0.600	Muamalat	0.421	Faisal (Sud)	0.261
HLIB	0.867	Hilal	0.742	AlJazira	0.671	Emirates IB	0.567	Tadamon	0.400	Kuwait Int.	0.217
ABIB (Bah.)	0.858	Khaleeji	0.733	Al-Falah	0.650	QIIB	0.544	Shah Jalal	0.350	BNI Syariah	0.200
RHB	0.850	Ithmaar	0.729	IBB	0.638	IBQ	0.529	JDIB	0.342	AlBaraka (Sud)	0.171
Al Baraka	0.817	AlRajhi	0.725	BISB	0.629	Bujr	0.513	Jadwa	0.333	Al-Shamal	0.054
Asya	0.804	Alinma	0.706	As-Salam	0.629	Rayan	0.508	JIB	0.325	BSM (Bank Shariah Mandiri)	0.013
ADIB (Abu Dhabi IB)	0.800	QIB	0.700	Capinnova	0.628	Faisal (Egy)	0.450	DIB	0.308		

Mean = 0.57

Banks being categorised in the 'moderate', 'low', and 'very low' risk management disclosure groups, whose scores are in the range of 0.69 to 0.60, 0.57 to 0.51, and 0.45 to 0.01 respectively, may reflect that they are still struggling with the RM structure. The disclosure level hinges on the banks' safety net, as they have to weigh the repercussions of revealing proprietary and strategic information to competitors and potential new entrants. This could probably be the reason why banks like DIB and JIB have to reform to sustain their strength.

Country Level

As far as the banking system is concerned, risk management has always been relevant. However, on a country basis, the mean disclosure index of 0.51 in the overall risk management is considerably unimpressive considering the pervasive impact risk management can impose on the robustness of the financial system. Nevertheless, as frequently mentioned, the low mean risk management disclosure index could probably be due to technical distortions resulting from the small sample size as well as the limited number of published AR.

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Table 4: Overall Country Level Results for all the Dimensions

Country	Overall RMI	Country	Overall RMI	Country	Overall RMI
Malaysia	0.864	Qatar	0.572	Yemen	0.400
Turkey	0.768	UAE	0.568	Egypt	0.375
UK	0.754	Pakistan	0.531	Kuwait	0.348
Bahrain	0.690	Bangladesh	0.433	Indonesia	0.212
Saudi	0.602	Jordan	0.400	Sudan	0.153

Mean: 0.51

As far as disclosure is concerned, the extent and nature of RM disclosure relates to how 'high' the risk management structure is put in place. This may imply that countries like Malaysia, the UK, Bahrain, and Turkey have 'high' disclosure as the country has a long-established risk management infrastructure in supporting the banks' operations. On another note, the 'high' disclosure demonstrated by these banks, to a certain extent, implies that these banks undertake rigorous efforts in promoting their banks' market value as well as improving returns, as it is perceived that disclosure has the probability of influencing the banks' share price and their expected stock return.

It is noted that the banks that score better in risk management disclosure have a supportive government in terms of safeguarding the banks' financial health. Countries like the UK and Malaysia for instance, have government safety nets such as deposit insurance in place to improve the banks' risk management. As for countries with 'moderate' risk management disclosures like Bahrain and Saudi Arabia, the risk management initiatives started sometime later, hence, it does not reflect quite well as of yet. Qatar, UAE and Pakistan score quite 'moderate' in the overall disclosure while Bangladesh, Kuwait, Jordan, Sudan and Indonesia fall in the 'very low' disclosure group in the overall RMI dimension, with scores ranging from 0.12 to 0.42. This may imply that these banks need to play more persistent roles in undertaking risk management apart from their government's supportive role to complement their efforts.

From another perspective, the disclosure level is very much affected by its own repercussions after the disclosure exercise takes place. It is noted that disclosure affects the risk-taking incentives, since the banks will have informed depositors rather than individuals monitoring the bank's balance sheet. In a way, this is considered positive because the banks can control their asset volatility and bank failures can be avoided.

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However, to a certain extent, the presence of informed markets may have effects on the banks' sustainability as disclosure may impinge on the banks' strategic advantage to potential competitors. This could possibly be the reason as to why in some countries banks have yet to achieve a certain level of institutional base, as Sudan, Pakistan and Bangladeshi banks seem to be adamant in not disclosing very much information.

5. CORRELATIONS BETWEEN CORPORATE GOVERNANCE AND RISK MANAGEMENT DISCLOSURE PERFORMANCE

This paper so far has focused on presenting the descriptive findings through an explorative motive and providing further meaning to the results through interpretation. This section aims to examine the strength of the relationship between the two variables; CG and RM. In other words, while the individual results are presented, this study at the same time, aims to locate whether there is any relationship between CGI disclosure and RMI disclosure; because it is hypothesised that a better CG environment should result in a better RM practice. In doing so, this paper also reveals the strength of the relationship between all the dimensions of CG and RM.

The correlation method is employed to measure the strength of the relationships, which is a technique used to examine the relationship between two variables (Pallant, 2010). A correlation exists when knowing scores for one variable helps to predict scores for the other. In order to establish the nature of the relationships, SPSS is employed of which the Spearman Rho tool is used on the same data (sample of 153 AR) to examine the correlations. It should be noted that proxies are used to represent each CG and RM.

The correlation tests in this section are run in both the bank and country comparison cases. Thus, the following findings are the outcomes of the tests on two sets of data: bank-wise and country-wise for CGI and RMI. The following sub-section proceeds with the results of the findings of the correlation.

5.1. Correlation between CGI and RMI Performance at Bank-Level and Country-Level

Based on the correlation tests conducted in the bank comparison analysis, there is a modest relationship between CGI and RMI as depicted by the disclosure indices. As can be seen from the results, the coefficients are slightly above average; 0.587 using the Spearman Rho based analysis in Table 5 and 0.522 in the Pearson based estimation in Table 6. The results evidence

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that the relation between the two variables, CG and RM, are not incredibly strong as had been expected, even though the relationship seems to be significant. Thus, there is a statistically significant relationship as produced by both the estimation period, but the strength of the relationship stayed at a medium level.

Table 5: Bank-Level Spearman's Rho Correlation between CG and RM Scores

			CG	RM
Spearman's rho	CG	Correlation Coefficient	1.000	.587**
		Sig. (2-tailed)		.000
	RM	Correlation Coefficient	.587**	1.000
		Sig. (2-tailed)	.000	

Notes: **. Correlation is significant at the 0.01 level (2-tailed); b. Listwise N = 53

Table 6: Bank-Level Pearson Correlation between CG and RM Scores

		CG	RM
CG	Pearson Correlation	1	.522**
	Sig. (2-tailed)		.000
	N	53	53
RM	Pearson Correlation	.522**	1
	Sig. (2-tailed)	.000	
	N	53	53

Notes: **. Correlation is significant at the 0.01 level (2-tailed)

Similarly, based on the test done on country comparison analysis using the disclosure indices developed, there is also a slightly above average correlation between CGI and RMI. Quite similar to the results of the bank's comparison, the country's result shows a correlation coefficient of 0.576 and 0.529 using Spearman Rho (Table 7) and Pearson (Table 8) respectively. As before, despite having a significant relationship, these coefficients do not indicate any strong relationship.

Table 7: Country Level Spearman's Rho Correlation between CG and RM Scores

			CG	RM
Spearman's rho	CG	Correlation Coefficient	1.000	.576*
		Sig. (2-tailed)		.025
	RM	Correlation Coefficient	.576*	1.000
		Sig. (2-tailed)	.025	

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 Notes: *. Correlation is significant at the 0.05 level (2-tailed); b. Listwise N = 15

Table 8: Country-Level Pearson Correlation between CG and RM Scores

		CG	RM
CG	Pearson Correlation	1	.529[*]
	Sig. (2-tailed)		.042
RM	Pearson Correlation	.529[*]	1
	Sig. (2-tailed)	.042	

 Notes: *. Correlation is significant at the 0.05 level (2-tailed); b. Listwise N=15

5.2. Correlations between the CGI Dimensions

This section proceeds with the results of the findings of the correlation estimation between CGI and its dimensions and also between the CGI dimensions. The results are depicted in Table 9 and Table 10.

5.2.1. Correlations between the CGI and its dimensions at bank-level

Table 9 shows the correlation between CGI and its dimensions. The CGI, which is a proxy of corporate governance, has relatively strong correlations with 'Board composition' ($r = .794$, $p = 0.000$); 'Mission' ($r = .696$, $p = 0.003$); 'Board leadership' ($r = .686$, $p = 0.000$); '*Shari'ah* governance' ($r = .674$, $p = 0.000$); 'Ethical business' ($r = .647$, $p = 0.000$); 'Nomination committee' ($r = .632$, $p = 0.000$). However, CG has quite moderate relationships between '*Shari'ah* compliance' ($r = .591$, $p = 0.000$) and 'Board meeting' ($r = .477$, $p = 0.000$).

Table 9 also depicts the findings of the test between all other dimensions of CG. As seen from results, the correlation between the CG dimensions varies in strength. The 'Mission' has a correlation with 'Board composition' ($r = .799$, $p = 0.000$); 'Ethics' ($r = .671$, $p = 0.000$); 'Board leadership' ($r = .625$, $p = 0.000$); 'Nomination committee' ($r = .586$, $p = 0.000$); 'Board meeting' ($r = .581$, $p = 0.000$); '*Shari'ah* governance' ($r = .444$, $p = 0.001$) and '*Shari'ah* Compliance' ($r = .353$, $p = 0.000$).

As indicated in Table 9, 'Board composition' has a correlation with 'board leadership' ($r = .831$, $p = 0.000$); 'Nomination committee' ($r = .784$, p = 0.000); 'Ethical business' ($r = .682$, $p = 0.000$); '*Shari'ah* governance' ($r = .621$, p = 0.000); 'Board meeting' ($r = .538$, p = 0.000) and '*Shari'ah* Compliance' ($r = .471$, $p = 0.000$).

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It is noted that 'Board leadership' is correlated with 'Nomination committee' ($r = .697$, $p = 0.000$); 'Ethical business' ($r = .623$, p = 0.000); '*Shari'ah* Compliance' (r = .485, $p = 0.000$); '*Shari'ah* governance' ($r = .484$, $p = 0.000$) and 'Board meeting' ($r = .398$, $p = 0.003$).

As for 'board meeting', it is only correlated with only one dimension *i.e.* the 'Nomination committee' ($r = .566$, $p = 0.000$). Based on Table 9, 'Nomination committee' is correlated with '*Shari'ah* governance' ($r = .517$, $p = 0.000$); 'Ethical business' ($r = .430$, $p = 0.001$) and '*Shari'ah* compliance' ($r = .425$, $p = 0.002$).

Table 9: Correlation Estimations between CGI and Dimensions and between Dimensions at Bank-Level

			CG	Mission	Board composition	Board leadership	Board meeting	Nomination committee	Shari'ah governance	Shari'ah compliance	Ethical business
Spearman's rho	CG	Cor.Coef	1.000	.696**	.794**	.686**	.477**	.632**	.674**	.591**	.647**
		Sig.		.000	.000	.000	.000	.000	.000	.000	.000
		N	53	53	53	53	53	53	53	53	53
	Mission	Cor.Coef	.696**	1.000	.799**	.625**	.581**	.586**	.444**	.353**	.671**
		Sig.	.000		.000	.000	.000	.000	.001	.010	.000
		N	53	53	53	53	53	53	53	53	53
	Board composition	Cor.Coef	.794**	.799**	1.000	.831**	.538**	.784**	.621**	.471**	.682**
		Sig.	.000	.000		.000	.000	.000	.000	.000	.000
		N	53	53	53	53	53	53	53	53	53
	Board leadership	Cor.Coef	.686**	.625**	.831**	1.000	.398**	.697**	.484**	.485**	.623**
		Sig.	.000	.000	.000		.003	.000	.000	.000	.000
		N	53	53	53	53	53	53	53	53	53
	Board meeting	Cor.Coef	.477**	.581**	.538**	.398**	1.000	.566**	.260	.120	.259
		Sig.	.000	.000	.000	.003		.000	.060	.391	.061
		N	53	53	53	53	53	53	53	53	53
	Nomination committee	Cor.Coef	.632**	.586**	.784**	.697**	.566**	1.000	.517**	.425**	.430**
		Sig.	.000	.000	.000	.000	.000		.000	.002	.001
		N	53	53	53	53	53	53	53	53	53
	Shari'ah governance	Cor.Coef	.674**	.444**	.621**	.484**	.260	.517**	1.000	.632**	.382**
		Sig.	.000	.001	.000	.000	.060	.000		.000	.005
		N	53	53	53	53	53	53	53	53	53
	Shari'ah compliance	Cor.Coef	.591**	.353**	.471**	.485**	.120	.425**	.632**	1.000	.377**
		Sig.	.000	.010	.000	.000	.391	.002	.000		.005
		N	53	53	53	53	53	53	53	53	53
	Ethical business	Cor.Coef	.647**	.671**	.682**	.623**	.259	.430**	.382**	.377**	1.000
		Sig.	.000	.000	.000	.000	.061	.001	.005	.005	
		N	53	53	53	53	53	53	53	53	53
Note: **. Correlation is significant at the 0.01 level (2-tailed).											

Table 9 also shows that '*Shari'ah* governance' has slightly above average correlation with '*Shari'ah* compliance' ($r = .632$, $p = 0.000$) but very poor relationship with 'Ethical business' ($r = .382$, $p = 0.005$). The dimension '*Shari'ah* compliance' seems to have a very weak correlation with 'Ethical business' ($r = .377$, $p = 0.005$).

5.2.2. Correlations between the CGI and its dimensions at country-level

Table 10 shows the correlation estimations country-wise. As can be seen, there are slightly weaker correlations between CG and its dimensions as compared to the results of the bank-wise dataset. The CG has a strong correlation with 'Board composition' ($r = .962$, $p = 0.000$); 'Board leadership' ($r = .950$, $p = 0.000$); 'Nomination committee' ($r = .897$, $p = 0.000$); 'Ethical business' ($r = .822$, $p = 0.000$) and 'Mission' ($r = .806$, $p = 0.000$). CG also has a correlation with '*Shari'ah* governance' ($r = .732$, $p = 0.002$); '*Shari'ah* compliance' ($r = .680$, $p = 0.005$) and 'Board meeting' ($r = .595$, $p = 0.019$).

Apart from the above relationships, as shown in Table 10, relationships between the CG dimensions are also observed. It seems that 'Mission' is highly correlated with 'Board composition' ($r = .873$, $p = 0.000$); 'Board meeting' ($r = .793$, $p = 0.000$); 'Board leadership' ($r = .760$, $p = 0.001$); and 'Ethical business' ($r = .742$, $p = 0.002$). There are also correlations with the 'Nomination committee' ($r = .597$, $p = 0.019$); '*Shari'ah* governance' ($r = .461$, $p = 0.002$); and '*Shari'ah* compliance' ($r = .420$, $p = 0.005$).

Table 10 also shows that 'Board composition' is highly correlated with 'Board leadership' ($r = .943$, $p = 0.000$); 'Nomination committee' ($r = .838$, $p = 0.000$); and 'Ethical business' ($r = .759$, $p = 0.001$) while its correlations are slightly above average with 'Board meeting' ($r = .691$, $p = 0.004$); '*Shari'ah* governance' ($r = .656$, $p = 0.008$); and '*Shari'ah* compliance' ($r = .588$, $p = 0.021$).

As indicated in Table 10, the 'Board leadership' is highly correlated with the 'Nomination committee' ($r = .869$, $p = 0.000$) and 'Ethical business' ($r = .790$, $p = 0.000$). The 'Board leadership' relationships are above average with '*Shari'ah* governance' ($r = .669$, $p = 0.006$); '*Shari'ah* compliance' ($r = .669$, $p = 0.006$) and 'Board meeting' ($r = .507$, $p = 0.054$).

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It is also observed that the variable 'Nomination committee' is quite strongly correlated with 'Shari'ah governance' (r = .697, p = 0.004); 'Shari'ah compliance' (r = .688, p = 0.005) and slightly above average with 'Ethical business' (r = .599, p = 0.018),

As shown in Table 10, 'Shari'ah governance' is highly correlated with 'Shari'ah compliance' (r = .798, p = 0.000). The table below also indicates a very modest relationship between 'Shari'ah compliance' and 'Ethical business' (r = .505, p = 0.055).

Table 10: Correlation Estimations between CGI and Dimensions and between Dimensions at Country-Level

			CG	Mission	Board composition	Board leadership	Board meeting	Nomination committee	Shari'ah governance	Shari'ah compliance	Ethical business
Spearman's rho	CG	Cor. Coef	1.000	.806**	.962**	.950**	.595*	.897**	.732**	.680**	.822**
		Sig.		.000	.000	.000	.019	.000	.002	.005	.000
		N	15	15	15	15	15	15	15	15	15
	Mission	Cor. Coef	.806**	1.000	.873**	.760**	.793**	.597*	.461	.420	.742**
		Sig.	.000		.000	.001	.000	.019	.084	.119	.002
		N	15	15	15	15	15	15	15	15	15
	Board composition	Cor. Coef	.962**	.873**	1.000	.943**	.691**	.838**	.656**	.588*	.759**
		Sig.	.000	.000		.000	.004	.000	.008	.021	.001
		N	15	15	15	15	15	15	15	15	15
	Board leadership	Cor. Coef	.950**	.760**	.943**	1.000	.507	.869**	.669**	.669**	.790**
		Sig.	.000	.001	.000		.054	.000	.006	.006	.000
		N	15	15	15	15	15	15	15	15	15
	Board meeting	Cor. Coef	.595*	.793**	.691**	.507	1.000	.459	.438	.157	.464
		Sig.	.019	.000	.004	.054		.085	.103	.577	.082
		N	15	15	15	15	15	15	15	15	15
	Nomination committee	Cor. Coef	.897**	.597*	.838**	.869**	.459	1.000	.697**	.688**	.599*
		Sig.	.000	.019	.000	.000	.085		.004	.005	.018
		N	15	15	15	15	15	15	15	15	15
	Shari'ah governance	Cor. Coef	.732**	.461	.656**	.669**	.438	.697**	1.000	.798**	.483
		Sig.	.002	.084	.008	.006	.103	.004		.000	.068
		N	15	15	15	15	15	15	15	15	15
	Shari'ah compliance	Cor. Coef	.680**	.420	.588*	.669**	.157	.688**	.798**	1.000	.505
		Sig.	.005	.119	.021	.006	.577	.005	.000		.055
		N	15	15	15	15	15	15	15	15	15
	Ethical business	Cor. Coef	.822**	.742**	.759**	.790**	.464	.599*	.483	.505	1.000
		Sig.	.000	.002	.001	.000	.082	.018	.068	.055	
		N	15	15	15	15	15	15	15	15	15

Notes: **. Correlation is significant at the 0.01 level (2-tailed); *. Correlation is significant at the 0.05 level (2-tailed).

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5.3. Correlations between Risk Management and its Dimensions

This section proceeds with the results of the findings of RM correlation as depicted in Table 11 and Table 12.

5.3.1. Correlations between the RMI and dimensions at bank-level

The results in Table 11 show that there are positive correlations between RMI and its dimensions. The proxy of RMI has slightly above average correlations with 'Risk management control' ($r = .684$, $p = 0.000$); 'Risk management committee' ($r = .676$, $p = 0.000$) and 'Reporting' ($r = .654$, $p = 0.000$). However, it is observed that the correlation is just about moderate between RM and 'Credit risk' ($r = .544$, $p = 0.000$); 'Audit' ($r = .540$, $p = 0.000$); 'Market and liquidity risk' ($r = .461$, $p = 0.001$) and 'Other risk' ($r = .421$, $p = 0.002$).

Table 11 also shows the strength of the relationships between dimensions in the RM group. There are positive correlations between various RM dimensions. Based on the table, modest relationships are observed between RM and its dimensions. 'Audit' is not strongly correlated with 'Risk management control' ($r = .465$, $p = 0.000$); 'Risk management committee' ($r = .449$, $p = 0.001$); 'Reporting' ($r = .434$, $p = 0.001$) and 'Other risk' ($r = .289$, $p = 0.036$). As for the variable 'Risk management committee', Table 11 also indicates that it is correlated with 'Risk management control' ($r = .688$, $p = 0.000$); 'Reporting' ($r = .590$, $p = 0.000$); 'Credit risk' ($r = .585$, $p = 0.000$); 'Market & liquidity risk' ($r = .522$, $p = 0.000$) and 'Other risk' ($r = .444$, $p = 0.001$).

The table also indicates that ' Risk management control' has correlations with 'Credit risk' ($r = .646$, $p = 0.000$); 'Reporting' ($r = .616$, $p = 0.000$); 'Market & liquidity risk' ($r = .558$, $p = 0.000$) and 'Other risk' ($r = .533$, $p = 0.000$). As for 'Reporting', it has quite strong correlation with 'Credit risk' ($r = .741$, $p = 0.000$), 'Market & liquidity risk' ($r = .650$, $p = 0.000$) and 'Other risk' ($r = .608$, $p = 0.000$).

This is quite similar to 'Market & liquidity risk' which has strong, positive correlations with 'Credit risk' ($r = .875$, $p = 0.000$) and 'Other risk' ($r = .729$, $p = 0.000$). Table 11 also shows that 'Credit risk' has a strong, positive correlation with 'Other risk' ($r = .842$, $p = 0.000$).

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Table 11: Correlation Estimations between RMI and Dimensions and between Dimensions at Bank-Level

			RM	Audit	Risk management committee	Risk management control	Reporting	Market & liquidity risk	Credit risk	Other risks
Spearman's rho	RM	Cor.Coef	1.000	.540**	.676**	.684**	.654**	.461**	.544**	.421**
		Sig.		.000	.000	.000	.000	.001	.000	.002
		N	53	53	53	53	53	53	53	53
	Audit	Cor.Coef	.540**	1.000	.449**	.465**	.434**	.105	.200	.289*
		Sig.	.000		.001	.000	.001	.454	.151	.036
		N	53	53	53	53	53	53	53	53
	Risk management committee	Cor.Coef	.676**	.449**	1.000	.688**	.590**	.522**	.585**	.444**
		Sig.	.000	.001		.000	.000	.000	.000	.001
		N	53	53	53	53	53	53	53	53
	Risk management control	Cor.Coef	.684**	.465**	.688**	1.000	.616**	.558**	.646**	.533**
		Sig.	.000	.000	.000		.000	.000	.000	.000
		N	53	53	53	53	53	53	53	53
	Reporting	Cor.Coef	.654**	.434**	.590**	.616**	1.000	.650**	.741**	.608**
		Sig.	.000	.001	.000	.000		.000	.000	.000
		N	53	53	53	53	53	53	53	53
	Market & liquidity risk	Cor.Coef	.461**	.105	.522**	.558**	.650**	1.000	.875**	.729**
		Sig.	.001	.454	.000	.000	.000		.000	.000
		N	53	53	53	53	53	53	53	53
	Credit risk	Cor.Coef	.544**	.200	.585**	.646**	.741**	.875**	1.000	.842**
		Sig.	.000	.151	.000	.000	.000	.000		.000
		N	53	53	53	53	53	53	53	53
	Other risks	Cor.Coef	.421**	.289*	.444**	.533**	.608**	.729**	.842**	1.000
		Sig.	.002	.036	.001	.000	.000	.000	.000	
		N	53	53	53	53	53	53	53	53

Notes: **. Correlation is significant at the 0.01 level (2-tailed); *. Correlation is significant at the 0.05 level (2-tailed).

5.3.2. Correlations between the RMI and dimensions at country-level

The correlation estimates in Table 12 show positive correlations between risk management and its dimensions. The RM has strong, positive correlations with 'Risk management control' ($r = .928$, $p = 0.000$); 'Reporting' ($r = .905$, $p = 0.000$); 'Risk management committee' ($r = .878$, $p = 0.000$) and 'Other risk' ($r = .714$, $p = 0.003$). The RM also has slightly above average correlations with 'Credit risk' ($r = .680$, $p = 0.005$); 'Audit' ($r = .668$, $p = 0.006$) and 'Market & liquidity risk' ($r = .644$, $p = 0.010$).

Table 12 also shows the relationships between the RMI dimensions. It is noted that 'Audit' has positive correlations with 'Risk management committee' ($r = .710$, $p = 0.003$); 'Risk management control' ($r = .561$, $p = 0.030$) and 'Reporting' ($r = .524$, $p = 0.045$). Based on

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Table 12, the variable 'Risk management committee' is correlated with 'Reporting' ($r = .843$, $p = 0.000$); 'Risk management control' ($r = .799$, $p = 0.000$); 'Other risk' ($r = .530$, $p = 0.042$) and 'Credit risk' ($r = .522$, $p = 0.046$).

Table 12: Correlation Estimations between RMI and Dimensions and between Dimensions at Country Level

			RM	Audit	Risk management committee	Risk management control	Reporting	Market & Liquidity risk	Credit risk	Other risks
Spearman's rho	RM	Cor.Coef	1.000	.668**	.878**	.928**	.905**	.644**	.680**	.714**
		Sig.		.006	.000	.000	.000	.010	.005	.003
		N	15	15	15	15	15	15	15	15
	Audit	Cor.Coef	.668**	1.000	.710**	.561*	.524*	.116	.109	.254
		Sig.	.006		.003	.030	.045	.680	.699	.360
		N	15	15	15	15	15	15	15	15
	Risk management committee	Cor.Coef	.878**	.710**	1.000	.799**	.843**	.460	.522*	.530*
		Sig.	.000	.003		.000	.000	.084	.046	.042
		N	15	15	15	15	15	15	15	15
	Risk management control	Cor.Coef	.928**	.561*	.799**	1.000	.767**	.640*	.663**	.614*
		Sig.	.000	.030	.000		.001	.010	.007	.015
		N	15	15	15	15	15	15	15	15
	Reporting	Cor.Coef	.905**	.524*	.843**	.767**	1.000	.622*	.686**	.664**
		Sig.	.000	.045	.000	.001		.013	.005	.007
		N	15	15	15	15	15	15	15	15
	Market & Liquidity risk	Cor.Coef	.644**	.116	.460	.640*	.622*	1.000	.962**	.925**
		Sig.	.010	.680	.084	.010	.013		.000	.000
		N	15	15	15	15	15	15	15	15
	Credit risk	Cor.Coef	.680**	.109	.522*	.663**	.686**	.962**	1.000	.914**
		Sig.	.005	.699	.046	.007	.005	.000		.000
		N	15	15	15	15	15	15	15	15
	Other risks	Cor.Coef	.714**	.254	.530*	.614*	.664**	.925**	.914**	1.000
		Sig.	.003	.360	.042	.015	.007	.000	.000	
		N	15	15	15	15	15	15	15	15

Notes: **. Correlation is significant at the 0.01 level (2-tailed); *. Correlation is significant at the 0.05 level (2-tailed).

Table 12 also shows that 'Risk management control' has positive correlations with 'Reporting' ($r = .767$, $p = 0.001$); 'Credit risk' ($r = .663$, $p = 0.007$); 'Market & liquidity risk' ($r = .640$, $p = 0.010$) and 'Other risk' ($r = .614$, $p = 0.015$). The variable 'Reporting' has moderate positive correlations with 'Credit risk' ($r = .686$, $p = 0.005$); 'Other risk' ($r = .664$, $p = 0.007$) and 'Market & liquidity risk'($r = .622$, $p = 0.013$). As indicated in Table 12, 'Market & liquidity risk' has very strong positive correlations with 'Credit risk' ($r = .962$, $p =$

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0.000) as well as 'Other risk' ($r = .925$, $p = 0.000$). As for the 'Credit risk', it has a very strong positive correlation with 'other risk' ($r = .914$, $p = 0.000$).

5.4. Summary on the Correlations Analysis

Based on the means shown in the results, the disclosure approach highlights that the board-related dimensions are the most important element in CG. This is evidenced both in banks as well as in country comparisons, as shown in Table 13, which summarises the findings. Maybe this could be explained by the fact that good board composition and effective leadership provide the strength to charter the direction of the IBs. The dimensions 'risk management (control)', 'risk management committee', and 'reporting' seem to be comparatively more important than other dimensions of risk management.

Table 13: Correlations Results based on Disclosure Approach

	Bank Comparison	Significant Level (Standard coefficient)	Country Comparison	Significant Level (Standard coefficient)
CG	Board composition	.794 (0.000)	Board composition	.962(0.000)
	Mission	.696 (0.003)	Board leadership	.950 (0.000)
	Board leadership	.686 (0.000)	Nomination & remuneration committee	.897 (0.000)
	Shari'ah governance	.674 (0.000)	Ethics	.822 (0.000)
	Ethics	.647 (0.000)	Mission	.806 (0.000)
	Nomination & remuneration committee	.632 (0.000)	*Shari'ah* governance	.732 (0.002)
	Shari'ah compliance	.591 (0.000)	*Shari'ah* compliance	.680 (0.005)
	Board meeting	.477 (0.000)	Board meeting	.595 (0.019)
RM	Risk management control	.684 (0.000)	Risk management control	.928 (0.000)
	Risk management committee	.676 (0.000)	Reporting	.905 (0.000)
	Reporting	.654 (0.000)	Risk management committee	.878 (0.000)
	Credit risk	.544 (0.000)	Other risk	.714 (0.003)
	Audit	.540 (0.000)	Credit risk	.680 (0.005)
	Market & liquidity risk	.461 (0.001)	Audit	.668 (0.006)
	Other risk	.421 (0.002)	Market & liquidity risk	.644 (0.010)

The analysis in this section shows all the possible relationships between CGI and RMI based on correlation analysis that is employed on data for both bank and country comparisons. It is observed that the strength of the relationship between CG and RM is just slightly above average. It is also noted that some of the dimensions of CG and RM have very strong relationships with each other. Perhaps this could be the reason why in many instances, CG and RM seem to be discussed interchangeably.

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The correlation analysis in this section is aimed at examining the relationships among the dimensions (*i.e.* two dimensions at a time), based on the respective CG and RM frameworks. The analysis is pursued to further investigate the inter-relationship between CG and RM. This is carried out through regression analysis in the following section.

6. EXPLORING THE IMPACT OF THE INDIVIDUAL DIMENSIONS ON CGI AND RMI PERFORMANCE: REGRESSION ANALYSIS

In identifying which variables have a greater effect on the dependent variable with the objective of both substantiating the findings from descriptive and correlation analyses so far present, a further investigation of the inter-relationship between CG and RM is carried out through regression analysis. It should be noted that regression analysis as a statistical method is about describing and evaluating the relationship between a given variable and one (or more) variables to explain movements in a variable by reference to movements in other variables (Gravetter and Wallnau, 2008).

This section aims to find out the effect of each dimension of CGI through regression analysis. Similarly, the same approach applies to finding the effects on RMI. The findings are based on the test conducted on the banks' comparison.

The regression model in equation 2 is formulated by taking the dimensions of CG as the independent variables to explain the dependent variable, CGI.

$$CG = \alpha_1 + \beta_1 mission + \beta_2 boardcomposition + \beta_3 boardleadership + \beta_4 boardmeeting + \beta_5 nominationcommittee + \beta_6 shariahgov + \beta_7 shariahcompliance + \beta_8 ethicalbusiness + \varepsilon_1$$

$$(2)$$

Based on the proposed model, there are 8 dimensions that determine the CGI score. Similarly, a regression model is formulated where RMI is regressed against its dimensions as shown in the regression equation 3:

$$RM = \alpha_2 + \beta_1 riskmgtcommittee + \beta_2 riskmgtpractice + \beta_3 riskmtdisclosure + \beta_4 reporting + \beta_5 marketliqrisk + \beta_6 creditrisk + \beta_7 otherrisks + \varepsilon_2 \qquad (3)$$

where *CG*: corporate governance; *RM*: risk management; α_1 and α_2 are constants; ε_1 and ε_2 = error terms.

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The models use CGI and RMI as the respective dependent variables, while their respective dimensions are the independent variables. Based on equation 1, CG is a function of CG's dimensions (which are the explanatory variables).

6.1. Regression Results for CGI

This section employs multiple regression analysis to measure the determinants of CGI through the secondary data obtained from the AR.

Table 14: Model Summary of the Regression Analysis for CG for IBs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883[a]	.780	.740	.113608

Notes: a. Predictors: (Constant), ethicalbusiness, boardmeeting, *Shari'ah*governance, *Shari'ah*compliance, boardleadership, nominationcommittee, mission, boardcomposition

Based on the model summary (Table 14), the adjusted R-Square or the coefficient of determination is quite close to the perfect model with about 74%. Thus, the model presented in this study explains about 74% of the variations observed in the dependent variable, which is quite highly satisfactory.

The result of the adjusted R^2 is verified by the results provided through ANOVA (Table 15), as dividing the regression sum of squares by the total sum of squares, the same adjusted R result is obtained.

Table 15: ANOVAa for CG for IBs

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.010	8	.251	19.471	.000[b]
	Residual	.568	44	.013		
	Total	2.578	52			

Notes: a. Dependent Variable: cg; b. Predictors: (Constant), ethicalbusiness, boardmeeting, *Shari'ah*governance, *Shari'ah*compliance, boardleadership, nominationcommittee, mission, boardcomposition

Table 15 also indicates that ANOVA analysis produced highly significant results as the models were fully significant.

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Table 16: Regression Coefficient for CG for IBs

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.026	.036		.725	.472
Mission	.060	.101	.091	.596	.555
Boardcomposition	.188	.141	.285	1.332	.190
Boardleadership	-.002	.075	-.003	-.022	.983
Boardmeeting	.075	.061	.133	1.220	.229
Nominationcommittee	.032	.083	.053	.385	.702
*Shari'ah*governance	.167	.099	.174	1.691	.098
Shariahcompliance	.335	.094	.360	3.559	.001
ethicalbusiness	.067	.100	.079	.673	.504

Note: a. Dependent Variable: CG

Table 16 provides the coefficient estimates for the models mentioned through the path analysis by using the multiple linear regression method. As depicted, the model has only one dimension, '*Shari'ah* compliance' with a coefficient value of 36.0 and *p*-value of 0.001, which is found to be statistically significant. Indeed '*Shari'ah* governance' is also found to be statistically significant at the 10% level of significance. The remaining dimensions: 'mission', 'board composition', 'board leadership', 'board meeting', 'nomination and remuneration committee', and 'ethical business' were found to be not statistically significant based on the analysis. Having '*Shari'ah* governance' statistically significant is indeed an important conclusion for IBs.

6.2. Regression Results for RM

Similarly, the study measured determining variables of RMI through the same set of secondary data by employing the multiple regression analysis. Table 17 provides a model summary where the adjusted R^2 or the coefficient of determination was quite close to the perfect model with about 69%. Thus, the model presented in this study explains about 69% of the variation observed in the dependent variable, which is quite highly satisfactory.

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Table 17: Model Summary of the regression analysis for RM for IBs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855[a]	.731	.689	.127805

Notes: a. Predictors: (Constant), otherrisks, audit, riskmgtcommittee, reporting, riskmgtcontrol, marketliqrisk, creditrisk

The result of the adjusted R^2 is verified by the results provided through ANOVA as shown in Table 18, as by dividing the regression sum of squares by the total sum of squares, the same adjusted R result is obtained. The table indicates that ANOVA analysis produced highly significant results as the models were fully significant.

Table 18: ANOVAa for RM for IBs

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.993	7	.285	17.431	.000[b]
	Residual	.735	45	.016		
	Total	2.728	52			

Notes: a. Dependent Variable: rm; b. Predictors: (Constant), otherrisks, audit, riskmgtcommittee, reporting, riskmgtcontrol, marketliqrisk, creditrisk

Table 19 provides the coefficient estimates for the models mentioned through the path analysis by using the multiple linear regression method. As depicted, the model has only two dimensions: 'reporting' and 'risk management control' with both variables being statically significant with a coefficient value of 0.52 with p-value of 0.001 and 0.31 with p-value of 0.027. The remaining dimensions: 'audit', 'risk management committee', 'risk management control', market and liquidity risk', 'credit risk', and 'other risks' are not significant based on the analysis. It should be noted that 'market and liquidity risks' and 'credit risk' variables are not statistically significant, but they do have a negative relationship with the dependent variable. As the results show, 'reporting' and 'risk management control', being significant among other variables, makes sense considering the importance of such variables in the RM process.

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Table 19: Regression Coefficient for RM for IBs

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.097	.058		1.667	.102	-.020	.214
audit	.142	.110	.130	1.299	.201	-.078	.363
riskmgtcommittee	.071	.073	.120	.962	.341	-.077	.219
riskmgtcontrol	.203	.088	.312	2.291	.027	.025	.381
reporting	.396	.108	.520	3.668	.001	.179	.614
marketliqrisk	-.059	.118	-.090	-.504	.617	-.296	.178
creditrisk	-.018	.168	-.025	-.105	.917	-.356	.321
otherrisks	.016	.130	.021	.121	.904	-.247	.278

Note: a. Dependent Variable: rm

Since one of the objectives is to determine which aspect of CG has the strongest influence on the overall CG, the actual dimensions which affect CG and RM the most are established. This study reveals that the *Shari'ah*-related dimension has the highest bearing on the overall CG position. The findings of the research show that all the CG dimensions have positive effects on CG apart from board leadership, which has a negative effect. However, only two variables have significant effects on CG: *Shari'ah* governance' (at the 10% significance level) and '*Shari'ah* compliance' (at the 5% significance level).

Risk management, on the other hand, depends very highly on reporting and disclosure. All RM's dimensions have a positive effect on RM apart from 'market risk' and 'credit risk', which have a negative effect. Similar to CG, only two variables have significant effects on RM: 'reporting' and 'risk management control', at the 5% significance level.

7. REFLECTIONS ON THE RESULTS

This paper presented extensive analysis on various levels to determine the CGI and RMI relationship through 2 main methods. First, the correlation between the relationship within and between CG and RM themselves are determined. Secondly, in an attempt to determine the most effective dimension having an impact on CG and RM respectively, a regression analysis is undertaken to conclude the analysis.

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The overall findings of the study reveal two important results: CG and risk management do not have a strong correlation between them. However, in examining the type of relationship, it is established that there is a positive relationship between CG and RM.

The findings confirm the hypotheses which state that '*Shari'ah* compliance' and '*Shari'ah* governance' are the key determinants of ICG while 'reporting' and 'risk management control' are the key factors in RM.

The descriptive empirical findings show that most IBs have very poor scores in *Shari'ah* compliance and *Shari'ah* governance. Poor scores are also revealed in other dimensions such as ethics, audit, and board composition.

The preceding section reveals that most banks do not have the same level of disclosure for both their CG and RM. In general banks' CG level is always lower than their RM's disclosure level. However, there are cases when some banks do attain higher disclosure in CG than in RM. This could probably be due to the IBs' lack of professional skills in risk management practices (Hassan and Dicle, 2005).

In general, the CG disclosures for banks are highly influenced by board-related areas such as 'board composition' and 'board leadership. In a similar vein, viewing CG as a crucial task for the strategic management of the bank, Maingot and Zeghal (2008) perceive the disclosure of CG as highly dependent on bank size. From their analysis, larger banks have higher disclosure. In addition to that, Pathan (2009) posits limited boards positively affect bank risk-taking.

Most of the banks in the 'low' and 'very low' CG disclosure groups have 'very low' disclosure in the 'board' dimension. This is consistent with Eng and Mak (2003), who view that disclosure is influenced by the board as ownership structure and board composition all affect disclosure levels.

In general, irrespective of their disclosure groups, the banks have a poor score in *Shari'ah*-related and 'ethics' dimensions. Quite often, the 'high' RM disclosure is attributed to the key risk management area. It is also noted that most banks in the 'moderate', 'low', and 'very low' RM disclosure groups have comparatively low scores in the 'audit' dimension as opposed to the key risk management area.

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The findings also reveal that even if the bank's CG and RM are in the same disclosure group, the mean for CG tends to be lower than the mean for RM[10]. In terms of the number of banks, the 'low' and 'very low' CG disclosure groups have more banks as compared to the similar disclosure groups of RM. Similarly, there are fewer banks in the 'high' and 'moderate' CG disclosure groups compared to their RM counterparts, of which, the latter has quite a balanced number in each disclosure category[11].

Based on the country comparison, it is found that the majority of the countries under survey are still weak in terms of their CG. As such, 'moderate[12]' is the highest CG disclosure obtained despite the Islamic moral economy's essentialisation of 'good Islamic governance' based on Islamic norms.

In conclusion, it is important to note that as theory and evidence suggest, disclosure facilitates opening up a company's access to capital markets, makes their shares more attractive to current and prospective investors by reducing information-gathering costs (Bhimani, 2009). Thus, not only Islamic CG principles are not essentialised, the financial values of these institutions may have affected by their low disclosure scores. To expand on this, RM disclosure helps reveal how effective their RM is, while CG plays a subtler role (Bhat, 2008).

Based on the analysis using the bank comparison data, it is found that not all dimensions have a high effect on CG and RM. The correlation between the dimension 'board composition' has the highest correlation (0.794) with CG. The dimension 'mission' (0.696), 'board leadership' (0.686), 'Shari'ah governance' (0.676), the 'ethical business' (0.647) and 'nomination committee (0.632) dimensions also denote high correlations with CG. 'Shari'ah compliance' (0.591) and 'board meeting' (0.477) however, do not seem to impose a great impact on CG.

The findings reflect that board composition is very crucial as it helps IBs to effectively steer the banks; their effectiveness has a high influence on CG (John and Senbet, 1998). This is to

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[10] For example, ABIB and BIMB have both their CG and RM in the 'high' disclosure group but the mean for their CG (0.793 and 0.767 respectively) are lower than the RM's (0.858 and 0.888 respectively).

[11] The findings show that CG has only 3 banks in the 'high' disclosure group as compared to RM which has 17 banks in the same disclosure classification. There are 5 banks in the 'moderate' CG disclosure group as compared to 12 banks in the same level of disclosure for RM. The findings reveal that the majority of the banks (41) are in the 'very low' CG disclosure group as opposed to only 18 banks in the same levels of disclosure for RM.

[12] Only one country obtains 'moderate' disclosure. The remaining 14 countries have 'low' disclosure of which 12 of them have very 'low' disclosure. As opposed to RM, 3 countries have 'high' disclosure, followed by 2 countries which account for 'moderate' while 10 countries are in the 'low' disclosure group of which 7 of them have 'very low' disclosure.

ensure a mix of skills and expertise to govern effectively (Edwards and Clough, 2005). The dimension 'mission', 'board leadership', '*Shari'ah* governance', 'ethical business', and 'nomination committee' dimensions are also perceived as important. The 'mission' is seen as very significant as it represents the starting point from which banks collectively agree on the organisational goals and objectives (Cohen *et al*., 2010). This is in contrast with a study by Aebi *et al*. (2012), which claims that a shared understanding of CG generally does not have to be in the shareholders' best interests. As for the dimensions '*Shari'ah* compliance' and 'Board meeting', they do not seem to have a great impact on CG.

With correlation being employed to analyse risk management's dimensions, the findings reveal that the dimensions 'risk management control' (0.684), 'risk management committee' (0.676), and 'reporting' (0.654) have a great impact on RM. As for other dimensions such as 'credit risk' (0.544), audit' (0.540), 'market liquidity risk' (0.461), and 'other risks' (0.421), they have about an average impact on RM.

The findings reveal that 'risk management control', 'risk management committee,' and 'reporting' are crucial for RM. Perhaps the high score on 'risk management control' can be explained by a study on the determinant of bank risk-taking by Anderson and Fraser's (2000), which examines managerial ownership's impact on risk-taking, states that the management, rather than the shareholders, are the ones responsible for setting the bank's risk structure.

The dimension 'credit risk', surprisingly, is not highly correlated with CG. This is quite in contrast with Switzer and Wang's (2013) study, which mentions that CG and 'credit risk' are significantly associated. 'Audit', 'market and liquidity risk', and 'other risks' are perceived to have mild effects on RM.

Table 20: Summaring Results

	Disclosure Analysis	Significant Level (Standard coefficient)
CG	*Shari'ah* compliance	0.001 (36%)
	Shari'ah governance	0.098 (17.4%)
	Board Leadership	Not significant, negative relationship
RM	Reporting & disclosure	0.001 (52%)
	Risk management control	0.027 (31.2%)
	Market & liquidity risk	Not significant, negative relationship
	Credit risk	Not significant, negative relationship

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The results of the regression analysis demonstrate that not all dimensions have a high effect on CG and RM. As summarised in Table 20, the regression analysis results based on the disclosure approach show that '*Shari'ah* compliance' and '*Shari'ah* governance' are statistically significant. They explain 36% and 17.4% respectively. It should be noted that the 'board leadership' dimension has a negative relationship with CG. Similarly, for risk management, when the same tool is used to examine the RM dimensions, the 'reporting and disclosure' and 'risk management control' are significant; explaining 52% and 31.2% of the RM while the other dimensions do not indicate any significance on RM. The 'market and liquidity risk' and 'credit risk' indicate a negative relationship with RM.

8. CONCLUSION

Having presented and discussed the empirical results following the comparison conducted at the bank - and country-levels to identify CG-RM relationships, it is found that the performance of CGI is comparatively lower than that of the RMI's, both bank-wise and country-wise. It is also found that the overall CGI mean and RMI mean country-wise is slightly lower compared to the ones bank-wise.

In an attempt to locate the relationship between CG and RM practices through disclosure approach, this study found that the relationship between CG and risk management is not incredibly strong in the case of the IB involved during the period that this study covers. Thus, bringing in bank failures issues into perspective, based on the fact that a positive relationship exists between the two, if CG is said to be the triggering factor, this could also partly due to the risk management aspect.

Nonetheless, still in the context of the financial crises, when CG is blamed, this should not necessarily be attributed to risk management, as the latter does not necessarily affect CG despite being correlated.

However, moving forward, as this study is predicated on the notion that if banks have high CG disclosure, the disclosure of risk management should similarly be high. Hence, as expected, good CG practices should moderate risk exposure and establish an effective risk management process. Further research is expected to bring in more reflections on the issues of CG and RM which should be a primary focus for the robust and consolidated development of the IBs.

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Appendix 1: Dimensions in Disclosure Index for CG and RM

Part	Dimension	Number of Statements
Corporate Governance	Mission	7
	Composition of the BOD	9
	Board Leadership	3
	Board Meetings	2
	Nomination Committee or / and Compensation Committee	11
	Shari'ah Governance	12
	Shari'ah Compliance	18
	Ethical Business Conduct & Corporate Responsibility	13
	Sub-total	75
Risk Management	Audit Committee	22
	Risk Management Committee or / and Asset Liquidity Committee	6
	Risk Management, Control Items & Risk Disclosures	10
	Reporting - Accounting and Funding	9
	Market and Liquidity Risks	6
	Credit Risks	5
	Other Risks	2
	Sub-total	60
Total		135

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Appendix 2: Worksheet For Annual Reports

Bank:
Region:

Category	No	Questions	Y1	Y2	Y3	Y4
Mission	1	The text of the board's written mandate is described.				
	2	The bank has a clear statement of the leadership, purpose, mission and values with reference to corporate governance.				
	3	The annual statement contains statement addressing corporate governance.				
	4	Reference is made to widely accept corporate governance principles.				
	5	Assessment is made regarding current compliance (where relevant) with the mentioned CG principles.				
	6	Clear statement of the stakeholders' engagement on corporate governance issues and processes is provided.				
	7	Communication policy for promoting effective communication with shareholders to encourage their participation is disclosed.				
Composition of the Board of Directors	8	Identity of the chairman is provided (such as independent or non-executive, etc.).				
	9	Profile of chairman is disclosed (qualification and experience).				
	10	Proportions of non-executive members or proportions of independent members are provided.				
	11	The identity of each director whether he/she is independent or non-executive is disclosed.				
	12	Profile of each board member is disclosed (qualification, experience etc.).				
	13	A leadership statement on how the board operates is disclosed.				
	14	The Board member's formally assigned individual's responsibilities outside the bank are provided.				
	15	Statement on whether or not the board and its committees are regularly assessed with respect to their effectiveness and contribution is provided.				
	16	If assessments are regularly conducted, the process used for the assessments is described OR if assessments are not regularly conducted, statements on how the board satisfies itself (whether its members and committees are performing effectively) are described.				
Board Leadership	17	Reference to transparent and responsive process for evaluating performance of senior management is provided.				
	18	The way the board delineates its role and responsibilities is described.				

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Category	No	Questions	Y1	Y2	Y3	Y4
	19	How the board facilitates its exercise of independent judgment in carrying out its responsibilities is disclosed.				
Board Meetings	20	The number or frequency of the meetings is disclosed.				
	21	Members' attendance at meetings is disclosed.				
Nomination Committee or / and Compensation Committee	22	Committee size is disclosed.				
	23	Identity of the chairperson is disclosed whether he is independent or non-executive.				
	24	Profile of the chairperson is disclosed such as qualification, experience etc.				
	25	Profile of each board member is disclosed.				
	26	Whether or not the board has a compensation committee composed entirely of independent directors is disclosed.				
	27	The proportion of independent members or non-executive members is disclosed.				
	28	The process by which the board identifies new candidates for board nomination is described.				
	29	The process by which the board determines the compensation for the bank's directors and management is described.				
	30	If the board has standing committees other than the audit, compensation & nominating committees, the committees and their functions are disclosed.				
	31	Number of meetings held during the year is disclosed.				
	32	Attendance of each member's committee meetings is disclosed.				
Shariah Governance	33	Statement on the endorsed conformity of Shariah compliance is disclosed.				
	34	Shariah supervisor structure is disclosed.				
	35	The board size is disclosed.				
	36	Identity of the chairman of the Shariah board is disclosed (experience, qualification etc.).				
	37	The chairman of the Shariah board whether he is independent or non-executive chairperson is disclosed.				
	38	Whether other Shariah supervisory board members are independent or non-executive are disclosed.				
	39	Qualification and relevant experience of all Shariah board are disclosed.				
	40	Formally assigned individual's responsibilities of the board (outside the bank) are disclosed.				
	41	How the Shariah board facilitates its exercise of independent judgment in carrying out its responsibilities is disclosed.				
	42	Policies and procedures on appointment and dismissal of members are described.				
	43	Number of meetings during the year is disclosed.				
	44	Members' attendance at meetings is disclosed.				

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Category	No	Questions	Y1	Y2	Y3	Y4
Shariah Compliance, Supports and Operations	45	Mechanism on Shariah compliance monitoring is disclosed.				
	46	Treatment of all earnings realized from sources prohibited by Shariah is provided.				
	47	Sources and uses of zakah and charity funds are disclosed.				
	48	Method of zakah calculation is disclosed.				
	49	The contractual rights of investment account holders are disclosed.				
	50	Investment and asset allocation strategies are provided.				
	51	Rights and liabilities of IAH in the event of liquidation are disclosed.				
	52	Statement on the mechanics of smoothing the returns by the bank is provided.				
	53	Notes related to the utilization of profit equalization ratio (PER) is provided.				
	54	Notes related to the utilization of investment risk reserves (IRR) is provided.				
	55	The treatment for the distribution of PER in the event of liquidation is disclosed.				
	56	The profit calculation method and its share of profit earned attributable to IAH are disclosed.				
	57	Changes to policy with regards to profit calculation is provided.				
	58	Changes to policy with regards to investment and asset allocation strategies is provided.				
	59	Change to policy with regards to smoothing of returns				
	60	Legal right due to unrestricted IAH pertaining comingled funds is disclosed				
	61	Legal right due to unrestricted IAH pertaining Mudharib's failure is disclosed.				
	62	A report on appropriateness of Shariah basis of allocation of profit between equity holders and IAH is provided.				
Ethical Business Conduct and Corporate Responsibility	63	The code of ethics for the directors adopted by the board is disclosed.				
	64	If the board has adopted a written code, how a person or company may obtain a copy of the code is disclosed.				
	65	How the board monitors compliance with its code is disclosed OR if the board does not monitor compliance, how the board satisfies itself regarding compliance with its code is described.				
	66	Any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive management have a material interest are described.				
	67	Any other step the board takes to encourage and promote a culture of ethical business conduct is described.				

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Category	No	Questions	Y1	Y2	Y3	Y4
	68	Mechanism protecting the rights of shareholders is disclosed.				
	69	Policy and performance in connection with environmental and social responsibility is provided.				
	70	Waivers to the ethics code are disclosed.				
	71	Code of ethics for all employees is provided.				
	72	Role of employees in corporate governance is provided.				
	73	Performance evaluation process is disclosed.				
	74	Impact of environmental and social responsibility policies on bank's sustainability is disclosed.				
	75	Policy on whistle blower protection for all employees is provided.				
Audit Committee	76	Committee size is disclosed.				
	77	Identity of the chairperson is disclosed.				
	78	Whether the chairperson is independent or non-executive is disclosed.				
	79	Whether or not the board composed entirely of independent directors is disclosed				
	80	Proportion of independent members is disclosed.				
	81	Whether committee members include non–executive director is disclosed.				
	82	The process by which the board identifies new candidates for board nomination is described.				
	83	The terms of reference of the committee is formed and approved by the board				
	84	Scope of work and responsibilities is disclosed.				
	85	Term of reference of internal audit is disclosed.				
	86	Board's confidence in independence and integrity of external auditors is provided.				
	87	Process of appointment of external auditor is disclosed.				
	88	Process for interaction with external auditor is disclosed.				
	89	Duration of current external auditors is disclosed.				
	90	Rotation of audit partners is disclosed.				
	91	Proportion of audit/other fees is disclosed.				
	92	Number of meetings held during the year is disclosed.				
	93	Attendance of each member's committee meetings is disclosed.				
	94	The suitability of internal audit is provided (based on experience and qualification)				
	95	The internal audit is said to be conversant with policies and procedures of the bank.				
	96	The effectiveness of IA is stated.				
	97	Related party transactions are placed before audit committee and approved by the board.				
Risk Mgt	98	The board provides risk management oversight.				

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Category	No	Questions	Y1	Y2	Y3	Y4
Committee or / and Asset Liquidity Committee (ALCO)	99	Full board is accountable and responsible for overall risk.				
	100	Clear-defined mandate to continuously regulate risk activity is provided.				
	101	Other board risk committees are formed.				
	102	Other board committees are also involved in risk oversight.				
	103	Audit committee is also responsible for risk.				
Risk Management, Control Items and Risk Disclosures	104	Bank's risk management organization is disclosed.				
	105	Senior management commitment in risk management is provided.				
	106	Risk management framework is disclosed				
	107	The top emerging risks that arise from the bank's business models and activities are discussed.				
	108	The bank's risk terminology is provided.				
	109	The bank's strategies or procedures are described.				
	110	The bank's risk culture or its risk appetite is described.				
	111	The use of stress testing or other measures is described.				
	112	How the bank plans to meet regulatory ratios is provided.				
	113	All risk information is presented together in a report OR a navigator index to locate the risk disclosure in the reports is provided.				
Reporting - Accounting & Funding	114	The bank has an understanding of internal controls and procedures for financial reporting.				
	115	The board's accountability of the financial statements is disclosed.				
	116	Statement of accounting in compliance in accordance to IFRS.				
	117	Statement on transparency and disclosure is provided				
	118	Statement stressing on Comprehensiveness of Policies and procedures is provided.				
	119	Assets tabulated in balance sheet categories which include collateral received are provided.				
	120	Consolidated total assets, liabilities and off-balance sheet commitments by the remaining contractual maturity at the balance sheet date are presented.				
	121	A narrative discussion of management's approach to determine the behavioural characteristics of financial assets and liabilities is provided.				
	122	The bank's funding strategy, including key sources and any funding concentrations is discussed.				
Market & Liquidity Risks	123	How market liquidity is considered is disclosed.				
	124	How bank manages its liquidity needs is described.				
	125	The linkages between line items in balance sheet and income statement are provided.				

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Category	No	Questions	Y1	Y2	Y3	Y4
	126	Qualitative and quantitative breakdowns of significant trading and non-trading market risk factors that may be relevant to the bank's portfolio are provided.				
	127	Qualitative and quantitative disclosures that described significant market risk are provided (such as measurement, model limitations, assumptions, validation procedures, use of proxies, changes in risk measures and models through time).				
	128	The primary risk management techniques to measure and assess the risk of loss beyond reported risk measures and parameters are described (such as VaR, earnings or economic value scenario results through methods such as stress tests, expected shortfall, economic capital, scenario analysis, stressed VaR or other alternative approaches).				
Credit Risk	129	Information on the bank's credit risk profile which includes any significant risk concentration is provided.				
	130	Policies for identifying impaired loans are described.				
	131	Reconciliation of the opening and closing balances of impaired loans are provided.				
	132	A qualitative and quantitative analysis of the bank's counterparty risks that arises from its derivatives transactions is provided.				
	133	Qualitative information on credit risk mitigation is provided.				
Other Risks	134	Other risks types identified by the management are described.				
	135	How they are identified, governed, measured and managed is disclosed.				