# CORPORATE GOVERNANCE DISCLOSURES IN THE NEW ZEALAND AGRICULTURAL COMPANIES

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## Abstract

Livestock, agriculture, and horticulture products are essential in the New Zealand economic sustainable development. Consequently performance and governance of active companies in these areas of business are constantly monitored by the public through legislators, stock market, government agencies, and media. Practically corporate governance disclosures are providing essential information for such monitoring and analysis. This paper intention includes critically evaluate corporate governance disclosures of agriculture companies. Implementation of the content analysis methodology enables this research project to present analysis of the level of compliance with the 2004 Corporate Governance Principles and Guidelines that put forwarded by the New Zealand Stock Exchange (governance related disclosure and their non-listed counterpart as expected providing even less disclosure in this area. The financial and governance reports of these companies are suffering from deficient transparency in the area of corporate governance.

**Keywords:** Corporate Governance, Agricultural Companies, NZX Corporate Governance Codes, Corporate Governance Compliance Score

## 1. INTRODUCTION

New Zealand economy is an agricultural based economy that more than 95% of the companies are SMEs while big agricultural companies are leading the industry. According to Statistic New Zealand in February 2014 about 70,000 companies were active in agriculture, forestry and finishing shaping the second largest group of companies after retail, hiring and real estate services (Statistics New Zealand factsheet, 2014). Nonetheless, small and big agriculture companies are active in exporting agricultural product while big companies are act as role models for SMEs and are in many cases are the sole buyer of SMEs' products. Consequently the prospect of big companies (listed, non-listed, or government owned) have direct impact on SMEs and the New Zealand economy. Apparently the financial reports and therefore financial analysis are providing an insight into company's effectiveness and efficiency, in the same way non-financial information about corporate governance (CG) offering a complete picture of how companies equipped to maintain and implement developmental plans for further effectiveness and efficiency in the sustainable development of the company and consequently the whole economy of the country.

In the small common law New Zealand jurisdiction, CG is important since the country is involve in free-trade agreement with Australia in one hand and with the United States in the other hand while Australia has the same agreement with the USA. This condition implies that New Zealand companies CG compliance and disclosures are closely scrutiny by foreign investors and potential export competitors which agricultural companies are the main players.
This research project is developed to put some shade on how big agricultural companies in New Zealand are considering corporate governance rules. The study first looks at the state of CG in the agricultural sector of the New Zealand from institutional perspective then at the micro level considers the implementation CG rules in the listed and non-listed agricultural big companies. For listed companies unlike non-listed companies providing CG disclosure is one of the listing prerequisites. To be comprehensive provide a comparative analysis big non-listed companies that prepare and published financial statements are also considered in the study.

Following the introduction, a background of the study including the research questions is presented in the section two and methodology in the section three of the paper. Section four is results

presentation and discussion while the last section concluded the research project and providing recommendations.

## 1.2. Background of the Study

Corporate governance literature is well documented in the literature; however the literature of CG in New Zealand is limited to some research studies in the recent years. When it comes to CG in agriculture companies, no research study is founded suggesting the need of fundamental research studies in this area. Considering the importance of sustainable development in agricultural products which is vital to New Zealand economic development via sustain exporting agricultural products, CG in the companies active in this area is vital. Agricultural product while vulnerable to climate changes and international competition are vigorous for human beings life. Agriculture companies must adopt an ingenious CG system to win the indigenous and international competition while encountering climate changes yet be able to grantee their sustainable development. In the following section a literature of CG New Zealand is explained as a starting point of developing research questions of the study.

## 1.2. Corporate Governance in NZ

In the literature of CG typically listed companies are subject of data collection and in fewer cases non-listed big companies are considered relevant for data collection. In the New Zealand context while a majority of registered companies (about 95%) are SMEs, a limited number of big companies is listed in New Zealand Stock Limited (NZX) main board (NZSX), Alternative Market (NZAX), or the Debt Market (NZDX). Those companies that are not listed are a vast spectrum of micro companies (family owned, less than 5 employee), to SMEs (less than 100 employee) and some big state owned companies. The financial market required listed companies to adopt CG rules on the basis of compile or explain regime. As it is explained in the Legitimacy and Stakeholder theories, it is assumed that many SMEs and big non-listed companies will follow the stock market CG guidelines on the voluntary basis to be legitimate and provide appropriate financial and non-financial information to win the information conflict of the stakeholder.

Nonetheless based on the agency theory, CG disclosure receives more attention where ownership and managerial control are separated. Looking at the New Zealand companies' ownership structure, reveals that owners managers are common practice with an increasing level of majority shareholders controlled in non-listed companies. This group of companies that includes securities issuer companies are not bond to implement CG rules and regulations, but may adopt CG rules voluntary.

CG studies appear in the literature considering the unique socio-economic environment of New Zealand. Fox, Walker and Pekmezovic (2013) that have presented a literature review of CG disclosure papers confirming that implementation of CG is good in the listed companies while non-listed counterparts (i.e. debt securities issuers) are not in the same position. While it is documented that in 2010 New Zealand is ranked as the fifth in the world for corporate governance according to GMI ranking (GMI, 2010), Fox, Walker and Pekmezovic (2013) believe that "comply or explain" installed by NZX in complying with CG rules strength the status of CG in New Zealand. They believe that this condition may not be occur by strict regulatory regime and the "comply or explain" approach have developed entrepreneurial boards that contribute in mitigating managerial risk from CG perspective.

It is concluded by Van der Walt, Ingley, and Townsend (2006) that New Zealand companies' boards are more homogenous. Homogenously is in gender, age, ethnicity, and functional may link to the *board configuration, strategic context and corporate decision quality.* In the same area Ahmed, Hossain and Adams (2006) consider the effect of board composition and size on the information usefulness of financial reports. They concluded that information usefulness is negatively related to the aforementioned variables even when the board include outside directors.

The effect of CG mechanisms on finance policies in the listed companies reveals that companies with weak CG mechanisms have a tendency to rely more on financial leverages than their counterpart with strong mechanisms in CG (Koerniadi and Tourani-Rad, 2012b). Nevertheless, a weak CG rules implementation is considered as the cause of finance company failures in New Zealand (Wilson, Rose, and Pinfold, 2010).

Fox, Walker and Pekmezovic (2013) provide a decent discussion on the impact of factors such as type of control and insider ownership which is the proportion of ordinary shares held by board of directors. As they illustrated, listed companies in New Zealand historically were less controlled by majority of shareholders than managers while an increase in the international ownership is observable from 1985 to 2001 (Fax & Hamilton, 1994 and Fax & Walker, 2002). As Fox and Hamilton (1994) indicate, they did not find a statistical relationship between ownership diversification and structural control, furthermore companies' profitability are not related to managerial or ownership control as explained by Fox et al. (2013). In this area Watson and Hirsch (2010) studied the relationship of different type of control from CG perspective with corruption. They concluded that weak CG implementation coupled with unjustifiable corporate structure is considered as a source of corporate corruption. In the same area, research results of Hossain, Prevost and Rao (2001) showed that in New Zealand at the commencement of the 21 century the insider and shareholder ownership were 6.8% and 76.3% respectively. They documented a strong relationship between insider ownership and firm performance and concentrated ownership that has an adverse impact on the firm performance. However, a contradict results is reported by Reddy, Locke, and Scrimgeour in 2010. Study of Jiang and Habib (2009) concluded that corporate disclosure differently impacted by various shareholding control. It seems two decades before the effect of different type of ownership on firm performance and consequently

on firm value as Navisi and Naiker (2006) observed was different. They found that firm value decreases as a result of increasing in the level of institutional investing to a certain level, at the higher levels this relationship exhibited a reverse impact. Getting back to the study core focus in the protection of investors by CG rules, Chiu and Monin (2003) advocateed that CG guidelines should be considered on the basis of case-by-case rather than one fit all. Considering CG compliance in the condition of "comply or explain" regime and ownership concentration environment research results of Bhuiyan, Roudaki and Clark (2013a) reveal that CG compliance enhance managerial accountability while mitigate management financial discretion decision making. In the same way CG compliance promote firm value due to enhanced internal control and consequently surrounded managerial opportunistic behaviour (Bhuiyan, Roudaki and Clark, 2010).

Using a sample of New Zealand companies in the period of 2004-2008, Koerniadi and Tourani Rad (2012b) study CG mechanisms from the financing policies stand point. Based on an administered CG index they found that companies with strong CG mechanisms have less leverage than firms with weak CG mechanisms. They reported that companies implemented different levels of CG mechanisms to obtain CG quality. In Another paper Koerniadi and Tourani Rad (2012a) examine the impact of independent director/s' presence on firm value. The results indicate that when the independent directors are in majority they are able to influence firm value otherwise their presence negatively influence the firm value. Considering the stewardship theory results obtained by Koerniadi and Tourani Rad (2012a) is justifiable while minority independent director is not a successful experienced in the New Zealand socio-economic environment.

The relationship of institutional investors and role of executive committee has been investigated in the study of Gunasekarage and Wilkinson (2002) which the results indicate that as predicted CEO compensation exhibited a statistically influence by firm performance. Jiang, Habib and Smallman (2009) extent this literature to report a nonlinear relationship between ownership concentration and top managerial compensation.

Continuing with the discussion of control in the New Zealand companies, Murray (2001) said that controlling power is compromise when one member of directors' board is the member of other company or companies' board that information may flow into a wider business environment. Empirical research of Bhuiyan and Roudaki (2013) questioned the effectiveness of CG in the light directorship interlocking in the New Zealand business context. They show that company to company interlock (company has interlocking, through the board member with other companies) and board interlock (directors of one company sit in other boards) has an adverse effect on firm performance. Nonetheless, interlock directorship has no effect on CG and negative impact on ownership concentration (Bhuiyan & Roudaki, 2013).

Board composition including board size, presence of independent directors, CEO duality, and board diversity are centre of interest of many scholars in CG related research studies. While NZSX required minimum 3 directors on board, a typical board size in New Zealand that is reported to be 7.5 by 1985 (Fox et al., 2013) decreased to 6.23 in 2010 as reported by Bhuiyan, Roudaki and Clark (2013b). More number of directors can be translated more diverse expertise blended in the boards for decision making (Hillman, 2000) while increasing possibility interlock in the managerial labour market that suffers from lack of independent expert directors (Bhuiyan & Roudaki, 2013). CEO duality that was about 11.4% in 1984 (Fox et al., 2010) has fallen to less than one percent in 2010 (Bhuiyan, et al., 2013a). However, different and controversial findings about CEO duality is reported in the literature.

Gender diversity, experience, and expertise of the board are other characteristics that formed core of some papers. Presence of woman on the board of directors of companies (i.e. diversity on board) has been increased from 4.1% in 1997 to 5.7 in 2001 (Van der Walt, Ingley & Townsend, 2006) and then increased to 7.7% in 2009 (Fox et al., 2013). Re-appointment of directors is encouraged by the New Zealand CG rules, but there is not a suggested threshold for number of time of re-appointment and tenure, in this regards, Bhuiyan (2010) reported that 31 years of combined tenure is common in the sample of listed companies during 2000 to 2007.

Board committees (i.e. audit, remuneration, and nomination) are strength of means for board of directors to maintain control over the companies' activities and development in the New Zealand companies. In the recent years number of companies that formed audit committee has increased dramatically as in 1982 about 15% of companies have active audit committees (Bradbury, 1990) that this figure has increased to 22% in 1989 (Lukkassen, 1998). In the beginning of 1990's the percentage of companies with audit committee increased to 63% (Porter & Gendall, 1998) that increased to around 73% in 2007 (Bhuiyan, 2010). The size of audit committee that reported to be on average 3.5 (included 2.9 non-executive directors) in 1996 (Fox & Walker, 1998) has increased to average of 4 members in 2007 (Bhuiyan, 2010). It is considered that audit committee qualification, frequency of meeting and composition are a good indicator of a decent CG practice. Vineeta, Naiker, and Lee (2009) prove that as the managerial ownership increasing the frequency of audit committee is increasing. They reported that 78% of audit committees in New Zealand have an independent director as chairperson and 67% include at least one professional accountant attending the audit committee.

According to New Zealand CG rules establishment of a remuneration committee is recommended and the member of such committee should be introduced in the annual reports (Securities Commission, 2004, 2011). Fox and Walker (1996) reported that remuneration committees have an average of 3.6 members, while three were non-executive directors attending the remuneration committee of the listed companies.

The composition of nomination committee is explained in the listing rules that required

companies to establish rigours formal and transparent charter for nomination and appointment of new directors (NZX Listing Rules, 2013). Ingely and Walt (2001) found five factors contribute in the selection of directors, these factors are related to shareholder interests' representation, industry and business community reputation, and recognised strategic competences.

### 1.3. Research Question

Based on the above literature review following research questions are developed for the research project.

1) What is the status of corporate governance in the New Zealand agricultural companies?

The above question investigate implementation of CG rules in the agricultural companies including horticulture and fishery companies. In the compile or explain of CG rules in New Zealand socio-economic environment only those companies that are listed are required to implement CG rules and include CG disclosure in their annual reports as non-financial information. As some big non-listed companies are preparing such disclosure on the voluntary basis it would be possible for this research project to include these companies in the study. The second question of the research project is:

2) What is the quality of CG disclosure provided by Agricultural companies?

The same as above all listed and a group of big non-listed agricultural companies financial and CG reports are considered for the qualitative research in this study to provide a respond to the above question. A Corporate Governance Index is developed to examine the quality of CG disclosure provided by agricultural companies. Explanation of development of the CG Index is included in the methodology section of the paper.

## 2. METHODOLOGY

This research uses qualitative research methodology to examine the quality of corporate governance disclosure included in the published material by agricultural companies in the New Zealand socio-economic environment. The quantitative information about CG implementation is collected and analysed to expand the qualitative CG discussion. The following sections explain population of the study and development of CG Index to investigate the quality disclosures presented by a sample listed and non-listed companies.

### 2.1. Population of the Study

Agricultural companies including all listed in NZX and those big non-listed but providing disclosure about implementation of CG is considered as population of the study. NZX Listed companies including agricultural companies are required to adapt NZ Corporate Governance Principles Guidelines published by Securities Commission in 2004 and NZX Listed Rules provided in the website of NZX. Some of non-listed agricultural companies selected to report CG disclosures as part of their annual reports while others prefer to publish such disclosures in their website, as a separate section of their financial reports, or as an independent report next to it. The non-listed companies are selected as a comparison base between CG compile or explain regime and voluntary environment. It is anticipates that listed companies provide more quality and quantity of CG disclosure than their non-listed counterparts; however as expected not all non-listed companies have published a complete or partial CG disclosure. To satisfy the objectives of the study all 11 agricultural listed companies and a group of 10 not-listed companies that provide CG disclosure are selected, few of these companies are government owned or affiliated to government agencies or departments. However there are many agricultural companies that are excluded from the sample of this research due to the lack of financial information. These companies are not providing any report related to CG presented to the public therefore not fall into the study sample companies.

### 2.2. CG Compliance Index

To examine the quality and quantity of CG disclosure published by New Zealand agricultural companies, a CG Index is developed and administered. The Index is developed based on 2004 New Zealand Corporate Governance Principles and Guidelines. The other source of CG compliance index development was a comprehensive literature review of those scholarly papers that develop and use CG check list or index such as Sapovadia (2011), Varshney, Kaul and Vasal, (2012), Juniarti, and The (2012), Grimminger, and Benedetta (2013) and Thanh Tu, Khanh and Quyen (2014).

Content analysis is implemented in this research project for examination of the quality of CG disclosure by sample companies. As recommended in the literature, in the content analysis a coding system and unite/s of analysis should be adopted for examination of each item of the index. Extant literature has adopted different coding system from a binary to five or more levels to reveal the quality of each item of the index individually and collectively. The analyses embrace from using a single word, symbol, phrase, or clause to a complete sentence or paragraph. Based on the needs of the study and or availability of the data researchers preference in some cases have extended to consider a page, themes or even the whole text as unit of examination and analysis (Petty & Guthrie, 2000; Barako, Hancock & Izan, 2006; Vandemaele, Vergauwen, & Smits, 2005; Collett & Hrasky, 2005; Coy & Dixon, 2004).

Unite of analysis in this research is considered as an informative paragraph, phrase or sentence. This method considered as an effective approach to reveal the quality of CG disclosure. As the first step a descriptive statistical data analysis implemented to analyse data obtained from reviewing the quantity (i.e. number of pages) of CG disclosure provided by agricultural companies. In the content analysis phase of the study individual company score is calculated as proxy for the quality of each item of CG compliance index. This indexed which is developed based on New Zealand Corporate Governance Principles and Guidelines (2004)

includes nine sections, 46 criteria, and 64 best practice codes as explained in Table 1. Each best practice code is scored two if completed information is provided, and considered as score one for partial information, otherwise zero. For data analysis two horizontal and vertical scores are calculated in a matrix of data collected. As the companies are in the first column of the matrix each row provides Company CG Compliance Disclosure Score (CDS) that indicates the quality of disclosure compliance with CG Best Practice Codes within all sections, criteria, and best practice codes. In the same way as CG sections, criteria, and best practice codes are in the first two top rows of the matrix therefore each column calculates the best practice codes score. In analysis the best practice codes scores within each criterion is added together to reach the Section CG Compliance Score (SCS). This score shows the coverage that each section and criterion has received from the company's managerial team to disclose about CG guidelines.

Table 1 presents the number of best practice codes included in the developed CG compliance index. Based on this table the maximum score for each of nine sections of CG guideline would be the last column of Table 1 (best practice code) multiplied by two. Following this calculation, the maximum total Company CG Compliance Disclosure Score is 128 (64X2). The last column of table one presenting the maximum compliance scores for each section of the CG.

**Table 1.** Number of Criteria and Best Practice Codes in Each Section of the CG Compliance Index

| | *Section* | *Criterion* | *Best Practice Code* | *Max. SCS* |
|---|---|---|---|---|
| 1 | Ethical Standards | 5 | 11 | 22 |
| 2 | Board Composition and Performance | 11 | 14 | 28 |
| 3 | Board and Audit Committees | 5 | 9 | 18 |
| 4 | Reporting and Disclosure | 7 | 7 | 14 |
| 5 | Remuneration | 5 | 5 | 10 |
| 6 | Risk Management | 3 | 3 | 6 |
| 7 | Auditors | 6 | 7 | 14 |
| 8 | Shareholder Relations | 4 | 7 | 14 |
| 9 | Shareholder Interest* | 1 | 1 | 2 |
| | Total | 47 | 64 | 128 |

**Shareholder Interest section has three best practice codes in the original index, since two of the codes were extremely subjective, data collection was impossible therefore omitted form data analysis.*

As recommended in the literature (for example Garcia-Meca & Martinez, 2005) in the context of asymmetric information, the CG disclosures are considered to be a highly asymmetric information, the costs (including financial, non-financial, and social cost) of providing such information in some cases surpassed the benefits (including financial, non-financial, and social) drives from disclosure of such information. However, considering legitimacy and signalling theories justifying the unfavourable outcomes. This research considers this environmental factor into consideration to reveal the quality of CG disclosures provided.

## 3. RESULT DISCUSSION

The results are presented into two sections of quantitative that explain the number of pages and quality of CG disclosure.

### 3.1. Quantitative Results

Table 2 shows number of pages that each of the 21 companies provided as part of their CG disclosure. As all agricultural companies have been considered as population of this study, there were five agricultural companies that they did not prepare any information related to CG as separate or part of financial information. This table provide general information about the status of CG implication by New Zealand agricultural companies that provide partially answer to the first question of this research.

As it is appear from Table 2, CG disclosure presented as a part of financial report is the most common approach in the agricultural companies. The quantity (i.e. number of pages) of presented information is varied from 12 pages to one page while the average pages of this type of reporting is 5.7 and 4.2 for listed and non-listed companies respectively. Preparation of a separate CG report is less common in the listed companies and only two out of 10 non-listed companies that provide CG disclosure prepare such separate report; the number of pages are very different. Other component of good practice in corporate governance that have recommended by CG guidelines received less attention from listed companies. Disclosures related to board of directors code of ethics and board of director charter are prepared by eight listed and three non-listed companies. When it comes to remuneration and nomination board committees the number of companies and the number pages drop dramatically to few pages of disclosures and only four listed companies and one not listed companies prepared separate information about their remuneration committee information while one and none listed and not listed companies prepared information related to remuneration. Audit and risk management committee is in the same boat that only three listed and one not listed company provided some information about this section of CG. The empty boxes in Table 2 are due to the fact that the study was not able to find published related information.

**Table 2.** Quantitative Information about CG Disclosure by Agricultural Companies

| Nub | Listing Status | Financial Report | CG Report | Board Code Ethics and Board Charter | Remuneration Committee | Nomination Committee | Audit & Management Risk Committee | Shareholder relation and Interest |
|---|---|---|---|---|---|---|---|---|
| L1 | NZX | 11 | 4 | 1.5 | 2 | 2 | 2.5 | |
| L2 | NZX | 12 | 1 | 11 | | | | |
| L3 | NZX | 3.5 | 3.5 | 3 | 2 | | 4.5 | |
| L4 | NZX | 2 | | | | | | |
| L5 | NZX | 1 | | | | | | |
| L6 | NZX | 3 | 1 | 7 | 6 | | 8 | |
| L7 | NZX | 8 | 10 | 6 | 3 | 9 | | |
| L8 | NZX | 5 | 9 | | | | | |
| L9 | NZX | 5.5 | | 1 | | | | |
| L10 | NZX | 3.5 | 0.5 | 1 | | | | |
| L11 | NZX | 8 | 2.5 | Few pages | | | | |
| | **Average** | **5.7** | | | | | | |
| N1 | Not Listed | 13 | | 2 | | | | |
| N2 | Not Listed | 3 | | 4.5 | | | | |
| N3 | Not Listed | 3 | | | | | | |
| N4 | Not Listed | 5 | 9 | 7 | 2 | | 3 | |
| N5 | Not listed | 3 | | | | | | |
| N6 | Not listed | 2 | | | | | | |
| N7 | Not listed | 1.5 | | | | | | |
| N8 | Not Listed | 4 | | | | | | |
| N9 | Not Listed | 3 | 2 | | | | | |
| N10 | Not Listed | 0 | 2.5 | 0.5 | | | | |
| | **Average** | **4.2** | | | | | | |

Consider the level of published GC disclosure material included in Table 2, it is interesting to look at the external auditors of these companies. As included in Table 3, all of these companies are audited by Big 4 auditors while two of auditors are more actives than others. PWC and KPMG audited five and three of listed companies and one and seven not listed companies respectively.

**Table 3.** External Auditors, Number of Companies

| | ***Listed*** | ***Not Listed*** |
|---|---|---|
| PWC | 5 | 1 |
| KPMG | 3 | 7 |
| Deloitte | 2 | 1 |
| Ernst & Young | 1 | 1 |

## 3.2. Quality of CG Disclosure

In the qualitative data analysis phase of the study, implementing the CG Compliance Score two vertical and horizontal scores are calculated. The horizontal score, the Company CG Compliance Disclosure Score (CDS) for each listed (ALC) and none listed (ANC) company is calculated. The vertical score of Section CG Compliance Score (SCS) for each ALC and ANC is calculated. The CDS reveals the level of compliance or extended of adaptation of the CG guidelines that recommended by NZX in the "compile or explain" environment by the sample individual agricultural companies. The SCS indicates the usage of each the nine sections of the CG Compliance Score from holistic view point. In the other words this score shows the popularity of the each section, criteria and best practice of the CG guidelines in comparison. In order to compare the companies CDSs the percentage of the scores on the basis of maximum score of each criterion or best practice code is calculated. To observed anonymously of companies eleven agricultural listed companies are numbered as L1 to L11 and in the same way 10 non-listed companies named as N1 to N10 in the data analysis and result presentations.

As explained in the CG Compliance Index section, the maximum score for each company is 128, table 4 shows each company CG compliance disclosure score (CDS) by the ALC and ANC. This table also presents the CDS for each company considering nine sections of the CG guidelines. Due to the fact that CG codes are required for ALC while volunteer for ANC therefore CDS of listed and not listed are presented separately while arranged from the highest CDS in Table 4.

**Table 4.** Company CG Compliance Disclosure Scores (CDS)

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***Percentage*** | ***Company*** | ***CDS*** | ***Percentage*** |
| L7 | 101 | 76.5% | N4 | 87 | 65.9% |
| L3 | 80 | 60.6% | N8 | 40 | 30.3% |
| L6 | 77 | 58.3% | N2 | 35 | 26.5% |
| L8 | 68 | 51.5% | N7 | 29 | 22.0% |
| L1 | 62 | 47.0% | N1 | 21 | 15.9% |
| L9 | 50 | 37.9% | N6 | 20 | 15.2% |
| L10 | 49 | 37.1% | N9 | 17 | 12.9% |
| L11 | 27 | 20.5% | N10 | 15 | 11.4% |
| L2 | 27 | 20.5% | N5 | 13 | 9.8% |
| L4 | 26 | 19.7% | N3 | 8 | 6.1% |
| L5 | 22 | 16.7% | | | |
| Average | 53.55 | 40.6% | Average | 28.5 | 21.6% |
| STD | 26.41728085 | | STD | 22.8533975 | |
| Skew | 0.345165488 | | Skew | 2.14853942 | |

While the average of CG Compliance Disclosure Scores (CDS) in the ALCs column of Table 4 is much higher than ANCs (40.6% and 21.6% respectively), both scores are much lower than the maximum scores of compliance which is 128 (see Table 1). The highest percentage of required CG compliance by the ALCs indicates that at the best 76.5% of required disclosures are publicly available. Interestingly the highest percentage of CG compliance of ANCs which are not required to present such disclosures is 65.9%, with the average of 21.6%. In addition the skewness of CDSs for ALCs is close to 0.5 indicating that the scores are distributed approximately symmetric, while the skewness of the same scores for ANCs is more than two saying that scores are skewed towards to the lowest. Results presented in Table 4 indicate that while ALCs did not fulfil the requirements of CG disclosures, they are almost homogenous in providing of such disclosures.

Table 5 presents the total of SCSs and corresponding percentage for each of the 9 CG compliance sections scores. Again listed and not listed are reported separately due to the nature of required compliance and volunteer disclosure. This table present an all-inclusive picture of status of CG compliance in the New Zealand agricultural companies.

As it is appear from Table 5 all SCSs are not high, on average only 37.6% of possible disclosure is provided by ALCs while ANCs the average is 19.5% to build the overall average of 29%. Disclosure about Board and Audit Committee section of CG has the maximum percentage that are 61.1% and 49.7% by two groups of the companies, while this section is the only section that obtain a little above fifty percentage of required disclosure by ALCs. While the trend of disclosure follows the same pattern in both group of companies, two sections of CG have stood above others have the percentage of a little less than 50% in the ALCs. These sections are Composition and Performance and Remuneration sections. The level of disclosure about Shareholder Interests is low due to the fact that the best practice codes that are suggested by CG codes of best practice are very subjective while companies was not good at presenting evidence about shareholders interest. Apart from this section, disclosure about Auditors section of the compliance Score is low (27.3% by ALCs and 21.1% by ANCs) indicating that while companies are providing marginal information about their audit committees, they are not following the same manner in providing information about auditors of the company.

**Table 5.** Section CG Compliance Scores for Agricultural Listed and not-Listed Companies

| ***Section*** | ***Listed Companies*** | | ***Not-Listed Companies*** | | ***All Companies*** | |
|---|---|---|---|---|---|---|
| | SCS | Percentage | SCS | Percentage | SCS | Percentage |
| Ethical Standards | 91 | 37.6% | 21 | 9.5% | 112 | 24.2% |
| Board Composition and Performance | 141 | 45.8% | 83 | 29.6% | 224 | 38.10% |
| Board and Audit Committees | 121 | 61.1% | 67 | 37.2% | 188 | 49.7% |
| Reporting and Disclosure | 60 | 39.0% | 35 | 25.0% | 95 | 32.3% |
| Remuneration | 51 | 46.4% | 29 | 29.0% | 80 | 38.1% |
| Risk Management | 26 | 39.4% | 4 | 6.7% | 30 | 23.8% |
| Auditors | 42 | 27.3% | 20 | 14.3% | 62 | 21.1% |
| Shareholder Relations | 51 | 33.1% | 20 | 14.3% | 71 | 24.1% |
| Shareholder Interests | 6 | 9.1% | 6 | 10.0% | 12 | 9.5% |
| **Average** | | **37.6%** | | **19.5%** | | **29.0%** |
| Skew | | -0.56334 | | 0.418231 | | 0.212212041 |

## 3.3. Ethical Standards

The first section of CG guideline is ethics that includes 11 best practice codes which the scores are presented in Table 6 for both groups of the companies. Based on research scoring system of the quality of disclosure, 22 is the maximum of the compliance score for this section. Further enquiry to the level of disclosure indicates that four ALCs and seven ANCs are not providing any disclosure about ethics in the period of the study. Ironically ALCs are required by NZX listing rules to disclose CG compliance while they are all audited by Big 4 auditors (see Table 3). As the companies are sorted

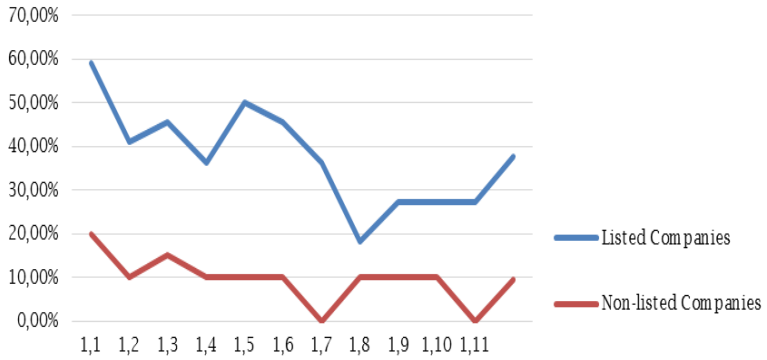
by the heights level of disclosure, the maximum of 90.9% is a good score for L7 (company number 7) that is followed by two other counterparts with levels of disclosure of 86.4% and 81.8%. The level of disclosure is dropped dramatically from company four in the ALCs column. In the ANCs group apart from the first one which provides a good level of disclosure other either provides very low disclosure or nothing at all. Considering that four ALCs and seven ANCs are not providing any disclosure about ethical standards, average of disclosure scores are 8.3 and 5.0 for both groups respectively. Moreover CDSs skewness of ALCs is between zero and 0.5 that indicates the distribution is approximately symmetric while there are companies that produce high quality of disclosure to companies produce nothing at all.

**Table 6.** Ethics Standards CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***Percentage*** | ***Company*** | ***CDS*** | ***Percentage*** |
| L7 | 20 | 90.9% | N4 | 16 | 72.7% |
| L3 | 19 | 86.4% | N2 | 4 | 18.2% |
| L6 | 18 | 81.8% | N7 | 1 | 4.5% |
| L1 | 12 | 54.5% | N1 | 0 | 0.0% |
| L8 | 12 | 54.5% | N3 | 0 | 0.0% |
| L10 | 8 | 36.4% | N5 | 0 | 0.0% |
| L2 | 2 | 9.1% | N6 | 0 | 0.0% |
| L4 | 0 | 0.0% | N8 | 0 | 0.0% |
| L5 | 0 | 0.0% | N9 | 0 | 0.0% |
| L9 | 0 | 0.0% | N10 | 0 | 0.0% |
| L11 | 0 | 0.0% | | | |
| Average | 8.3 | 37.6% | Average | 2.1 | 0.095455 |
| STD | 8.295672 | 0.377076 | STD | 5.043147 | 0.229234 |
| Skewness | 0.291102 | 0.291102 | Skewness | 2.843873 | 2.843873 |

From another angle a detail Ethical Standards scores in each of the 11 best practices by all companies are presented in Figure 1. In this Figure companies are sorted by size (log of total assets as proxy). As appear in this Figure the mean of CDSs that indicate the CG disclosure compliance following the same pattern in the ALCs and ANCs while the line of related to ANCs except for few companies is much lower. As the companies in Figure 1 are sorted by size, it seems that larger ALCs are relatively provided more disclosure about ethics standards than their counterpart from ANCs group. When it comes to smaller companies, listed firms relatively provides less disclosure about ethics standards than smaller not listed firms because the distance of the two lines is relatively narrower as moving towards smaller companies.

**Figure 1.** Ethics Standards Section of the CG Compliance Score




### 3.4. Board composition and performance

This section of the CG Compliance score consists of 11 criteria and 14 best practice codes therefore 28 is the maximum score. Table 7 presents Board Composition and Performance CDS for ALCs and ANCs which arranged from the highest scored company for two groups separately. Unlike the previous section of the CG guidelines although the disclosure scores are lower, but all companies of two groups are providing some disclosure. Nevertheless as expected the ALCs provide more disclosure than ANCs, but the CDS percentage of the highest ALCs and ANCs are very close (78.6% and 71.4% respectively) while the same percentage for least ALC is much lower than ANC counterpart.

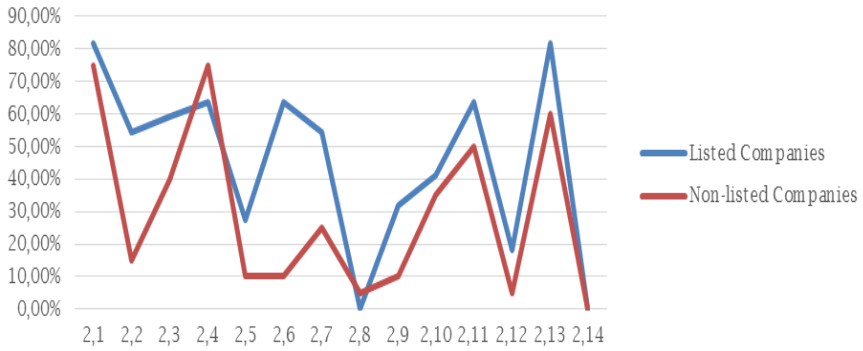
**Table 7.** Board Composition CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L7 | 22 | 78.6% | N4 | 20 | 71.4% |
| L8 | 20 | 71.4% | N2 | 12 | 42.9% |
| L9 | 19 | 67.9% | N8 | 10 | 35.7% |
| L1 | 15 | 53.6% | N10 | 9 | 32.1% |
| L3 | 13 | 46.4% | N7 | 8 | 28.6% |
| L2 | 12 | 42.9% | N1 | 7 | 25.0% |
| L6 | 12 | 42.9% | N6 | 7 | 25.0% |
| L10 | 12 | 42.9% | N9 | 4 | 14.3% |
| L11 | 9 | 32.1% | N3 | 3 | 10.7% |
| L4 | 6 | 21.4% | N5 | 3 | 10.7% |
| L5 | 1 | 3.6% | | | |
| Average | 12.82 | 45.7% | Average | 8.3 | 29.6% |
| STD | 6.177672 | 0.220631 | STD | 5.078276 | 0.181367 |
| Skewness | -0.32855 | -0.32855 | Skewness | 1.353053 | 1.353053 |

The averages of disclosure scores about board composition and performance are 12.8 and 8.3 for both groups respectively. Skewness of CDS of ALCs indicating that scores are approximately symmetric, while skewness of ANC scores is highly skewed towards the low level of disclosure for board composition and performance disclosure.

Figure 2 shows the scores for each of 14 the best practice codes of Board Composition and Performance. The levels of disclosure for all SCSs of this section of the CG score for both groups of companies are very close. While the level of disclosure about three best practice codes (i.e. 2.1 - An appropriate balance of executive and non-executive directors, 2.3 - Monitoring that directors act in the best interests of the entity, ahead of other interests ,and 2.13 - Disclosure that Identifying which directors are independent) are high they are almost the same for both groups of companies. The score of CEO duality disclosure and formal criteria for independent directors are satisfactory but not enough, the total scores are slightly above 50% by ALCs while ANCs are reluctant to provide disclosure about these two best practice codes (scores are around 20%). While the companies are arranged from big to small, the two line of trend of the level of disclosure especially for smaller companies are very close while the lines for bigger companies are exhibiting a mix match trend when considering two lines.

**Figure 2.** Board Composition and Performance Section of the CG Compliance Score




## 3.5. Board and Audit Committees

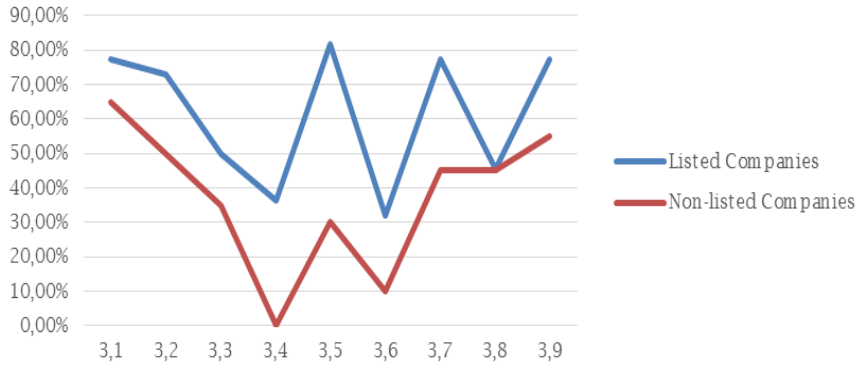
Table 8 shows the scores and percentages of Board and Audit Committee Disclosures for all companies. Since there are 5 criteria and 9 best practices in this section of CG therefore the maximum score is 18. In this table companies are arranged by their CDS from the highest. Unlike the previous three tables company number 7 (L7) which was in the top in those tables in this table takes the third position. The second and third companies (L3 and L6) move to the first position with the same CDSs that are 100% disclosure. Interestingly, one company from two groups is providing no disclosure about Board and Audit Committee codes of best practice. However, score of ALCs are higher than ANCs. There is a credibility gap between the highest score (100%) and the lowest score which is zero in the ALC column. The skewness is approximately symmetric indicate a unique condition for the average of disclosure (i.e. 11) about Board and Audit Committee of CG compliance Score. The average of ANC scores is as low as 6.7 out of maximum score of 18 while distribution is skewed towards the maximum indication that few companies provide good quality of disclosure on oppose to those are lagging behind.

**Table 8.** Board and Audit Committee Disclosure CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L3 | 18 | 100.0% | N4 | 13 | 72.2% |
| L6 | 18 | 100.0% | N8 | 13 | 72.2% |
| L7 | 16 | 88.9% | N7 | 10 | 55.6% |
| L9 | 15 | 83.3% | N1 | 8 | 44.4% |
| L4 | 12 | 66.7% | N6 | 7 | 38.9% |
| L1 | 10 | 55.6% | N2 | 6 | 33.3% |
| L8 | 10 | 55.6% | N5 | 6 | 33.3% |
| L10 | 10 | 55.6% | N9 | 3 | 16.7% |
| L5 | 8 | 44.4% | N3 | 1 | 5.6% |
| L11 | 4 | 22.2% | N10 | 0 | 0.0% |
| L2 | 0 | 0.0% | | | |
| Average | 11 | 61.1% | Average | 6.7 | 37.2% |
| STD | 5.674504 | 0.31525 | STD | 4.522782 | 0.251266 |
| Skewness | -0.55386 | -0.55386 | Skewness | 0.001441 | 0.001441 |

Considering Figure 3 that includes SCSs for Board and Audit Committee Section of the research CG Compliance Score. Most of the best practice codes of this section are received high attention by ALCs. However, ANCs as in the previous CG section follow the same pattern but in the lower level of disclosure. In comparison to other best practice codes disclosure about two of them (manly: 3.4 - *audit committee recommend the appointment of external auditors and 3.6 - audit committee promote integrity in financial reporting*) are very low in both groups, it could be related to the nature of these codes that are too subjective therefore companies were not able to present documentation about implementing of this section best practice codes. These two codes are classified as audit committee duty which is one of the five criteria of Board and Audit Committees section. As the two groups of companies are sorted by size (Log of total assets as proxy) therefore fluctuation of two lines in Figure 3 could be considered as an indicator of that company size may explain the level of disclosure in this section of CG.

**Figure 3.** Board and Audit Committee Section of the CG Compliance Score




## 3.6. Reporting and Disclosure

Low averages of Reporting and Disclosure CDSs that are presented in Table 9 indicating that both groups of companies are not good at in providing enough evidence for this section of CG. On the other hand the best practices indicators of this section having some aspects of subjectivity that undermines the result of qualitative research that considers published disclosure as source of data collection. This section of the CG Compliance Scores has seven best practices in seven criteria, that the maximum score is 14. Data to prove that companies are compiled with the best practice of this section of CG may collected through focus group brain storming of knowledgeables in this area and those people involve in using the published financial reports as part of their decision making process. CG scores of the best practices (i.e. SCS) of this section flow the same trend of disclosure therefore presentation the related figure is not adding much to the discussion of the results.

**Table 9.** Reporting and Disclosure CDS

| Agricultural Listed Companies | | | Agricultural Not-Listed Companies | | |
|---|---|---|---|---|---|
| **Company** | **CDS** | **CDS %** | **Company** | **CDS** | **CDS %** |
| L3 | 11 | 78.6% | N4 | 12 | 85.7% |
| L6 | 11 | 78.6% | N2 | 7 | 50.0% |
| L7 | 11 | 78.6% | N6 | 3 | 21.4% |
| L8 | 7 | 50.0% | N7 | 3 | 21.4% |
| L5 | 6 | 42.9% | N8 | 3 | 21.4% |
| L10 | 5 | 35.7% | N10 | 3 | 21.4% |
| L1 | 4 | 28.6% | N1 | 2 | 14.3% |
| L9 | 3 | 21.4% | N5 | 1 | 7.1% |
| L4 | 1 | 7.1% | N9 | 1 | 7.1% |
| L11 | 1 | 7.1% | N3 | 0 | 0.0% |
| L2 | 0 | 0.0% | | | |
| Average | 5.45 | 38.9% | Average | 3.5 | 25% |
| STD | 4.156047 | 0.296861 | STD | 3.535534 | 0.252538 |
| Skewness | 0.26974 | 0.26974 | Skewness | 1.819621 | 1.819621 |

### 3.7. Remuneration

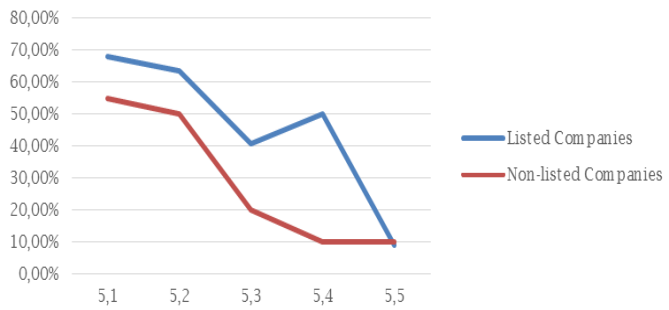
As Table 10 shows the averages disclosure scores about Remuneration provided by of two groups of companies are below 50%. This supporting the idea that listed companies are not fully compile with financial market requirement of adoption of CG regulations. Voluntary environment of CG adoption in the non-listed companies is not suggesting any quality disclosure about management remuneration as well. Analysis of the five best practices of this section is following the same pattern. While the trend of disclosure scores of ALCs is above but near the ANCs scores trends, both trends are very low.

**Table 10.** Remuneration CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L11 | 8 | 80.0% | N4 | 10 | 100.0% |
| L2 | 6 | 60.0% | N8 | 6 | 60.0% |
| L3 | 6 | 60.0% | N2 | 4 | 40.0% |
| L7 | 6 | 60.0% | N5 | 3 | 30.0% |
| L10 | 6 | 60.0% | N9 | 3 | 30.0% |
| L1 | 5 | 50.0% | N1 | 1 | 10.0% |
| L6 | 5 | 50.0% | N6 | 1 | 10.0% |
| L8 | 5 | 50.0% | N7 | 1 | 10.0% |
| L4 | 3 | 30.0% | N3 | 0 | 0.0% |
| L5 | 1 | 10.0% | N10 | 0 | 0.0% |
| L9 | 0 | 0.0% | | | |
| Average | 4.64 | 46.4% | Average | 2.9 | 29.0% |
| STD | 2.377929 | 0.237793 | STD | 3.142893 | 0.314289 |
| Skewness | -0.94338 | -0.94338 | Skewness | 1.430191 | 1.430191 |

As presented in Figure 5, the disclosure scores of *setting policy for remuneration of executive* and disclosing remuneration policy in the annual reports are higher than other best practice codes in this section of the CG compliance Score. Disclosure about *non-executive director receive a retirement payment* has the least score indicating that companies are reluctant to disclose much about personal aspects of their non-executive directors. Ironically while two lines of SCS are very close for almost half of the codes of best practice, these lines meet each other at the end indicating there is no different between two groups of companies.

**Figure 5.** Remuneration Section of the CG Compliance Score



### 3.8. Risk Management

Risk Management includes three best practices in three criteria recommended by CG Compliance Score therefore the maximum score is 6. As Table 11 shows only two ALCs are providing quality disclosure about this section (CDS percentages are 100% and 83.3%0) other companies in this group disclosure scores are below 50% that make the average of score as low as 2.4 out of maximum of six. Except two ANCs that provide some disclosure others did not bother themselves to provide any sensible disclosure about risk management in their companies.

From another angle looking at the individual CG score of the three best practice of risk management. Although the first best practice of this section of CG Compliance Score (Rigorous processes for risk management and internal control) is received some attention to be considered to prepare disclosure about it but the other two best practice codes (i.e. *Risk management Report* and *accountability*) of this section stimulate very low level of attention for providing disclosures.

**Table 11.** Risk Management CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L7 | 6 | 100.0% | N4 | 3 | 50.0% |
| L8 | 5 | 83.3% | N9 | 1 | 16.7% |
| L1 | 3 | 50.0% | N1 | 0 | 0.0% |
| L6 | 3 | 50.0% | N2 | 0 | 0.0% |
| L3 | 2 | 33.3% | N3 | 0 | 0.0% |
| L5 | 2 | 33.3% | N5 | 0 | 0.0% |
| L10 | 2 | 33.3% | N6 | 0 | 0.0% |
| L2 | 1 | 16.7% | N7 | 0 | 0.0% |
| L9 | 1 | 16.7% | N8 | 0 | 0.0% |
| L11 | 1 | 16.7% | N10 | 0 | 0.0% |
| L4 | 0 | 0.0% | | | |
| Average | 2.36 | 39.3% | Average | 0.4 | 6.7% |
| STD | 1.804036 | 0.300673 | STD | 0.966092 | 0.161015 |
| Skewness | 0.956886 | 0.956886 | Skewness | 2.661681 | 2.661681 |

### 3.9. Auditors

Only one company (L7 CDS, 92.9%) in Table 12 exceptionally has the highest, except this company others are not interested to provide sensitive disclosure about their auditors, or in the very optimistic view point they consider it as given. Nevertheless The Auditors section of CG has six criteria and seven best practices with the maximum score of 14. CDS of ANCs in this area is too low, except the first three companies that provide some disclosure about their auditors; others provide either nothing or very low disclosures in this section. Notably auditors play an important in promoting to restore a sound internal control. The scores presented in Table 8 indicating mixed results about disclosure about Audit Committee. Putting together these results one can conclude that sample companies are not good in restoring internal control systems.

**Table 12.** Auditors CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L7 | 13 | 92.9% | N8 | 6 | 42.9% |
| L1 | 7 | 50.0% | N4 | 5 | 35.7% |
| L3 | 5 | 35.7% | N9 | 4 | 28.6% |
| L6 | 5 | 35.7% | N3 | 2 | 14.3% |
| L9 | 5 | 35.7% | N7 | 2 | 14.3% |
| L8 | 4 | 28.6% | N6 | 1 | 7.1% |
| L10 | 3 | 21.4% | N1 | 0 | 0.0% |
| L2 | 0 | 0.0% | N2 | 0 | 0.0% |
| L4 | 0 | 0.0% | N5 | 0 | 0.0% |
| L5 | 0 | 0.0% | N10 | 0 | 0.0% |
| L11 | 0 | 0.0% | | | |
| Average | 3.82 | 27.2% | Average | 2 | 14.3% |
| STD | 3.970345 | 0.283596 | STD | 2.260777 | 0.161484 |
| Skewness | 1.148364 | 1.148364 | Skewness | 0.793302 | 0.793302 |

Considering company scores as explained above, one can expect that individual best practices scores (i.e. vertical analysis) for each best practice codes of Auditor section should not be high. Among six criteria and seven best practice codes of this section of the CG guidelines only the code related to *evidence that shows external auditor and the entity are independent* gain rather high score when it comes to consider individual codes scores. Other codes of best practice of this section are not receiving properly disclosures. Ironically the code about 1) *report annually to shareholders and stakeholders about Audit Fees* and 2) differentiate between fees for audit and fees for individually identified non-audit work are among the lowest scores indicating less transparency in the area of what companies are paid to auditor's professional and related exertions.

### 3.10. Shareholder Relations

Shareholders relations section of CG has four criteria and seven best practices recommended by the CG guidelines, score 14 is the highest possible score. Table 13 presents Shareholder relation CDSs for the listed and non-listed sample companies. As appear from this table all scores are low. The highest percentage of scores for this section is 50% while others scores indicating low disclosures and consequently insufficient transparency. The average of 4.6 and 2 out of maximum of 14 for ALC and ANL respectively are another indication that this section of CG Compliance Score is not popular among agricultural companies. However sample companies are either listed or big agricultural companies that cannot be considered as fully family owned business to conclude that due to family ownerships transparency reporting is neglected.

**Table 13.** Shareholder Relations CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L9 | 7 | 50.0% | N4 | 5 | 35.7% |
| L1 | 6 | 42.9% | N7 | 3 | 21.4% |
| L2 | 6 | 42.9% | N10 | 3 | 21.4% |
| L3 | 5 | 35.7% | N2 | 2 | 14.3% |
| L7 | 5 | 35.7% | N3 | 2 | 14.3% |
| L8 | 5 | 35.7% | N8 | 2 | 14.3% |
| L4 | 4 | 28.6% | N1 | 1 | 7.1% |
| L5 | 4 | 28.6% | N6 | 1 | 7.1% |
| L6 | 4 | 28.6% | N9 | 1 | 7.1% |
| L11 | 4 | 28.6% | N5 | 0 | 0.0% |
| L10 | 1 | 7.1% | | | |
| Average | 4.64 | 33.1% | Average | 2 | 14.3% |
| STD | 1.566699 | 0.111907 | STD | 1.414214 | 0.101015 |
| Skewness | -0.97555 | -0.97555 | Skewness | 0.883883 | 0.883883 |

From individual seven best practice codes (vertical analysis) of shareholder relations the first code (Have clear published policies for shareholder relations and regularly review practices) is drawing some attention from companies managers, other codes either exhibit low attention or none therefore there is no point for graphical presentation.

### 3.11. Stakeholder Interests

Disclosure abort Shareholders Interest as included in Table 14 has the lowest CDSs. Only four ALCs and three ANCs provide low quality of disclosures while other does not bother to do so. Interestingly the highest score and CDS average of ANCs while low are higher than the ALC scores that assumed to provide compulsory disclosures as listing requirement. From individual best practice codes (vertical analysis) all codes have very low scores that graphical presentation is not providing values to result presentation.

**Table 14.** Shareholder Interest CDS

| *Agricultural Listed Companies* | | | *Agricultural Not-Listed Companies* | | |
|---|---|---|---|---|---|
| ***Company*** | ***CDS*** | ***CDS %*** | ***Company*** | ***CDS*** | ***CDS %*** |
| L7 | 2 | 33.3% | N4 | 3 | 50.0% |
| L10 | 2 | 33.3% | N1 | 2 | 33.3% |
| L3 | 1 | 16.7% | N7 | 1 | 16.7% |
| L6 | 1 | 16.7% | N2 | 0 | 0.0% |
| L1 | 0 | 0.0% | N3 | 0 | 0.0% |
| L2 | 0 | 0.0% | N5 | 0 | 0.0% |
| L4 | 0 | 0.0% | N6 | 0 | 0.0% |
| L5 | 0 | 0.0% | N8 | 0 | 0.0% |
| L8 | 0 | 0.0% | N9 | 0 | 0.0% |
| L9 | 0 | 0.0% | N10 | 0 | 0.0% |
| L11 | 0 | 0.0% | | | |
| Average | 0.54 | 9.1% | Average | 0.6 | 10.0% |
| STD | 0.8202 | 0.1367 | STD | 1.074968 | 0.179161 |
| Skewness | 1.153312 | 1.153312 | Skewness | 1.69057 | 1.69057 |

## 4. CONCLUSION AND REMARKS

This paper investigates the status and implementation of New Zealand CG 2004 guidelines in the listed (ALC) and non-listed (ANC) agricultural companies. The content analysis of the survey considers all nine sections of the CG guidelines that include 47 criteria and 64 best practices. The results indicating low compile with these guidelines in both groups of listed and non-listed companies. However, as expected ALCs implement CG guidelines much more extensively than ANCs. All companies considered to include if not much but few CG disclosures in their published financial reports, however the general trend demonstrating a low level of disclosure. As required by listing rules a majority of ALCs provided a separate CG report while ANCs were not active in this voluntary task. Considering that all companies were audited by Big 4 Auditors,

one can assume that all ALCs observed listing requirement of complying with CG guidelines but neglected publishing complying reports. Nevertheless auditors' report is silent about this uncompliant.

Two scores were calculated to rank the companies' level of complying with CG criteria and best practices. The first score was Company CG Compliance Disclosure Score (CDS) witch exposes the level of each company compiling with CG rules. The next score was Section CG Compliance Score (SCS) which reveals the level of implementation of each section and best practice of CG guidelines by Agricultural companies. Ranking companies by their CDS indicating that although all the scores are low but a group of three big ALCs stay on the top for the level of quality disclosures about almost all nine sections and 47 criterion of CG guidelines. They are chased by a group of two ANCs. Interestingly a group of ALCs select not to comply with CG rules; their percentages of compliant even are less than voluntary disclosures provided by ANCs.

Contrasting and comparing the Section CG Compliance Scores indicating that the highest percentage of disclosure provided by the ALCs is about Board and Audit Committees, while the ANCs highest percentage of disclosure is about Board Composition and Performance. Disclosure about Shareholder Interests has the lowest percentage by both groups of agricultural companies.

It may be in the interest of legislators and NZX authorities that agricultural companies are paying less attention to implementation of CG guidelines that increase their risk management consequently fading their domestic and international competitiveness positions. Considering the importance of agricultural product in the exporting and GNP of the country mitigating such risk is an important task. The results of this paper contribute in curving risk management imposing by uncompliant with CG guidelines.

Like other content analysis studies this survey suffers from some limitations such as lack of verifiable published material, long list of variables (i.e. items of CG index) to be examined by checking the available texts. Preparing and implementing a complete list of required CG disclosures remain a challenge in this survey.

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