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New challenges in reporting on Corporate Governance

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As a long-standing matter of public debate, professional concern and academic research, reporting on Corporate Governance (CG) has become central to several CG codes, rules and guidance aimed at improving managers' accountability, especially after the high-profile corporate scandals and the global financial crisis.

As such, nowadays companies are requested to convey to external stakeholders information on CG structures (e.g. board composition, appointment of specific committees or chief officers) as well as on CG mechanisms in place (e.g. executive compensation plans, codes of conduct, risk assessment) (OECD 2019). However, while this increasing regulation worldwide brought to extensive CG disclosures, reporting on CG often appears very technical, fragmented, and disconnected from other corporate disclosures. Report Leadership (2015, p. 3)—a multi-stakeholder group that aims to challenge established thinking on corporate reporting—has recently underlined that even when good CG is in place, reporting on CG often amounts to little more than a 'compliance box-ticking' exercise and results in a highly standardized, formulaic, boilerplate reporting. The issue is topical, especially where the country legal environment, and in particular the fear of legal liability and litigation, that is typical of the United States (US) US environment (Baginski et al. 2002; Cao and Narayanamoorthy 2011), increases managers' reluctance to voluntary disclosures. Even when disclosures are mandatory, as it is the case of internal control and corporate governance disclosures in the US after the 2005 Sarbanes–Oxley Act (SOX), this fear of litigation influences the content, the amount, the readability, the language and the quality of disclosures (Bozanic et al. 2019).

However, something is definitely being done. For instance, the International < Integrated Reporting > Council (IIRC 2015), which has long promoted the

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adoption of integrated approach to corporate reporting, urges companies to show how CG, together with other corporate elements, contributes to value creation in the short, medium and long term. Moreover, as demonstrated by the association of chief executive officers of America's leading companies (Business Roundtable 2016), there is increased corporate awareness that reporting on CG cannot be a compliance exercise anymore, nor can it remain just a description of governance structures, mechanisms, and/or procedures. It shall evolve towards communicating major developments that have impacted the business during the year, major challenges expected for the future, and integrate key governance information with the rest of business reporting. The crucial point is not providing more disclosure on CG, but providing better disclosure, so that investors and other stakeholders will find it more and more useful to understand how—and how well—a company is governed. Corporate reporting (on CG) should not be considered as a communication tool only, but also as a CG mechanism which enhances corporate accountability (Parker 2018; Lai et al. 2019).

Starting from these premises, the Call for Papers 'New challenges in reporting on Corporate Governance' launched in late 2018 aimed at promoting the understanding of the antecedents, practices, and consequences of CG reporting in the light of current and emerging challenges. Open to both conceptual studies and empirical analysis based on qualitative as well as quantitative methodological approaches, the Call for Papers suggested some research avenues. As result of the Call for Papers and the double-blind peer review process, five papers were finally included in the Special Issue. They show a diversity of approaches and settings as envisaged for this Special Issue.

In their invited paper *"Determinants, mechanisms and consequences of corporate governance reporting: A research framework"*, Charl de Villiers and Ruth Dimes provide a research framework on CG reporting that can be adopted in diverse organizational and institutional settings. The study moves from the premise that the prior research focuses either on the determinants of CG reporting, or the consequences of CG reporting, thus omitting to consider the reciprocal influences between determinants and consequences. Yet, determinants and consequences of CG reporting may be interlinked and multiple effects can arise. Further, some company's characteristics may even act as a determinant and a consequence of CG reporting mechanisms. Based on this premise, the framework depicts the external and internal CG determinants, the formal and informal CG mechanisms, and the external and internal CG consequences, and portrays the multiple links between these CG determinants, mechanisms and consequences. As such, it alerts from adopting casual models that provide unreasonably simplistic interpretations of the potential influences here highlighted. In line with this methodological concern, the Authors invite to consider theoretical approaches that can support the interpretation of these multiple interlinks.

The paper "*Beyond corporate governance reporting: The usefulness of information on board members profiles*" by Francesca Rossignoli, Andrea Lionzo, and Bruno Buchetti follows recent managerial studies that recognize how corporate performance is affected by a set of directors' personal traits and shows that there is need for more information than what is available now in CG reports. These personal traits of Board of Directors members—personal details, educational backgrounds, work experience—can be valuable to investors, if disclosed in CG Reports. The paper uses a sample of Italian listed family firms and provides evidence of a strong association between a wide set of board members' characteristics that are available outside of CG reports and firms' value. This study is an important first step in providing statistical evidence of the usefulness of additional information not available right now in CG reports of listed family firms from Italy. As the authors suggest, it would be useful to extend the sample to non-family owned firms and to firms from other countries to check whether different institutional and regulatory environments play a role in the Italian sample results.

The paper *"Credibility-enhancing mechanisms, other than external assurance, in integrated reporting"*, by Geneve Richard and Elza Odendaal, draws on the idea that internal assurance mechanisms can be applied and disclosed in corporate reports, beyond external assurance. It shows that CG practices, internal audit, management processes, internal control processes and risk identification processes can be conveniently disclosed to enhance the credibility of the integrated report. From a methodological viewpoint, the paper is based on a qualitative, explorative research approach. It develops a content analysis of the integrated reports of the Johannesburg Stock Exchange top 40 companies and 7 South African companies that participated in the pilot program of the IIRC. To obtain a grainer understanding of the integrated reporting practices and related assurance mechanisms, the research also relies on interviews with integrated reporting preparers. As such, the paper provides empirical insights on how CG practices can be applied and reported when a company strives for enhancing the credibility of its corporate reporting. The research may benefit integrated reporting preparers as well as local and regulatory bodies, showing how internal assurance mechanisms can be usefully employed in combination with external assurance provision. As such, the paper complements more established research on external assurance mechanisms.

Moving from the assumption that disclosing in-time, transparent, easy to understand, and comprehensive financial information is a key task of a good CG, the paper by Valentina Lagasio and Marina Brogi, titled *"Market reaction to banks' interim press releases: An event study analysis"*, investigates whether financial information included in earnings press releases is relevant for driving investor decisions. A multi-model event study is applied to a sample of 674 interim press releases issued during the period 2010–2017 by the 28 Global Systemically Important Banks to verify changes in market value and trading volume of banks' shares within the event window. The study provides empirical evidence of a greater reaction of stock prices in the closest days following the press release publication, thus suggesting the disclosure of interim results is a relevant mode of communication. Level and timing of disclosure emerge as more powerful drivers of investors' decisions than quantity of disclosure. Building on the main results and additional analyses conducted, the Authors suggest that authorities shall design rigorous, standardized interim press releases disclosure framework, which may help reduce banks' reporting opacity and favor stock market efficiency.

Calling the attention to the issues developing countries are facing as regards disclosure, the paper by Hamzeh Adel Al Amosh and Noorhayati Mansor, titled *"Disclosure of integrated reporting elements by industrial companies: Evidence* *from Jordan"*, applies the International<Integrated Reporting>Framework to the 2014–2017 annual reports of industrial companies listed on the Amman Stock Exchange. Using the eight content elements prescribed by said Framework as a check list to verify the level of disclosures, the authors performed a content analysis and show that information on the organization's governance structure, reward practices and incentives, and its relationship with value creation (i.e., disclosure on CG) reach lower levels compared to the other content elements (except Outlook). Moreover, disclosure on such items have just slightly increased during the period examined. Such evidence is a further wake-up call on the scarce awareness of the relevance to report on CG by companies located in developing countries. To meet stakeholders' expectations towards disclosure and, in turn, increase competition in the international business arena, such companies still need guidance provided by regulators.

Inspired by the insights from such papers and the stimuli from arising trends in the business worlds, room for further research arises. Significant efforts shall still be made to increase understanding of how CG information is exchanged within the company to prompt decision making, avoid financial and reputation collapses, and favor systematic value creation. Moreover, new media are challenging the institutionalized forms of corporate external reporting, thus calling for a reconsideration of the communication channels through which information on CG are delivered, as well as collected (e.g. company website and Twitter account). Finally, a convergence process seems on going between internal and external forms of reporting, thus efforts could be made to question how CG information is produced, circulated and used internally by diverse company departments, and to what extent this information is communicated externally.

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