The Simultaneous Disclosure of Shareholder and Stakeholder Corporate Governance Practices and their Antecedents

Abstract

In making corporate governance (CG) related disclosure, firms may solely focus on shareholders or may broaden their scope of disclosure to serve other stakeholders as well. This study examines whether there are differences in the disclosure of shareholder and stakeholder corporate governance (CG) practices. Based on a hand-collected dataset of 1110 firm-years in South Africa (SA), and a disclosure index using 72 CG provisions from the King III report of CG, we find that the disclosure of stakeholder CG practices is relatively higher than that of shareholder CG practices. Our evidence suggests that foreign ownership, institutional ownership, racial diversity, and gender diversity increase total voluntary disclosure. In contrast, CEO age decreases total voluntary disclosure. Also, whilst foreign ownership, institutional ownership, gender diversity and racial diversity increase both shareholder and stakeholder CG disclosures, CEO age has a negative relationship with both shareholder and stakeholder CG disclosures. Further, board size reduces shareholder disclosure but not stakeholder disclosure. Our results further indicate that, ceteris paribus, the extent of shareholder CG disclosure relative to stakeholder CG disclosure is (1) lower with board size, gender diversity and racial diversity and (2) higher with the level of institutional ownership. Our findings are robust across a raft of econometric techniques.

1. Introduction

In making corporate governance (CG) related disclosure, firms may solely focus on shareholders or may broaden their scope of disclosure to serve other stakeholders as well. Previous studies suggest that voluntary CG disclosure decisions are influenced by several factors, including ownership characteristics (Peasnell et al., 2000; Cox et al., 2004; Lim et al. 2007; Harjoto and Jo. 2011; Dam and Scholtens, 2012), and board characteristics (Barako et al., 2006; Post et al., 2011; Latridis, 2013;Lewis et al., 2014). Nevertheless, these studies mainly focus on total voluntary CG disclosure. In this paper, we investigate the simultaneous disclosure of shareholder and stakeholder CG provisions as well as the antecedents of the variations in these disclosures. To address these issues, we exploit the unique institutional setting in South Africa (SA) where a history of apartheid has impacted CG practices. Apartheid resulted in corporate resources being held in the hands of the minority white population in SA. Therefore, in the post-apartheid period, the SA government instituted several affirmative action rules which has become part of CG. Consequently, CG codes in SA require firms to voluntarily disclose CG information relating to shareholders as well as other non-shareholding stakeholders.

We focus on shareholder and stakeholder CG disclosures in SA for the following reasons. First, CEO, ownership, and board characteristics may influence firms to be shareholder focused or consider other non-shareholding stakeholders when making CG disclosure decisions. For example, foreign investors who are far from firms may demand higher levels of CG disclosures that protect shareholder interests (Singhvi, 1968; Hanniffa and Cooke, 2002; Mangena and Tauringana, 2008; Bokpin and Isshak, 2009). On the other hand, shareholder classes who invest for various strategic reasons associated with the different roles and positions they have in society may require firms to have a stakeholder focus in terms of CG disclosure (Dam and Scholtens, 2012). Further, to facilitate a rent extraction objective and to prevent board monitoring (Fracassi and Tate, 2012), long-tenured CEOs may use their familiarity with board members (Allgood and Ferrel, 2000), to inhibit the disclosure of monitoring-intensive CG provisions that protect shareholder interests. By studying the determinants of shareholder versus stakeholder CG disclosure practices, we can determine the

likelihood that a firm may solely focus on shareholder CG disclosures or broaden their scope to serve other stakeholders as well. Moreover, because the cost of disclosing CG information can be significantly high (Friedman, 1970; Hermalin and Weisbach, 2012), an understanding of the drivers of shareholder versus stakeholder CG disclosures will be important for firms as they make the crucial decision of whether to focus on shareholder value creation or to create social value in addition.

Second, a firm's decision to focus solely on shareholders or broaden their scope of disclosure to include other stakeholders may have differential consequences. For example, a focus on shareholder-related CG practices may help investors identify profitable investment opportunities and avoid adverse selection decisions (Bushman and Smith, 2001; Ntim et al., 2012a), minimize information asymmetry between managers and shareholders (Jensen and Meckling, 1976; Sheu et al., 2010) and reduce bonding and monitoring costs leading to a reduction in the costs of capital (Beiner et al., 2006). On the contrary, the consequences of disclosing CG provisions that protect the interest of other non-shareholding stakeholders may be explained by two competing views - the conflict resolution hypothesis (Cai et al., 2011) and the managerial opportunism hypothesis (Choi et al., 2013). Under the conflict resolution hypothesis, the disclosure of stakeholder CG practices may help firms establish a reputation as good corporate citizens (Barnea and Rubin, 2010), reduce conflicts by bonding with powerful non-shareholding stakeholders (Jensen, 2001; Calton, and Payne, 2003), and legitimize operations to reduce political costs (Freeman and Reed, 1983; Cheung, et al. 2010). Under the managerial opportunism hypothesis, managers (including the CEO) promote the disclosure of CG practices that protect non-shareholding stakeholders for private benefits (Barnea and Rubin, 2010). These private benefits may include improving insider's reputation as good social citizens (Barnea and Rubin, 2010) and bonding with powerful stakeholders to facilitate entrenchment, prevent monitoring (Prior et al., 2008) and demand higher pay (Milbourn, 2003). An understanding of the determinants of these disclosure practices may be necessary in dealing with their adverse consequences if any. Although previous studies have examined how various board and ownership characteristics impact voluntary CG disclosures, the SA setting with its hybrid CG disclosure regime allows us to observe how various CEO, board, and ownerhsip attributes simultaneously impact both shareholder and stakeholder CG disclosures.

Utilising a unique hand-collected dataset of 185 listed SA firms and 72 CG provisions from 2008 to 2013, we investigate the simultaneous disclosure of shareholder and stakeholder CG disclosures and their antecedents. We find that although the overall level of disclosure is high, firms disclose more of the CG practices that relate to stakeholders relative to those that

relate to shareholders. The results suggest that both shareholder and stakeholder CG disclosures increase with institutional ownership, foreign ownership, gender diversity and racial diversity but decrease with CEO age. In contrast, board size decreases the level of shareholder CG disclosures but not that of stakeholder CG disclosures. Our analysis further suggests that, ceteris paribus, firms with at least one female director, bigger boards and at least one "non-white" director disclose less shareholder-related CG information relative to stakeholder-related CG information. Conversely, firms with higher levels of institutional ownership disclose more shareholder-related CG information relative to stakeholder-related CG information. Our evidence suggests that there are both differences and similarities between the shareholder-related and stakeholder-related CG disclosures in terms of their determinants.

The paper contributes to the CG literature in several ways. First, the study contributes to the CG disclosure literature in emerging markets. Most studies on CG focus on developed countries because developing countries mostly adopt and replicate CG principles in developed countries (Lim et al., 2007; Hegazy and Hegazy, 2010; Samaha et al., 2012). However, attributes such as concentrated ownership (Haniffa and Hudaib, 2006) and dominance of family ownership (Mensah, 2002) in emerging markets can weaken the market for corporate control and affect firms' willingness to comply with voluntary CG principles. More so, even between emerging markets, differences in the levels of corporate regulations enforcements may lead to major deviations in disclosure practices (Bhuiyan and Biswas, 2007). We extend this strand of literature by explicitly considering gender and racial diversity, which have not been tested in prior studies.

Second, the paper contributes to the extant literature by responding to recent calls from researchers to examine both shareholder-related and stakeholder-related disclosure practices (e.g., Filatochev and Boyd, 2009; Samaha et al., 2012). Most studies have focused primarily on total voluntary disclosure in annual reports (Haniffa and Cooke, 2002; Dam and scholtens, 2012; Ntim et al. 2012b). A few studied other aggregates of voluntary disclosure. For example, Lim et al. (2007) examined forward looking, strategic, historical financial and non-financial disclosures. Similarly, Samaha et al. (2012) examined several other categories of voluntary disclosures. However, no study so far has examined the focus of disclosure in a hybrid disclosure regime. Our study will be useful for regulators in emerging markets considering the adoption of a CG structure similar to that in SA as well as developed nations seeking to strengthen CSR disclosure in addition to CG disclosures.

Lastly, we provide evidence on the determinants of variation in shareholder versus stakeholder CG disclosures. Previous studies examined the effect of various board and

ownership attributes on aspects of voluntary disclosure. We investigate how these attributes influence one of shareholder and stakeholder CG disclosures relative to the other. This is necessary for a deeper understanding of the drivers of firms' disclosure choices. To our knowledge, this has not been examined in the literature.

The paper is organized as follows. Section 2 discusses the institutional framework and CG in SA. Section 3 discusses theoretical literature and develops the hypotheses. Section 4 presents the research design and the results are analysed in section 5. Section 6 presents results of robustness tests and section 7 concludes the paper.

2. Corporate Governance in South Africa

That good CG practices may lead to a reduction in the cost of capital, improve top-level decision-making, and better corporate environment is globally recognized (International Finance Corporation, 2009). In developing countries it attracts foreign investments, provides support for private sector growth, and boost employment opportunities (Dahawy, 2008). Therefore after the collapse of apartheid - a system of legal racial segregation that brought in its trail mass unemployment and racial inequality, CG reforms became a necessity for SA.

The first CG code (King I) was produced in 1994. However, similar to most emerging countries and as posited by Samaha et al. (2012), CG practices in emerging countries mostly tend to follow the practices in developed countries. Subsequently, King I adopted most of the CG disclosure reforms in the 1992 UK Cadbury report (King Committee, 1994). More so, unlike most emerging countries, King I also demonstrated an appreciation of the presence of differences that rise to the need for CG between developed and emerging nations (Rabelo and Vasconcelos, 2002; Ntim et al. 2012a). Therefore, in addition to asking firms to report to shareholders, King I also required firms to separately report to other stakeholders. This implied that unlike the UK 1992 Cadbury report, King I adopted an integrated approach to CG (West, 2006).

SA produced the second CG report (King II) in 2002. King II made some far-reaching recommendations by explicitly promoting the "inclusive" CG approach. This approach sought to strengthen the various shareholder-related disclosures and in addition explicitly required firms to disclose some specific SA affirmative action rules such as Black Economic Empowerment (BEE) and HIV AIDS, among others (Ntim et al. 2012a). These clarifications strengthened CG in SA and made the requirements clearer to SA firms.

In 2009, the third CG code (King III) was released. In line with its predecessors, King III also sought to strengthen CG provisions that promote the interest of both shareholders and stakeholders. King III attemptsed to create a balance between international CG practices and African peculiarities (Gstraunthaler, 2010). It strengthened the shareholder CG provisions in King II. It prescribed a unitary board structure with a majority non-executive directors. More so, similar to King II, it frowned on CEO duality and recommended a minimum of two executive directors on SA corporate boards. King III also catered for the interest of shareholders by recommending shareholder vote on pay at the AGM.

Further, King III catered for stakeholder interests by attempting to increase the level of importance attached to sustainability issues by asking firms to make it an integral part of the financial reporting process (Gstraunthaler, 2010). King III demanded that firms become proactive instead of reactive in dealing with issues relating to stakeholders. Specifically, King III required boards to identify the interests of legitimate stakeholders and asked management to deal with them appropriately. However, unlike King II which explicitly asked firms to disclose their compliance with specific affirmative action rules as BEE, employment equity, HIV Aids among others, King III stateD that firms should comply and disclose their compliance with both binding and non-binding rules in SA. This is because at the time King III was being prepared, most of these affirmative action rules had been properly enacted in SA. Moreover, to ensure the credibility of the stakeholder-related CG disclosures, King III required audit committees to provide assurance on the sustainability issues in the integrated report and also to consider appointing an independent assurance provider to do the same. A summary of the main differences between King II and King III is presented in appendix 1.

3. Literature Review and Hypotheses Development

This section discusses relevant theoretical literature on the determinants of voluntary CG disclosure and also sets hypotheses. The determinants consist of characteristics pertaining to the CEO, the board, and shareholders.

Theoretical framework

Agency theory suggests a hypothetical relationship between the principal (shareholders) and an agent ((Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen 1983;

Jensen, 1984; Jensen and Roebach, 1983). Within this view shareholders who are owners of the business engage the services of managers to run the business on their behalf (Jensen and Meckling, 1976).As a result, the principal becomes an outsider whiles the agent becomes an insider and has more information about the company relative to the principal. This separation of ownership from control also results in the agency problem (Jensen and Meckling 1979). This agency problem is particularly grave when self-interested managers have different goals from their self-interested principals (Eisenhadt, 1989). Thus, from an agency theory perspective, the main objective of corporate governance is to solve the agency problem (Fama and Jensen 1983). This may be achieved through increased information disclosure aimed at reducing the existing information asymmetry between the principal and the agent. Accordingly, several studies have highlighted the ability of several corporate governance mechanisms including audit quality (Francis, Maydew, and Spark, 1999), Board independence (Siregar and Utama, 2008), and the audit committee (Klein, 2002) to mitigate agency problems by increasing information disclosure. However, a major caveat of this agency theory perspective is that information disclosure is only targeted at shareholders and it does not consider the interests of other non-shareholding stakeholders.

The stakeholder theory on the hand adopts a broader approach to corporate governance that takes into consideration the interests of other stakeholders in addition to shareholders (Freeman, 1984). Stakeholders may include suppliers, employees, government customers, investors etc. whose activities may affect or is affected by the organisation (Donaldson and Preston, 1995). Freeman (1994) in particular argued that firms have a moral obligation to consider the interests of other non-shareholding stakeholders because even though corporate law requires managers to manage firms in the interest of shareholders, corporate law may not be the only that governs organisations. This is intuitive because in the SA specific case firms are governed by other legislations such as the broad-based black economic empowerment Act, the employment equity Act among others. Thus, firms may have to structure information disclosure in a way that does not only reduce asymmetric information between managers and shareholders but also between managers and other non-shareholding stakeholders.

However, the multiplicity of stakeholders vis-à-vis the potential for the interests of these stakeholders to conflict means that firms may have to prioritise the interests of one stakeholder over the other (Pichet, 2011). Jensen and Meckling(1979) in particular suggested that firms may mainly focus on “relevant stakeholders”. Nevertheless, a major source of ambiguity within the stakeholder concept is the issue of who a relevant stakeholder is. For

example in continental Europe where countries have a two-tier board structure, a stakeholder may be relevant to the extent that they are represented on the supervisory board. However, in Anglo-Saxon countries like the UK, USA and South Africa, even though firms are required to identify and meet the interests of relevant stakeholders, no mention is made of who these relevant stakeholders. Arguably, to the extent that various firm-level decisions are greatly influenced by the characteristics of the CEO (Strerling 2014; Hambrick and Mason, 1984), shareholders (Mangena and Tauringana, 2008; Haniffa and Cooke, 2002), and the board (Forker, 1992; Tricker 1984), these will influence the choice of relevant stakeholders when firms are making disclosure-related decisions.

CEO Characteristic

CEO Age

Older CEOs are more experienced and may better appreciate the consequences of voluntary disclosure than younger CEOs. Sterling (2014) argues that older CEOs are risk averse compared to younger CEOs. He contends that older CEOs are more conservative and make investments that reduce firm risks. Older CEOs may thus disclose more shareholder specific information to avert risks associated with shareholder activism. This view is shared by Hambrick and Mason (1984) who note that older CEOs are more concerned with future financial security and as such less likely to pursue risky strategies. Non-disclosure of voluntary CG information is indeed a risky strategy given the recent emphasis on information disclosure. Huang et al. (2012) document that older CEOs are associated with higher earnings quality, suggesting that older CEOs lead to higher disclosure quality.

The accounting psychology literature also suggests linkages between age and ethical/moral behaviour. Chiu (2003) and Dawson (1997) argue that people display more ethical behaviour with age. Barnet and Carson (1989) investigate the importance of ethics in managerial decision making. They report that, compared to older respondents, younger respondents acted less ethically in various ethical scenarios. Chan et al. (2002) indicate that younger managers are more apt to resort to unethical activities to boost firm profitability than their older counterparts. Ostensibly, younger managers are more likely to engage in earnings management and hinder disclosure to circumvent the possible consequences. However, "The stakeholder idea, remember, is typically offered as a way of integrating ethical values into management decision making" (Goodpaster 1991, p. 5). Therefore, if older CEOs are more ethical, then they may disclose more stakeholder-related information. This leads to the hypothesis that:

H1: CEO age increases stakeholder-related information disclosure more relative to shareholder-related information disclosure.

Ownership Characteristics

Foreign Ownership

Foreign owners are far from corporations, and may be disadvantaged in their quest for information regarding the firm, making board monitoring generally problematic for them. However, Mangena and Tauringa (2008) maintain that Zimbabwean firms with higher disclosure levels have lower information asymmetry between domestic and foreign owners. This means that higher-quality disclosure may address the information asymmetry between domestic and foreign investors. Bokpin and Isshaq (2009) note that foreigners positively influence good CG and high disclosure levels. Others, including Haniffa and Cooke (2002) and Singhvi (1968), have also reported a positive relationship between foreign ownership and disclosure levels.

Further, even though the literature generally shows a positive relationship between foreign ownership and disclosure levels, the disclosure - whether of a shareholder- or stakeholder-orientation may depend on the origin of these foreign owners. Moreover, SA has a close affinity with the Anglo-Saxon countries of the UK, the USA and Australia. This is because, as the third largest gold producer in the world (only behind China and Australia), most mining firms in SA are subsidiaries of Australian mining firms. Also, as a former British colony, SA has strong trade relations with the UK. For example, as at October 2012, over half of foreign direct investments in SA were from the UK (www.southafrica.info). Barako (2004) argued that in the case of multinationals where foreign ownership exists in a parent-subsidiary relationship, there is likely to be foreigners on the boards of these companies who may influence financial reporting and disclosure towards that of the parent company. Therefore, similar to their parent companies, they are likely to lean more towards shareholder-related information disclosure at the expense of stakeholder-related information disclosure.

More so, given the uniqueness of the stakeholder provisions in SA, they are likely to be alien to even foreign investors in traditional stakeholder-oriented countries such as Germany and France. Therefore, although foreign owners may increase pressure for higher disclosure levels as posited by previous studies, this pressure may mainly be in favour of shareholder-oriented information as against stakeholder-oriented information disclosure. Therefore, it is hypothesised that:

H2: The level of foreign ownership increases shareholder-related information disclosure relative to stakeholder-related information disclosure.

Institutional Ownership

Institutional investors have strong fiduciary relationships which may propel their inclination towards voluntary CG disclosure (Hawley and Williams, 2000). Compared to individuals, institutional investors mostly have larger stakes in firms, and instances when exit is costly, they are motivated to choose monitoring ahead of free riding (Chung and Zhang, 2011). Institutional investors may thus require higher level of voluntary disclosure to reduce information asymmetry and monitoring costs. This is because good voluntary CG disclosure improves transparency and reduces information asymmetry between insiders and outsiders (Chung et al., 2004). This view is also shared by Diamond and Verrechia (1991) who note that institutional investors encourage higher level of voluntary disclosure to reduce information asymmetry. They invest mainly for financial returns and are expected to manage risk effectively in the best interest of their ultimate investors (OECD, 2011). This means that they may be more interested in the disclosure of CG practices that protects the interests of shareholders. Notwithstanding this, Ntim et al. (2012a) report a positive relationship between stakeholder-oriented CG disclosure and firm financial performance in SA. Cox et al. (2004) also find a positive relationship between institutional investment and CSR disclosure in the UK. Harjoto and Jo (2011) note that CSR information disclosure can be effective in managing the risk of stakeholder activism. Therefore, as competent risk managers, institutional investors may not hinder this disclosure but have natural inclination towards shareholder-oriented CG disclosures. We therefore hypothesise that:

H3: Institutional ownership increases shareholder-related information disclosure relative to stakeholder-related information disclosure.

Non-executive Directors (Board Independence)

Shareholders and managers only sign an incomplete contract (Hart, 1989). These parties may have diverging interests; so a board is put in place to renegotiate any event that may arise but was unforeseeable at the time the contract was signed (Williamson, 1985). Whether boards can better renegotiate these unforeseen circumstances to the benefit of shareholders may depend on its composition.

Agency theory postulates that executive directors are self-interested and are likely to pursue their self-interests to the detriment of shareholders (Jensen and Meckling, 1976).

However, non-executive directors are outsiders (Haniffa and Cooke, 2002), independent of management (Lim et al., 2007) and better representatives of shareholders' interests (Pincus et al., 1989). Based on this view, outside directors may increase corporate disclosure directly and indirectly. Firstly, they may increase disclosure directly by strenuously monitoring management to ensure compliance with voluntary disclosure codes of CG. In this instance, they may positively affect both shareholder- and stakeholder-related information disclosures. Secondly, outside directors may indirectly increase corporate disclosure by reducing the benefits of withholding information (Forker, 1992) because they have a positive influence on board deliberations and decisions (Pearce and Zahra, 1992).

Resource dependency theory posits that businesses face risks if they are unable to connect with the external resources which are vital for their survival (Pfeffer and Salancik, 1978). On the other hand, outside directors may serve as a bridge between the firm and its external environment (Tricker, 1984). Firms that are well-linked with their external environment may benefit through advice and counsel, communication channels, and legitimacy (Pfeffer and Salancik, 1978; Liu et al., 2014). In terms of advice and counsel, non-executive directors bring to the board expertise (Haniffa and Cooke, 2002) which could lead to higher quality deliberations at the board level. In terms of communication channels, because of their experience outside the firm, they are in a better position to link their firms with other external stakeholders (Liu et al., 2014). For legitimacy, various CG codes are preaching the appointment of outside directors as a mark of good CG. Therefore, firms gain legitimacy by accepting this societal norm and value.

Ferris et al. (2003) argued that outside director reputation is a function of the past performance of the firms on whose boards they have served. Therefore, despite their limited involvement in the running of the firm, outside directors are exposed to a higher level of risk which can soil their reputation. Independent directors may therefore push for voluntary disclosure at a level that reflects their minimal involvement in the organisation in order to reduce their risk (Lim et al., 2007).

Empirically, Peasnell et al. (2000) found a positive relationship between outside directors and earnings quality. This is because outside directors boost the monitoring of the quality of financial statement disclosure (Chen and Jaggi, 2000) and are associated with the disclosure of forward looking and strategic information (Lim et al., 2007). Others, including Ghazali and Weetman (2006) and Adams and Hossain (1998), have all reported a positive relationship between independent directors and voluntary disclosure. Notwithstanding these, others have argued in favour of a negative relationship between outside directors and voluntary

disclosure. For example, excessive monitoring by outside directors may incentivise managers to starve them of the right information required for effective monitoring (Goodstein et al., 1994; Felaye et al., 2011). Other studies have also documented instances where outside directors lack requisite business knowledge (Patton and Baker, 1987) and real independence (Hwang and Kim, 2009) to effectively monitor.

To our knowledge, the relationship between non-executive directors and disclosure has not been examined in SA. King III requires that SA boards have a majority of non-executive directors and we believe that this number will facilitate greater monitoring and increase voluntary disclosure in general. However, as representatives of shareholders, we expect them to favour the disclosure of shareholder-related information than stakeholder-related information. We thus hypothesise that:

H3: The proportion of non-executive directors increases shareholder-related information disclosure relative to stakeholder-related information disclosure.

Board Size

Board size is defined as the total number of directors including both executive and non-executive directors on the board (Lim et al., 2007). The effect of board size on voluntary disclosure may be explained by two competing theories - agency theory and resource dependency theory.

From agency theory perspective, boards play a crucial role in monitoring the activities of management (Jensen and Meckling, 1986). Jensen (1993) notes that larger boards are associated with shirking and free riding, difficult to coordinate, and comparatively easier to control by entrenched CEOs. Larger board size negatively affects board effectiveness (Goodstein et al., 1994; Hearn, 2013). This means that members of larger boards are less likely to effectively participate in strategic decision making on issues such as voluntary disclosure. On the contrary, smaller boards are likely to be cohesive and effective (Lipton and Lorsch, 1992), have less agency problems (Yawson, 2006) and as such may increase voluntary disclosure.

According to the resource dependency theory, larger boards offer diversity in contacts, experience, and skills which smaller boards may lack (Haniffa and Cooke, 2002). Specifically, larger boards offer increased diversity in boards' financial and non-financial expertise (Pearce and Zahra, 1992). This diversity leads to higher earnings quality through quality voluntary disclosure (Srinidhi et al., 2011; Samaha et al., 2012).

Further, larger boards are more likely to be diverse in terms of board member heterogeneity. For example, Butler (2012) argued that larger boards are likely to consist of people of different races, gender and backgrounds. This may be true in the SA context where firms are increasingly under pressure to make board appointments based on a need to comply with affirmative action rules. Therefore, bigger boards are likely to have representatives of different interest groups. This may facilitate the disclosure of information to meet the specific needs of the groups they represent, thereby increasing voluntary disclosure of stakeholder-related information. Therefore, we hypothesise that:

H4: Board size increases stakeholder-related information disclosure relative to shareholder-related information disclosure.

Gender Diversity

From a signalling theory perspective, managers may disclose CG information to signal their compliance with relevant CG codes (Glosten and Milgrom, 1985; Trueman and Titman, 1988; Chaney and Lewis, 1995; Spence, 2002; Bird and Smith, 2005; Richardson, 2000). However, information disclosed for signalling purposes may exclude negative information (Connelly et al. (2011). Gender schema theory (Bem, 1993) posits that persons with a less-developed masculine schema (typically females) are more likely to accept and disclose negative and trauma-related information, as processing and disclosing such information is accordant with the schema. Consequently, relative to homogeneously male boards, boards with females may increase the general level of disclosure of both positive (consistent with signalling theory) and negative information (consistent with gender schema theory).

Adams and Ferreira (2009) noted that female directors are stringent monitors and demand more audit efforts than male directors. They show that women on board are positively related to CEO turnover following poor share price performance. A diverse board increases independence, reduces board member connivance, and augurs well for tough questioning (Butler, 2012). Gender-diverse boards may mitigate the effect of entrenched managers who may want to inhibit disclosure for opportunistic gains (Gul et al. 2011). Women representation may thus improve CG in poorly-governed firms (Liu et al. 2014).

In terms of disclosure type, women have higher standards of ethical behaviour and are more concerned with the wellbeing of society in general (Transparency International, 2000). Moreover, women participation is associated with higher levels of transparency and lower levels of corruption (Transparency International, 2000). Diverse boards are more likely to

support and influence the community (Hillman et al., 2002). They disclose more environmental information (Post et al., 2011), have higher levels of charitable donations (Williams, 2003) and are associated with higher levels and higher quality CSR programmes (Soares et al., 2011). Gender diversity may thus lean more towards stakeholder CG disclosure. We, therefore, hypothesise that:

H5: Gender diversity increases stakeholder-related disclosure relative to shareholder-related disclosure.

Racial Diversity

Executive monitoring is one of the main functions of corporate boards (Felaye et al, 2011). But entrenched CEOs may attempt to fill boards with their cronies with a view to avoiding monitoring (Upadhyay and Zeng, 2014). This potentially leads to the creation of racially homogeneous boards in which the CEO recruits people of similar demographic features (Westpal and Milton, 2000). This may affect the board in two ways. First, racially homogeneous boards have smoother communication and transparency internally (Butler, 2012). This is because racially diverse groups approach issues from different perspectives, drag group discussions, and may encourage the formation of subgroups within groups (Lang, 1986; Butler, 2012). Second, racial heterogeneity in boards may facilitate communication to heterogeneous stakeholders such as employees and shareholders, among others, when this audience is acially diverse. Upadhyay and Zeng (2014) note a negative relationship between social diversity (including racial and gender diversity) and corporate opacity. Consequently, racial diversity may improve CG disclosure.

Boards with minorities have greater independence from management which can be a recipe for greater monitoring (Broome et al., 2011). Broome et al. (2011) argue that board racial diversity can be a powerful public relations tactic to silence diversity advocates. This may be particularly true when the presence of racial minorities on boards foster the disclosure of diversity-related information (stakeholder focus). This is because racial minorities are powerful in influencing the under-represented race in the organisation and may thus push for the disclosure of more stakeholder information to appease their group.

In SA, although the whites are the minority in terms of the country's population, they are the majority in the corporate endeavour. This is mainly because apartheid deprived the blacks of quality education leaving the non-white community to compete for the available blue-colour jobs. The African National Congress (ANC) government thus enacted the BBBEE Act

of 2003 to, among others, encourage the appointment of "blacks" on corporate boards and other senior management positions. It is thus instructive to expect the presence of "blacks" on SA boards to push for the disclosure of information that seek to protect the interest of "blacks" in SA. Based on these arguments, we hypothesise that:

H6: Racial diversity increases stakeholder-related information disclosure relative to shareholder-related information disclosure.

4. Research Design

Data and Sample Selection

The study uses two sets of data: corporate governance data and financial data. The financial data are collected from DataStream. Data on all corporate governance variables are obtained from company annual reports. Annual reports are obtained from African Financials Database and company websites. Where annual reports are not available from these two sources, they are directly obtained from companies via email. The sample period spans from 2008 to 2013. This has been carefully chosen to cover the introduction of the third CG code (King III). As at the sample date, there were 393 firms listed on the Johannesburg Stock Exchange (JSE). The sample consisted of 108 financial and 2 utility firms. We exclude these financial and utility firms because they are heavily regulated (Tian and Twite, 2011) and this may impact differently on their disclosure practices. This is also in consistent with previous studies (Haniffa and Cooke, 2002; Ntim et al. 2012). The exclusion of financial and utility firms reduced our sample to 283 firms. Further, Baltagi, (2012) note that an unbalanced panel may be associated with attrition bias, self-selection and non-response which may affect regressions estimates. However, although a potential weakness of a balanced panel is the introduction of survivorship bias, balanced panels allow observations of the firms in every time period. This reduces the noise associated with unit heterogeneity. Due to this, a balanced panel is preferred to unbalanced panel in this study. Consequently, 98 firms with missing annual reports were further deleted from the sample. The final sample consists of a balanced panel of 185 unique firms representing 1110 observations. Notwithstanding the deletions, our procedure generated a much larger sample size than has been used in recent South African studies (Ntim et al. 2012a; Ntim and Soobaroyen, 2013).

Development of the Corporate Governance Disclosure Indices

The study uses CG provisions in the 2009 King III report of CG in SA (see appendix 2) as dependent variables. Following the methodology of Ntim et al. (2012a), three main CG indices are constructed. First, a disclosure index consisting of 61 CG provisions that cater for shareholder interests (SHARE) is constructed. The index covers six components in King III namely, board of directors, audit committee, the governance of risk, governance of information technology, internal audit, integrated report and disclosure. Second, another CG index consisting of 11 corporate governance provisions (STAKE) that cater for stakeholder interests is constructed. This index is based on the section of King III report that focuses on governing stakeholder relationships. Finally, a third index is built consisting of all of the 72 (GOVIN) CG provisions in King III. See appendix 2 for a full list of the King III CG provisions.

All the indices are constructed using a dichotomous variable where a firm gets a score of "1" if an item is disclosed, otherwise "0". We choose an unweighted index because there is no a priori theory for assigning weights to CG disclosure items (Black et al., 2006). This approach has also been used extensively by previous studies (see Haniffa and Cooke, 2002; Samaha et al., 2012; Ntim et al., 2012a). To increase reliability, we code each annual report twice and the scores compared (Cooke, 1992; 1996). Where discrepancies exist, the annual report is read a third time for reconciliation.

A disclosure index Disc_{jt} for firm j at time t is calculated as follows:

$$\mathrm{Disc}_{jt} = \left[\left(\sum_{t=1}^{n_{jt}} x_{ijt} \right) \div n_{jt} \right] \times 100 \qquad (1)$$

Where n_{jt} = number of items expected for j^{th} firm at time t, n_{jt} = one of 61, 11, and 72 for SHARE, STAKE and GOVIN, respectively.

X_{ijt} = 1 if i^{th} item is disclosed for firm j at time t, otherwise 0 so that.

$0 \leq \mathrm{Disc}_{jt} \leq 100.$

To test the determinants of shareholder versus stakeholder disclosures, we adopt a random effects model[1] in the form:

[1] The main issues that come with panel data modelling is how to deal with problems of observed and unobserved heterogeneity as well as their sources (Park, 2011). Kennedy (2008) suggests that an investigation is always

$$\begin{aligned} \text{Disc}_{it} &= \alpha_0 + \beta_1 \text{AGE}_{it} + \beta_2 \text{FORO}_{it} + \beta_3 \text{INSO}_{it} \\ &+ \beta_4 \text{BIND}_{it} + \beta_5 \text{BSIZE}_{it} + \beta_6 \text{GDIV}_{it} + \beta_7 \text{RDIV}_{it} + \sum_{i=1}^{n} \beta_i \text{CONTROLS}_{it} \quad (2) \\ &+ \mu_i + \lambda_i + \varepsilon_{it} \end{aligned}$$

Where: Disc_{it} = voluntary disclosure (one of GOVIN SHARE, STAKE ,SHST and any of the other sub-indices with each regressed alternatively) for firm i at time t

μ = unobservable firm-specific heterogeneity and λ_i is the parameter of time dummy variable. All other variables are as defined in Table 1.

[INSERT TABLE 1 HERE]

5. Results

The extent of Corporate Governance Disclosure in South Africa

Table 2 shows that, on average, firms disclose 61.44% (approximately 44 provisions) of the 72 provisions. Compared to other emerging markets, the mean level of CG disclosure in SA is quite high. For example, Chau and Gay (2002) reported means of 12.2% and 13.83% for Hong Kong, and Singapore, respectively. Similarly, Samaha et al. (2012) reported an average disclosure level of 16% in Egypt. In fact, the level of disclosure is higher than that of Sweden (36.97%) (Cooke 1989) and compares favourably with the mean disclosure of 65.2% reported by Bauwhede and Willekens (2008) for the European Union. This indicates that, compared to other emerging markets, CG in SA is relatively well-developed. Further, SHARE has a mean of 60.53% compared to 65.72% for STAKE. Implicitly, in relative terms firm disclose more of the CG provisions that protect the interests of stakeholders than that of shareholders. Notwithstanding this, STAKE has a higher standard deviation (28.63) than SHARE (18.83).

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conducted before a panel estimation technique is adopted. We therefore conduct a raft of diagnostic tests to guide us in our choice of a suitable estimating technique. First, using the Breusch and Pagan (1980) Lagrange multiplier test, we examine whether any of the individual or time specific variance components are equal to zero. The test rejected a null hypothesis of no random effect in the data. This means a random effect model is better able to deal with this heterogeneity than pooled OLS. Second, the null hypothesis of an F-test is also rejected across all the models meaning that at least one dummy parameter are not equal to zero. This indicates significant fixed-effects and warrants the use of a fixed effect model over pooled OLS. Therefore the Hausman test is run to inform the choice of either fixed or random-effects. The Hausman test failed to reject the null hypothesis that individual effects are uncorrelated with other regressors leading to the adoption of a random-effects model. Nevertheless, the Hauaman tests also indicated that V_b-V_B is not positive definite. This implies that the results of the Hausman tests remain inconclusive. Based on these, although the main analysis is based on the results from the random effects regressions, results of the fixed effects regressions are also shown.

This implies that, although the average disclosure for STAKE is higher than that of SHARE, disclosure seemS more polarized for STAKE where scores on STAKE deviate more from the mean than SHARE. This is evidenced by the minimum and maximum values which ranges 8% to 100% and from 12.23% to 98.59% for STAKE and SHARE, respectively. This indicates that although the various stakeholder provisions in KING III have been well received by SA listed firms, there are still compliance issues where some firms disclose less of these stakeholder CG provisions.

More so, SHST has a mean of 0.29. This indicates that, in relative terms, only 29% of the sample firms disclose more SHARE than STAKE. However, given that the SA government has indicated its preparedness to consider firms' compliance on certain aspects of the STAKE provisions in the award of contracts and renewal of licences, this finding is not surprising. Firms may thus find an increasing need to disclose their compliance on the STAKE provisions to increase their chances of winning a government contract. BOD has a mean of 64.99% and a standard deviation of 23.9. AC has the highest mean of all the sub-indices (69.83%). This is in contrast with Samaha et al. (2012) who report the least disclosure in the auditing category in Egypt. This is not surprising given the level of emphasis King III places on audit committees. For example, Section 94(2) of the 2008 companies Act has significantly improved the status of the audit committee from being just a board committee to a separate statutory committee appointed by shareholders with statutory responsibilities (KPMG, 2009). Further, GR and IA have means of 62.66 and 56.13 respectively whilest IRD- one of the major sections of King III that distinguishes it from its predecessors have a mean of 54.71%. This indicates that, although new, SA listed firms are disclosing an appreciable number (54.71%) of CG provisions pertaining to integrated reporting and disclosure.

[INSERT TABLE 2]

The Level of shareholder and stakeholder CG disclosures across JSE Industry Classifications

The level of Compliance across the JSE-Industry Classification.

Table 3 Panel A shows that the overall level of disclosure (GOVIN) is high across industries (ranging from 59.02% to 69.18%). The healthcare industry has the highest level of disclosure (69.18%) on GOVIN followed by technology (62.99%) with basic materials (62.52%) taking the third place. More so, consumer goods have the lowest level of CG disclosure (59.02%).

With respect to SHARE, healthcare has the highest level of disclosure (68.39%) followed by telecommunication (62.12%) before consumer services with consumer goods having the least disclosure score (58.07%). In contrast, telecommunications have the highest score on STAKE (78%) followed by healthcare (73.95%) before basic materials (68.22%). With a population consisting of approximately 79% Blacks (Census 2011), it is reasonable to expect industries like telecommunication and healthcare that provide direct services to the public to disclose more CG provisions that relate to other non-shareholding stakeholders. Satorious and Botha (2008) document how SA companies associate aspects of STAKE to market shares in SA. Moreover, industrials (mainly dominated by mining firms) may need to disclose more STAKE to facilitate the renewal of their licenses and other concessions by the SA government. However, across all the industrial classifications, disclosure is higher for STAKE than SHARE. More so, with the exception of consumer services, the difference in mean is statistically significant across all industries.

Table 3 Panel B shows that disclosure of SHARE relative to STAKE (SHST) is highest in the consumer services industry (32%). In contrast, telecommunication firms have the highest score on STSH (86%). This confirm the earlier assertion that disclosure of STAKE may be driven by the need to increase market share as contended by Sartorious and Botha (2008). Table 3 shows that with the exception of the consumer goods industry, all other industries have statistically significant intra-industry variations in the disclosure of shareholder and stakeholder CG practices. However, across all industries, STAKE has a higher mean than SHARE. Again, disclosure on BOD ranges from 60.35% to 68.29% with healthcare and telecommunications industries having the highest and lowest levels of disclosures respectively. More so, technology firms disclose more CG information relating to audit committees than firms in other industries. The technology industry consists of high growth firms (Hahl, Vahamaa and Aijo, 2014; Saade, 2015) that constantly incur higher research and development expenditures (Saade, 2015) and thus has a lower dividend payment propensity. Therefore, investors may require stronger financial oversight mechanisms to ensure that retained earnings are not used for managerial perquisites. Therefore, the highest level of CG disclosures relating to audit committees in the technology industry is not surprising. Also, telecommunication industry has the highest level of disclosure for GRI (77.145), IA (64.81%) and IRD (63.88%).

[INSERT TABLE 3]

The level of shareholder and stakeholder CG disclosures across firm Years.

Table 4 Panel A presents descriptive statistics for the level of compliance on the shareholder and stakeholder CG disclosures across years. It indicates that for the overall index (GOVIN), compliance has increased steadily across the sample period. The lowest level of compliance for GOVIN is 50.38% in 2008. This increased to 57.34% in 2009 through to 68.07% in 2013. Given that the King III report was released in 2008 with the requirements for listed firms to comply by 2009, the steady increments across the sample period is intuitive. Arguably, this is due to the fact that firms required time to implement the various CG provisions. Similarly, compliance for SHARE and STAKE have increased steadily from 2008-2013. SHARE ranges from 49.43% in 2008 to 67.11% in 2013 whilst STAKE ranges 54.73% in 2008 to 72.52% in 2013. Also, across all the firm years, STAKE has higher means than SHARE and the difference is statistically significant.

Further, Table 4 Panel B show that in 2008, SHST (STSH) had a mean of 34% (65%) indicating that in relative terms, 34% (65%) of firms disclosed more SHARE (STAKE) than STAKE (SHARE). However, mean of SHST fell from 34% in 2008 to 28% in 2009 with that of STSH increasing from 65% to 71% in 2009. The fall in SHST could be attributed to the new far-reaching shareholder provisions imposed on firms by King III. So that firms required time to put in place the necessary mechanisms for their disclosure. In contrast, SHST increased steadily, from 2009 through to 2010 before declining to a psaltery 7% in 2013. That is as at 2013, approximately 92% of firms disclosed more STAKE than SHARE. It may thus be conjectured that King III has seen a significant improvement in the disclosure of CG mechanisms that protect the interests of other non-shareholding stakeholders. This may be because, contrary to King II, King III required firms to include both the shareholder provisions and the stakeholder provisions in an integrated report. Arguably, this has further reduced the shareholder-centric disclosure view of managers (Rambaud and Richard, 2015). Results for the other sub-indices (BOD, AC, GRI, IA and IRD) general indicate that compliance levels have increased from 2008-2013.

[INSERT TABLE 4]

Descriptive Statistics of the independent variables

Table 5 presents descriptive statistics of the independent variables used in the regressions. The results show wide-spreads. For example, the natural logarithm of CEO AGE has a mean of 3.91 and with 3.91 and 4.11 at the 25^{th} and 95^{th} percentiles. Similarly, FORO has a mean of 2.58%. This seems small for the level of foreign ownership. Nevertheless, this may be attributed to the fact that most of the foreign owned firms did not have enough data across the

sample period and was thus excluded from the sample. Notwithstanding this, FORO has a standard deviation of 12.08 which is an indication of widespread. Similarly, INSO has mean of 21.43% and a standard deviation of 31.12. Results for BIND indicate that non-executive directors occupy 44.22% of total board seats and at the 95th percentile 80% of total number of directors are non-executive directors. Further, BSIZE and GDIV have means of 2.17 and 0.63. This indicates that 63% of firms have at least one woman director. More so, GDIV has a mean of 0.55 which implies that 55% of the sampled firms have at least one ethnic minority director. Moreover, results for the control variables show wide spreads with LEV having a mean of 0.49 and a median of 0.48. Similarly, GROWTH has a mean of 17.43 which compares favourably with that of Ntim et al. (2012) who reported a mean of 12.27% for SA listed firms.

[INSERT TABLE 5]

Correlation Matrix of the Variables used in the regressions

Table 6 presents a Pearson's correlation matrix[2] of the variables used in the regressions. Regarding the dependent variables, the results indicate that SHARE and STAKE exhibit 0.98 and 0.82 correlations with GOVIN respectively. Also, SHARE has a correlation of 0.72 with STAKE. However, since SHARE and STAKE are sub-indices of GOVIN, the high correlations are not surprising. This is also consistent with Ntim and Soobaroyen (2013) who report a positive relationship between corporate governance and CSR in South Africa. Most importantly, SHARE STAKE, and GOVIN[3] are not included in the same regressions. More so, correlations between the independent variables are generally low with no single correlation above 0.6 which indicates less multicollinearity concerns. The results indicate that FORO, RDIV and GDIV have positive correlations with GOVIN and statistically significant at the 5% level. This indicates associations between voluntary CG disclosure and the level of foreign ownership, gender diversity and ethnic diversity. Also BSIZE and LEV have positive and negative relationships with GOVIN respectively. This supports the argument that bigger boards are likely to have representatives of diverse groups which may lead to increased disclosure to satisfy the need of these diverse group. Interestingly, INSO has a positive relationship with

[2] We also evaluated multicollinearity using the variance inflation factor (VIF). The mean VIF was 2.34 indicating that multicollinearity is not a problem.

[3] GOVIN is the main CG index whilst SHARE and STAKE are sub-indices or GOVIN. Expectedly, high correlations among these variables are unsurprising. These high correlations imply that including these variables will results in multicollinearity. As a results, these variables are regressed alternatively (in different regressions) to mitigate the possible multicollinearity problems.

SHST whilst RDIV and GDIV exhibit negative relationships with SHST. These correlations confirm the various predictions in the hypotheses.

[INSERT TABLE 6]

Regression Results

Table 7 presents results of the random effects regressions with cluster-robust standard errors[4] for the aggregate CG score (GOVIN) as well as all the sub-indices. The results indicate that AGE has a negative relationship with GOVIN and statistically significant at the 5% level (AGE = -6.65, T-Statistics=-2.46). Similarly, AGE has a negative and statistically significant relationship with STAKE (AGE = -4.86, T-Statistics = -2.03), SHARE (AGE = -9.68, T-Statistics = 3.69), and across all the other sub-indices with the exception of IRD. More importantly, AGE has no statistically significant relationship with SHST (AGE = 0.06, T-Statistics = 0.12) leading to the rejection of H1 These findings imply that CEO age does not explain the relative disclosure of shareholder and other non-shareholder stakeholders related CG information. The results also indicate that older CEOs disclose less CG information. This finding is surprising and inconsistent with the argument that older CEOs are risk-averse and would disclose more CG information to avoid the risk of shareholder activism (Sterling, 2014). The finding is also in contrast with Chan et al. (2002) who argued that younger managers are more likely to resort to unethical activities such as non-disclosure than their older counterparts. Notwithstanding these, Hallock (1997) notes that CEO compensation increases with the CEOs age and seniority albeit at a declining rate. This implies that older CEOs may not necessarily behave ethically. In the SA case, this result may be attributed to the high levels of block holder ownerships in SA listed firms (see Ntim 2012; 2013) leading to the possibility of powerful owner or owner-related CEOs. Consequently, CEO age and seniority may only increase CEO power so that their inclination towards expropriation may motivate them to reduce voluntary disclosure.

[4] In panel regressions it is possible to find correlations either across firms or time (Peterson, 2009). This may necessitate the need to use standard errors that are robust across firms, time or the simultaneous correlations along two dimensions (double clustering). Thompson (2011) noted that while double clustering produce accurate standard error estimates, it does not make much difference in instances where the number of firms far exceeds the time periods. Thomson further argued that double clustering is not needed in an unbalanced panel since fixing the number of observations in one direction is enough to make the bias disappear. Therefore we use one-direction robust clustered standard errors. This produced 245 clusters.

Also, foreign ownership (FORO) has a positive and statistically significant relationship with GOVIN at the 1% level of significance (FORO = 0.08, T-Statistics = 4.55). Specifically, the results indicate that a 1% increase in the level of foreign ownership increases total CG disclosure (GOVIN) by 0.08%. Similarly, FORO has a positive and statistically significant relationship with both SHARE (FORO = 0.07, T-Statistics = 5.68) and STAKE (FORO = 0.12, T-Statistics =1.68) as well as all the other sub-indices except IA. Existing literature suggest that foreign owners are disadvantaged in their quest for information to monitor management. Nevertheless, higher disclosure levels bridges the information asymmetry between domestic and foreign owners (Mangena and Tauringana, 2008). This finding is also consistent with previous studies such as Haniffa and Cooke (2002); and Singhvi (1968) that reported a positive relationship between foreign ownerships and disclosure levels. Further, the finding that FORO has no statistical relationship with IA is surprising. This finding implies that foreign owners do not influence the disclosure of CG provisions that relate to internal auditing. This could also be attributed to the fact foreign owners are unfamiliar with the nature of the internal audit disclosures in King III. More so, FORO has a non-significant relationship with SHST (FORO = 0.01, T-Statistics =1.03). This finding is inconsistent with H2 and indicates that foreign owners place much premium on disclosure levels irrespective of whether they protect the interests of shareholders or other non-shareholding stakeholders.

Furthermore, INSO has a positive relationship with GOVIN (INSO = 0.05, T-Statistics = 4.46). This imply that a 1% increase in the level of institutional ownership increases the level of total CG disclosure by 0.05%. Similarly, the results shows a positive relationship between INSO and STAKE (INSO = 0.07, T-Statistics = 3.72), SHARE (INSO = 0.05, T-Statistics = 4.38) and all the other sub-indices except IA. These imply that a 1% increase in INSO increases SHARE (STAKE) by 0.05% (0.07%). This finding support Hawley and Williams (2000) assertion that institutional investors have strong fiduciary relationships that may propel their inclinations towards voluntary CG disclosure. Chung and Zhang, (2011) also note that institutional investors mostly have larger stakes in firms which motivates them to monitor management instead of free riding. Most importantly, INSO has a positive relationship with SHST (INSO = 0.01, T-Statistics = 1.95). The coefficient is positive and statistically significant at 10%. This finding supports H3 that companies with higher levels of institutional investors disclose more shareholder CG information relative to stakeholder CG information. This finding is also consistent with OECD (2009) that institutional investors invest mainly for financial returns. Therefore whilst they will not hinder the disclosure of CG information that protects the interests of other non-shareholding stakeholders, (as exhibited by the positive relationship

with STAKE), they are mainly concerned with the disclosure of shareholder CG information (Brammer and Millington, 2004).

Also, BIND has no significant relationship with GOVIN (BIND = -0.01, T-Statistics = -1.58), SHARE (BIND = 0.01, T-Statistics = 0.30), STAKE (BIND = -0.03, T-Statistics = -0.64) and all the other sub-indices. Most importantly, BIND has no relationship with SHST (BIND = 0.01, T-Statistics =1.51). This finding contradicts H4 as well as the agency theory preposition that outside directors are good monitors of management (Fama, 1980; Fama and Jensen, 1983). However, other studies especially those from emerging markets have also failed to find a statistically significant relationship. Samaha et al. (2012) note the dominance of large blockholdings in developing countries. Su Xu and Phan, (2008) note that higher levels of ownership concentration in emerging markets lead to the appointment of non-executive directors who may not be independent and thus collude with management to facilitate the controlling shareholders` expropriation. Consistent with this, Hwang and Kim (2009) attribute the lack of a significant relationship between board independence and CG disclosure to the stronger ties between non-executive directors and insiders that compromise their independence. However, the SA case may also be attributed to a lack of requisite business knowledge by independent directors(see Paton and Baker, 1987) since affirmative action rules encourage firms to appoint directors by also considering affirmative action rules instead of solely based on competence (Ntim and Soobaroyen, 2013).

BSIZE has a non-significant relationship with GOVIN (BSIZE= -5.13, T-Statistics = -1.58) and STAKE (BSIZE= -3.37, T-Statistics = -0.79). This results support the agency theory view that larger boards are ineffective, difficult to coordinate and are associated with shirking and free-riding (Jensen and Meckling, 1986). Nevertheless, BSIZE exhibits a negative and statistically significant relationship with SHARE (BSIZE = -5.54, T-Statistics= -1.80) and IA (BSIZE= -12.36, T-Statistics = -2.92). This indicates that firms with larger boards disclose less of CG information relating to internal audit as well as other CG information that protects the interests of shareholders. This finding is consistent with Jensen (1993) that entrenched CEOs are more likely to control larger boards than smaller boards leading to a reduction of in the disclosure of monitoring intensive CG provisions intended to protect the interests of shareholders. Indeed, weaker internal audit mechanisms may make it easier for entrenched CEOs to expropriate shareholder wealth. Also, and in contrast with H5 board size has a negative relationship with SHST (BSIZE = -1.33, T-Statistics = -2.53). This implies that firm with bigger board size disclose more CG information that seeks to protect the interests of other non-shareholding stakeholders relative to CG information that seeks to protect the interests of

shareholders. This finding supports the view that larger boards are likely to be heterogeneous (Butler, 2012) and may thus disclose more CG information to suit the interests of these heterogeneous groups. In the SA case, bigger boards are apt to have representatives of several interests groups and this may result in the disclosure of more CG information to satisfy these groups rather than focusing on only shareholders. Alternatively, Prior et al. (2008) find that entrenched managers disclose more information non-shareholder related information to garner powerful stakeholders` support in order to facilitate their rent-seeking objective. Therefore, it could also be the case that managers of firms with bigger board size disclose more stakeholder related CG information to garner stakeholder support for rent extraction purposes. This is even more critical in SA where affirmative action stakeholder groups are so powerful.

Further, we find that GDIV has a positive relationship with GOVIN (GDIV = 5.80, T-Statistics = 3.87). The results imply that compared to boards without a woman director, boards with at least one woman director has an increase of 5.8% in CG disclosure. Similarly, gender diversity has a positive relationship with all the other sub-indices except BOD and AC. This implies that women directors have no effect on the disclosure of CG provisions relating to the board of directors as well as the audit committee. There is also a positive relationship between gender and both SHARE (GDIV= 4.97, T-Statistics = 3.71) and STAKE (GDIV=10.15, T-Statistics = 3.21). This is consistent with the conflict resolution hypothesis (Cai et al.2011) that women directors positively influence the disclosure of CG information that relates to both shareholders and other non-shareholding stakeholders. This indicate that board gender diversity may be a mechanism for avoiding conflicts between shareholders and other non-shareholding stakeholders. More so, the findings that gender diversity has no relationship with BOD and AC signify that boards with women directors disclose less monitoring intensive CG provisions relating to the board of directors and the audit committee and confirms the findings of Adams and Ferreira (2009) and Gul et al.(2011) that gender may be a substitute CG monitoring device. More so, the results indicate that GDIV has a negative and statistically significant relationship with SHST (GDIV = -0.92, T-Statistics = -3.16). This finding supports H6 and implies that women directors influence the disclosure of less CG information that protects the interests of shareholders relative to CG information that protects the interests of other non-shareholding stakeholders. This results is in tandem with Transparency international (2000) that women have a higher standard of ethical behaviour and are thus concerned with the well-being of the general society. Arguably, women directors may be concerned with the general well-being of stakeholders (including shareholders) as against adhering strictly to the

shareholder-centric view. The finding is also consistent with Post et al. (2011) that women directors influence the disclosure of environmentally related information.

RDIV has a positive relationship with GOVIN (RDIV = 10.33, T-Statistics = 9.13) and statistically significant at the 1% level. This indicate that compared to boards without an ethnic minority director, boards with ethnic minority directors have a 10.33% increase in CG disclosure. Similarly RDIV has a positive and statistically significant relationship with SHARE (RDIV = 8.51, T-Statistics = 7.85), STAKE (RDIV = 18.78, T-Stats = 12.04) and across all the other sub-indices. This finding is consistent with the argument that racial diversity may facilitate communication to a heterogeneous group by increasing CG disclosure (Butler, 2012 and Lang, 1986). Further, the finding that RDIV has a positive relationship with monitoring-intensive aspects of GOVIN such as AC and BOD indicate that ethnicity may be a complement to effective CG mechanisms. In the SA case where boards are dominated by the minority white population, racial diversity may improve board independence and increase monitoring leading to higher levels of CG disclosure (Broome et al. 2011). Also, the results indicate that RDIV has a negative and statistically significant relationship with SHST (RDIV = -1.13, T-Statistics = -3.95). This is consistent with H7 and indicate that the presence of ethnic minority directors reduces the probability of disclosing more CG provisions that seek to protect the interests of shareholders (SHARE) relative to CG provisions that seek to protect the interests of other non-shareholding stakeholders (STAKE). This finding is consistent with the arguments that racially diverse boards disclose more diverse CG information (Butler, 2012)

The results for the control variables are generally consistent with the literature. Leverage has a negative relationship with GOVIN but the results is not statistically significant. Similarly, with the exception of IRD, leverage has no statistically significant relationship with all the sub-indices as well as SHST. Further, growth has a positive and statistically significant relationship with GOVIN, GR, SHARE and STAKE. This is also consistent with Khurana et al. (2006) that high growth firms have a need for external financing and will therefore disclose more CG information to reduce information asymmetry which will in turn reduce the cost of external financing. Further, profitability (ROE) has a positive relationship with GOVIN but the relationship is not statistically significant. More importantly, profitability has no statistically significant relationship with SHST. These findings are also consistent with Samaha et al. (2012) who report no statistically significant relationship for profitability and voluntary CG disclosure. Also, firm size has a positive and significant relationship with GOVIN. This indicate that bigger firms disclose more CG information.

[INSERT TABLE 7]

6. Robustness Tests

As noted in section 4 the results of the Hausman test proved inconclusive. Therefore, to the extent that the adoption of the random effects estimation technique was based on the results of the Hausman tests, it could be the case that the results are sensitive to the estimation technique. Based on this, a fixed effects model is employed to re-estimate all the regressions. Specifically, whereas model 1-8 in table 8 are estimated using fixed effects regression, model 9 is estimated using a conditional fixed effects regression due to the dichotomous nature of the dependent variable (SHST) in that regression.

The results as presented in Table 8 indicate that results from the fixed effects models are qualitatively similar to that of the random effects estimations. For example, consistent with the random effects regressions, results from the fixed effects regressions indicate foreign ownership (FORO), institutional ownership (INSO) gender diversity (GDIV) and ethnic diversity (RDIV) exhibit a positive and statistically significant relationship with GOVIN. Similarly, CEO age (AGE) has a negative and statistically significant relationship with GOVIN. Results for the other sub-indices are also qualitatively similar.

Further, consistent with the random effects logistic regressions, institutional ownership (INSO) has a positive relationship with SHST. This confirms the earlier findings that institutional investors increase the disclosure of CG provisions that protects the interests of shareholders relative to that of other non-shareholding stakeholders. Also, board size (BSIZE) and gender diversity (GDIV) have negative and statistically significant relationships with SHST. This is also consistent with the findings of the random effects logistics regressions that board size and gender reduces the disclosure of CG information that protects the interests of shareholders relative to that of other non-shareholding stakeholders. Notwithstanding these, ethnicity (RDIV) has no statistically significant relationship with SHST. This implies that ethnic minority directors (RDIV) are not a determinant of the variation in the disclosure of shareholder versus stakeholder CG provisions. This is also in contrast with the findings of the random effects logistic regressions that showed a negative and statistically significant relationship with SHST. Overall, the results are qualitatively similar whether the fixed effects

or the random effects estimation technique is used. Further attempts were also made to address potential endogeneity problems.[5]

[INSERT TABLE 8]

7. Summary and Conclusions

The determinants of CG disclosure have been widely examined in the literature. In the case of SA, three CG reforms have been pursued in the past decades in the form of the King I (1994), King II (2002) and King III (2009). However, although emerging markets have characteristics (concentrated ownership, weak regulatory enforcement, and weak shareholder activism) different from their developed counterparts, CG reforms mainly mimic that of other developed countries (Samaha et al., 2012). The SA context is distinct because in addition to adopting various CG provisions in the developed countries, it also stresses the need to comply with affirmative action rules and other stakeholder CG provisions (Ntim et al., 2012). These coupled with its voluntary compliance regime raises questions as to whether firms, especially foreign multi-nationals who may not be used to such disclosure requirements, will comply.

In terms of the level of compliance, we find that even though King III is relatively new, the level of compliance is very high with mean scores ranging from 65.73% to 60.53% for GOVIN, SHARE and STAKE. These compliance levels compare favourably with previous SA studies (Ntim et. al., 2012a; Ntim et al. 2012b). Specifically, the sub-indices show that STAKE has a higher mean than SHARE. This suggests that SA firms have become accustomed to the unique stakeholder disclosure requirements. Notwithstanding these, the CG disclosure indices also show large variations among firms with a mean of 61.44% and standard deviation of 19.55 for GOVIN. This indicates high degree of heterogeneity among SA listed firms in terms of disclosure. Again, Ntim et al. (2012b) also reported similar variation in compliance on the King II provisions. This also implies that some SA listed firms are taking a long time to appreciate the importance of voluntary disclosure.

Regarding the determinants of CG disclosure of SA listed companies, we find that, ceteris paribus, the extent of shareholder-related CG disclosure relative to stakeholder-related

[5] To deal with the problem of endogeneity we consider adopting a dynamic panel model. Specifically we consider the Arrelano Bond estimator (see Arellano and Bond, 1991). However, for consistent estimation this method requires two specification tests - (1) a test to confirm that the error term is serially uncorrelated and (2) a test of overidentifying restrictions (see Cameron and Trivedi, 2009). Our data passed the former and failed the later making this method unsuitable. A plausible alternative is the use of a 2SLS, but this presents another problem of finding suitable instrumental variables which we could not find.

disclosure is (1) lower with at least one woman directors, bigger boards, and at least one "non-white" director; and (2) higher with higher levels of foreign ownership. More so, whereas foreign ownership, institutional ownership, gender diversity and racial diversity increase both shareholder-related and stakeholder-related CG disclosures, bigger boards reduces shareholder-related CG disclosures but not stakeholder-related CG disclosures. In contrast, older CEOs reduce both stakeholder-related disclosures and shareholder-related disclosures. Notwithstanding these, the overall levels of CG disclosure in SA (as proxied by GOVIN) increases with higher levels of institutional and foreign ownership, racial diversity, as well as gender diversity and decreases with CEO age.

This paper contributes to the literature by particularly responding to recent calls by Samaha et al. (2012) for studies that investigate the determinants of CG provisions that protects the interests of stakeholders other than shareholders and bondholders. The results show that different classes of shareholders, and CEO and firm characteristics may impact differently on the type of CG disclosure whether of shareholder or stakeholder origin. In terms of policy implications the findings are important for policymakers and non-governmental organisations, environmental activists etc. that are keen to hold companies accountable for the effect of their operations on other non-shareholding stakeholders. The findings are also relevant for investors that invest in firms for other non-financial motives. To these investors the results provide a useful guide as to which firms to invest in given the peculiar characteristics of their board, CEO and shareholders.

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Table 1: Variable Definition

Variable name	Measurement and Description
Dependent Variables	
GOVIN	CG index that combines the provisions contained in both SHARE and STAKE
SHARE	CG disclosure index containing 61 provisions in King III that seeks to protect the interest of shareholders.
STAKE	CG disclosure index containing 11 provisions in King III that seeks to protect the interest of stakeholders.
STST	A dummy variable that takes the value of "1" if a firm scores higher on STAKE than SHARE otherwise "0"
SHST	A dummy variable that takes the value of "1" if a firm scores higher on SHARE than STAKE otherwise "0".
Independent variables	
AGE	The natural logarithm of CEO age.
FORO	Percentage of ordinary shares held by foreign shareholders
INSO	Percentage of ordinary shares held by institutional shareholders
BIND	The number of non-executive directors expressed as a percentage of the total board size
BSIZE	The natural logarithm of total board size.
GDIV	A dummy variable that takes the value of "1" if the board consists of at least one male and one female otherwise"0".
RDIV	A dummy variable that takes the value of "1" if the board consists of at least one white and one non-white, otherwise "0".
Control Variables	
LEV	Ratio of total debts to total assets
GROWTH	The percentage of current year`s sales minus previous year's sales to previous year's sales
ROE	Total operating profit divided by total equity
SIZE	Natural log of total assets

Table 2: Level of Compliance on the Main Corporate Governance Index and Other Sub-Indices

Variable	Obs	Mean	Std Dev	Min	Max
GOVIN	1110	61.44	19.55	14.045	98.22
SHARE	1110	60.53	18.82	12.23	98.59
STAKE	1110	65.72	28.63	8	100
SHST	1110	0.29	0.45	0	1
STSH	1110	0.71	0.45	0	1
BOD	1110	64.99	23.9	5.32	100
AC	1110	69.83	25.11	0	100
GR	1110	62.66	18.57	0	100
IA	1110	56.13	22.7	0	100
IRD	1110	54.71	36.27	0	100

Note: Variables are defined as follows; **GOVIN** is a CG disclosure index that consisting of 72 CG provisions in King III. **SHARE** is a CG disclosure index consisting of 61 CG provisions that protects the interests of shareholders. **STAKE** is a CG disclosure index consisting of 11 CG provisions that protects the interests of stakeholders. **SHST** is a dummy variable equal to "1" if a firm scores higher on SHARE thank STAKE otherwise "0". **STSH** is a dummy variable equal to "1" if a firm scores higher on STAKE thank SHARE otherwise "0". **BOD** is a sub-index of SHARE consisting of 33 CG provisions that relates to the board of directors. **AC** is a sub-index of SHARE consisting of 13 CG provisions that relates to the audit committee. **GR** is a sub-index of SHARE consisting of 10 CG provisions that relates to the governance of risk. **IA** is a sub-index of SHARE consisting of 2 CG provisions that relates to internal audit. **IRD** is a sub-index of SHARE consisting of 3 CG provisions that relates to integrated reporting and disclosure.

Table 3 Level of Compliance across the Johannesburg Stock Exchange Industry Classification.
Panel : A

	GOVIN						SHARE		STAKE		Mean Diff
Industry*	Mean	Std.Dev	25th	50th	75th	95th	Mean	Std. Dev	Mean	Std. Dev	
Basic Material	62.52	19.14	51.81	67.47	75.9	85.54	60.92	18.17	68.22	26.88	-7.3***
Industrials	60.21	19.08	48.19	64.46	74.7	80.72	59.6	18.07	62.64	29.87	-3.04***
Consumer Services	61.3	18.83	50.65	62.65	75.9	85.54	61.06	18.27	63.36	28.84	-2.99
Consumer Goods	59.02	24.74	45.78	69.88	75.9	86.75	58.07	24.43	65	30.71	-6.94***
Health Care	69.18	18.3	65.06	75.91	82.53	86.75	68.39	17.52	73.95	26.03	-5.55***
Telecommunications	62.21	18.89	44.58	68.07	80.12	83.13	59.62	20.56	78	23.86	-18.38***
Technology	62.99	16.18	54.22	63.86	75.9	85.54	62.12	15.43	68.99	24.73	-6.88***

(Table 3 continues on the next page)

Table 3 Continued: Panel B

	SHST		STSH		BOD		AC		GRI		IA		IRD	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
Basic Material	0.26	0.43	0.74	0.43	67.54	22.81	69.02	24.60	60.31	26.44	52.32	23.45	57.23	35.18
Industrial	0.28	0.45	0.71	0.450	64.35	21.97	70.09	23.97	60.42	29.87	55.14	24.07	51.71	37.56
Consumer Services	0.32	0.46	0.67	0.46	64.74	22.71	71.26	23.36	63.05	29.25	57.54	21.79	55.15	35.74
Consumer Goods	0.15	0.36	0.84	0.36	61.32	31.34	64.43	32.89	65.58	30.65	57.89	22.63	52.33	36.82
Heath Care	0.18	0.39	0.81	0.39	68.29	27.35	73.10	22.10	70.51	24.13	63.89	13.46	61.80	35.05
Telecommunications	0.13	0.35	0.86	0.35	60.35	31.33	65.15	31.67	77.14	20.01	64.81	11.11	63.88	35.07
Oil and Gas	0.29	0.45	0.70	0.45	65.96	20.26	75.99	19.71	65.48	26.95	59.40	20.56	55.98	33.76

*Johannesburg Stock Exchange Industry Classification. *** represents statistical significance at the 5% level.

Table 4: A The level of compliance across years.
Panel: A

YEAR	GOVIN						SHARE		STAKE		
	Mean	Std.Dev	25th	50th	75th	95th	Mean	Std.Dev	Mean	Std.Dev	Mean Diff
2008	50.38	18.98	34.94	51.81	65.06	75.9	49.43	18.57	54.73	29.64	-5.3***
2009	57.34	17.12	48.19	59.04	69.88	77.11	56.5	16.61	62.23	26.04	-5.75***
2010	60.41	16.67	51.81	62.65	73.49	79.52	59.47	15.62	64.59	27.84	-5.12***
2011	65.67	18.18	56.63	71.08	79.53	85.54	64.83	16.95	69.59	28.26	-4.76***
2012	66.77	20.23	61.45	72.29	80.72	87.95	65.84	19.39	70.66	28.67	-4.82***
2013	68.07	20.03	63.86	73.49	81.93	87.95	67.11	19.37	72.52	27.72	-5.2***

Note: *** represents statistical significance at the 5% level.

Table 4: Continued
Panel : B

	SHST		STSH		BOD		AC		GR		IA		IRD	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
2008	0.34	0.47	0.65	0.47	53.99	24.86	52.87	27.27	48.98	30.56	51.71	26.66	28.46	16.12
2009	0.28	0.45	0.71	0.45	60.05	22.89	65.30	23.57	58.08	27.30	57.11	21.39	31.34	10.52
2010	0.29	0.45	0.70	0.45	64.21	21.04	71.05	22.10	60.25	29.02	54.05	24.01	32.06	16.43
2011	0.31	0.46	0.68	0.46	69.53	21.56	74.89	22.46	66.15	28.17	55.31	23.51	66.84	39.08
2012	0.27	0.44	0.72	0.44	68.4	25.24	74.59	26.90	67.73	29.22	54.05	25.00	74.59	38.97
2013	0.07	0.25	0.92	0.25	73.76	22.31	80.24	17.68	74.76	18.66	64.50	8.93	94.95	17.68

Table 5: Descriptive Statistics: Independent Variables

Variables	Mean	Std. Dev.	25th	50th	75th	95th
		Independent Variables				
AGE	3.91	0.17	3.89	3.91	3.95	4.11
FORO	2.58	12.08	0	0	0	16.3
INSO	21.43	31.12	0	3.06	32.4	92.11
BIND	44.22	22.74	28.57	44.44	62.5	80
BSIZE	2.17	0.3	1.95	2.2	2.3	2.56
GDIV	0.63	0.48	0	1	1	1
RDIV	0.55	0.5	0	1	1	1
		Control Variables				
LEV	0.49	0.27	0.32	0.48	0.61	0.84
GROWTH	17.43	95.39	-9.06	2.19	21.56	82.56
ROE	-0.01	3.66	0.04	0.13	0.23	0.51
SIZE	12.23	2.09	10.94	12.2	13.92	15.59

Note: Variables are defined as follows; **GOVIN** is a CG disclosure index that consisting of 72 CG provisions in King III. **SHARE** is a CG disclosure index consisting of 61 CG provisions that protects the interests of shareholders. **STAKE** is a CG disclosure index consisting of 11 CG provisions that protects the interests of stakeholders. **SHST** is a dummy variable equal to "1" if a firm scores higher on SHARE thank STAKE otherwise "0". **AGE** is the natural logarithm of CEO age. **FORO** is the percentage shares held by foreigners. **INSO** is the percentage of shares held by institutions. **BIND** is the number of non-executive directors expressed as a percentage of total board size. **BSIZE** is the natural logarithm of total board size. **GDIV** is a dummy variable equal to "1" if a firm has at least one woman director otherwise "0". **RDIV** is a dummy variable equal to "1" if a firm has at least one ethnic minority director otherwise "0". **LEV** is the percentage of total debt to total assets. **GROWTH** is the percentage of current year`s sales minus previous year's sales to previous year's sales. **ROE** is total operating profit divided by total equity. **SIZE** is the natural logarithm of total assets.

Table 6: Correlation Matrix

	GOVIN	SHARE	STAKE	SHST	AGE	FORO	INSO	BIND	BSIZE	GDIV	RDIV	LEV	GROWTH	ROE
GOVIN	1													
SHARE	.98+	1												
STAKE	.82+	.72+	1											
SHST	-.22+	-.12+	-.55+	1										
AGE	-.03	-.02	-.02	-.04	1									
FORO	.08+	.08+	.08+	.00	-.02	1								
INSO	.04	.04	.06	.07+	.07+	-.02	1							
BIND	-.04	-.02	-.03	.02	-.02	.09+	.07+	1						
BSIZE	.22+	.20+	.25+	-.25+	.08+	.09+	.03	.06+	1					
GDIV	.22+	.19+	.30+	-.18+	.04	.03	.14+	.09+	.28+	1				
RDIV	.34+	.30+	.43+	-.20+	.05	.10+	.20+	.07+	.27+	.45+	1			
LEV	-.09+	-.09+	-.08+	-.01	-.00	.06	.01	.02	-.03	-.01	-.07+	1		
GROWTH	.01	.01	.00	.03	-.04	-.01	.01	-.05	.00	.06	.03	.03	1	
ROE	-.00	.00	-.01	.02	-.01	.01	.04	.05	.05	-.01	.00	-.07+	.01	1
SIZE	.29+	.28+	.29+	-.21+	.05	.12+	.01	.02	.57+	.11+	.23+	-.03	-.06	.04

Note: + indicates statistical significance at the 5% level. Variables are defined as follows; **GOVIN** is a CG disclosure index that consisting of 72 CG provisions in King III. **SHARE** is a CG disclosure index consisting of 61 CG provisions that protects the interests of shareholders. **STAKE** is a CG disclosure index consisting of 11 CG provisions that protects the interests of stakeholders. **SHST** is a dummy variable equal to "1" if a firm scores higher on SHARE thank STAKE otherwise "0". **AGE** is the natural logarithm of CEO age. **FORO** is the percentage shares held by foreigners. **INSO** is the percentage of shares held by institutions. **BIND** is the number of non-executive directors expressed as a percentage of total board size. **BSIZE** is the natural logarithm of total board size. **GDIV** is a dummy variable equal to "1" if a firm has at least one woman director otherwise "0". **RDIV** is a dummy variable equal to "1" if a firm has at least one ethnic minority director otherwise "0". **LEV** is the percentage of total debt to total assets. **GROWTH** is the percentage of current year`s sales minus previous year's sales to previous year's sales. **ROE** is total operating profit divided by total equity. **SIZE** is the natural logarithm of total assets.

Table 7: Results of Random Effects Regressions for the Determinants of Voluntary Corporate Governance Disclosure.

		SUB-INDEX							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	GOVIN	BOD	AC	GR	IA	IRD	SHARE	STAKE	SHST
AGE	-6.65**	-6.50*	-8.30*	-12.61***	-5.48**	-1.52	-4.86**	-9.68***	0.06
	(-2.46)	(-1.81)	(-1.94)	(-2.70)	(-1.97)	(-0.65)	(-2.03)	(-3.69)	(0.12)
FORO	0.08***	0.13***	0.15***	0.23***	0.04	0.17***	0.07***	0.12*	0.01
	(4.55)	(2.84)	(7.01)	(4.07)	(0.53)	(3.07)	(5.68)	(1.68)	(1.03)
INSO	0.05***	0.02*	0.06*	0.11***	0.11***	0.06*	0.05***	0.07***	0.01*
	(4.46)	(1.88)	(1.86)	(2.79)	(2.70)	(1.83)	(4.38)	(3.71)	(1.95)
BIND	-0.01	-0.01	-0.07*	0.04	-0.01	-0.06	0.01	-0.03	0.01
	(-0.28)	(-0.38)	(-1.82)	(1.04)	(-0.40)	(-1.44)	(0.30)	(-0.64)	(1.51)
BSIZE	-5.13	0.85	-0.62	-2.57	-12.36***	-2.30	-5.54*	-3.37	-1.33**
	(-1.58)	-0.18	(-0.10)	(-0.50)	(-2.92)	(-0.44)	(-1.80)	(-0.79)	(-2.53)
GDIV	5.80***	3.34	3.61	5.72*	7.47***	7.48***	4.97***	10.15***	-0.92***
	(3.87)	(1.49)	(1.24)	(1.96)	(3.35)	(3.10)	(3.71)	(3.21)	(-3.16)
RDIV	10.33***	7.19***	8.86***	15.62***	11.01***	9.66***	8.51***	18.78***	-1.13***
	(9.13)	(3.19)	(3.68)	(5.36)	(12.48)	(2.58)	(7.85)	(12.04)	(-3.95)
LEV	-2.80	-4.85	-2.17	-4.33	-0.65	-8.80**	-2.98	-3.08	-0.67
	(-0.86)	(-0.96)	(-0.63)	(-1.08)	(-0.13)	(-2.45)	(-0.97)	(-0.81)	(-1.16)
GROWTH	0.01***	0.01	0.01	0.01***	0.01	-0.01	0.01***	0.01**	0.00
	(4.25)	(1.58)	(1.48)	(3.24)	(1.26)	(-0.49)	(3.86)	(2.28)	(0.72)
ROE	0.00	0.03	-0.04	0.01	-0.12***	-0.29**	0.01	-0.04*	0.02
	(0.01)	(0.84)	(-0.88)	(0.44)	(-2.62)	(-2.26)	(0.43)	(-1.92)	(0.53)
SIZE	1.90***	1.95***	0.90	0.15	0.36	2.10***	1.75***	2.50**	-0.11
	(2.83)	(2.59)	(1.31)	(0.2)	(0.53)	(3.87)	(2.97)	(2.09)	(-1.40)
CONSTANT	60.28***	54.68***	82.03***	92.58***	86.64***	10.01	56.31***	58.53***	3.726
	(8.65)	(4.41)	(3.96)	(5.16)	(4.83)	(0.85)	(9.62)	(11.15)	(1.53)

N	871	871	871	871	871	871	871	871	871
YEAR	YES	YES	YES	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES	YES	YES	YES
R^2	0.23	0.11	0.11	0.21	0.20	0.59	0.22	0.20	0.12
Wald Chi2	293.57***	141.12***	143.04***	205.57***	182.49***	1053.48***	262.82***	299.50***	146.61***

Note: *, **, *** indicates statistical significance at the 10%, 5%, and 1% levels respectively. All regressions are run with cluster-robust standard errors. Variables are defined as follows; **GOVIN** is a CG disclosure index that consisting of 72 CG provisions in King III. **SHARE** is a CG disclosure index consisting of 61 CG provisions that protects the interests of shareholders. **STAKE** is a CG disclosure index consisting of 11 CG provisions that protects the interests of stakeholders. **SHST** is a dummy variable equal to "1" if a firm scores higher on SHARE thank STAKE otherwise "0". **STSH** is a dummy variable equal to "1" if a firm scores higher on STAKE thank SHARE otherwise "0". **BOD** is a sub-index of SHARE consisting of 33 CG provisions that relates to the board of directors. **AC** is a sub-index of SHARE consisting of 13 CG provisions that relates to the audit committee. **GR** is a sub-index of SHARE consisting of 10 CG provisions that relates to the governance of risk. **IA** is a sub-index of SHARE consisting of 2 CG provisions that relates to internal audit. **IRD** is a sub-index of SHARE consisting of 3 CG provisions that relates to integrated reporting and disclosure. **AGE** is the natural logarithm of CEO age. **FORO** is the percentage shares held by foreigners. **INSO** is the percentage of shares held by institutions. **BIND** is the number of non-executive directors expressed as a percentage of total board size. **BSIZE** is the natural logarithm of total board size. **GDIV** is a dummy variable equal to "1" if a firm has at least one woman director otherwise "0". **RDIV** is a dummy variable equal to "1" if a firm has at least one ethnic minority director otherwise "0". **LEV** is the percentage of total debt to total assets. **GROWTH** is the percentage of current year`s sales minus previous year's sales to previous year's sales. **ROE** is total operating profit divided by total equity. **SIZE** is the natural logarithm of total assets.

Table 8: Results of Fixed Effects Regressions for the Determinants of Voluntary Corporate Governance Disclosure.

		SUB-INDICES						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	GOVIN	BOD	AC	GR	IA	IRD	SHARE	STAKE	SHST
AGE	-5.55**	-7.26*	-9.14*	-10.96*	-3.90	2.36	-3.90*	-8.16***	0.12
	(-3.36)	(-2.21)	(-1.98)	(-1.99)	(-0.99)	(0.71)	(-2.36)	(-4.94)	(0.18)
FORO	0.09**	0.22***	0.25***	0.37***	0.13*	0.13*	0.07	0.18*	0.00
	(2.48)	(4.19)	(4.62)	(12.56)	(2.17)	(1.97)	(1.80)	(2.25)	(0.56)
INSO	0.08***	0.05	0.08*	0.17***	0.14***	0.12**	0.07**	0.13***	0.01*
	(4.16)	(1.69)	(2.05)	(4.99)	(4.43)	(3.47)	(3.47)	(5.73)	(1.75)
BIND	0.04	0.03	-0.01	0.13***	0.02	-0.06**	0.04	0.06	0.00
	(1.50)	(0.65)	(-0.25)	(4.91)	(0.83)	(-3.27)	(1.58)	(1.22)	(0.11)
BSIZE	-5.28	2.01	1.42	-3.02	-12.92**	-2.10	-6.00*	-2.72	-1.91***
	(-1.79)	(0.35)	(0.23)	(-0.59)	(-3.54)	(-0.32)	(-2.04)	(-0.65)	(-2.70)
GDIV	6.43**	4.55	3.79	10.65**	9.35***	9.70**	5.56**	11.29***	-1.05**
	(3.49)	(1.72)	(1.32)	(3.29)	(6.90)	(2.50)	(3.03)	(4.47)	(-2.41)
RDIV	8.68***	4.28	6.06*	12.96***	11.24***	10.95**	7.28***	14.05***	-0.57
	(7.69)	(1.86)	(2.44)	(4.39)	(8.11)	(2.74)	(6.00)	(6.26)	(-1.33)
LEV	4.19	1.44	4.56	11.09	6.33	4.31	2.55	9.21	-1.04
	(1.18)	(0.28)	(0.96)	(1.49)	(1.30)	(0.72)	(0.76)	(1.90)	(-0.95)
GROWTH	0.01***	0.01**	0.01*	0.01*	0.00	-0.01	0.01***	0.01*	0.00
	(4.68)	(2.65)	(2.00)	(2.00)	(0.60)	(-0.92)	(4.67)	(2.02)	(0.46)
ROE	0.01	0.03	-0.04*	0.05	-0.12*	-0.13	0.01	0.00	0.03
	(0.43)	(1.2)	(-1.99)	(1.00)	(-2.27)	(-1.41)	(0.64)	(0.08)	(0.48)
SIZE	-1.13	-2.64	-2.96	-3.88**	-0.87	-0.60	-1.41	1.05	-0.64**
	(-1.27)	(-1.50)	(-1.60)	(-2.60)	(-0.59)	(-0.35)	(-1.64)	-0.81	(-2.00)
CONSTANT	87.68***	106.0***	123.1***	121.9***	89.99***	17.45	87.87***	59.22**	

	-12.59	-4.86	-9.67	-8.77	-7.19	-1.52	-13.94	-3.22	
N	871	871	871	871	871	871	871	871	506
YEAR	YES	YES	YES	YES	YES	YES	YES	YES	YES
INDUSTRY	YES	YES	YES	YES	YES	YES	YES	YES	NO
R^2	0.25	0.13	0.13	0.23	0.21	0.59	0.24	0.22	0.13
Wald Chi2	15.41***	6.95***	6.89***	14.21***	12.63***	66.62***	14.42***	12.77***	6.92***

Note: *, **, *** indicates statistical significance at the 10%, 5%, and 1% levels respectively. All regressions are run with cluster-robust standard errors. Variables are defined as follows; **GOVIN** is a CG disclosure index that consisting of 72 CG provisions in King III. **SHARE** is a CG disclosure index consisting of 61 CG provisions that protects the interests of shareholders. **STAKE** is a CG disclosure index consisting of 11 CG provisions that protects the interests of stakeholders. **SHST** is a dummy variable equal to "1" if a firm scores higher on SHARE thank STAKE otherwise "0". **STSH** is a dummy variable equal to "1" if a firm scores higher on STAKE thank SHARE otherwise "0". **BOD** is a sub-index of SHARE consisting of 33 CG provisions that relates to the board of directors. **AC** is a sub-index of SHARE consisting of 13 CG provisions that relates to the audit committee. **GR** is a sub-index of SHARE consisting of 10 CG provisions that relates to the governance of risk. **IA** is a sub-index of SHARE consisting of 2 CG provisions that relates to internal audit. **IRD** is a sub-index of SHARE consisting of 3 CG provisions that relates to integrated reporting and disclosure. **AGE** is the natural logarithm of CEO age. **FORO** is the percentage shares held by foreigners. **INSO** is the percentage of shares held by institutions. **BIND** is the number of non-executive directors expressed as a percentage of total board size. **BSIZE** is the natural logarithm of total board size. **GDIV** is a dummy variable equal to "1" if a firm has at least one woman director otherwise "0". **RDIV** is a dummy variable equal to "1" if a firm has at least one ethnic minority director otherwise "0". **LEV** is the percentage of total debt to total assets. **GROWTH** is the percentage of current year`s sales minus previous year's sales to previous year's sales. **ROE** is total operating profit divided by total equity. **SIZE** is the natural logarithm of total assets.

Appendix 1: A Summary of some vital corporate governance provisions in the second and third King reports.

Corporate Governance Provision	**2002 King Report (King II)**	**2009 King Report (King III)**
Boards and Directors		
Board Structure	Unitary Board	Unitary Board
Share Options for Non-executive directors	Allowed	Not Allowed
Non-executive directors	Majority of Board Members	Majority of Board Members
Removal of CEO and Directors	Not Addressed	The Board can Remove directors including the CEO without shareholder approval.
Rotation of Non-Executive Directors	Not addressed	A Program ensuring staggered rotation Should be put in place
Minimum Number of Executive directors on the Board	Not Addressed	At Least Two executive Directors-The CEO and the Director of Finance
Role Duality	Split CEO and Chairperson	Split CEO and Chairperson
Chairperson Independence	Independent Non-Executive Director	Independent Non-Executive Director
Board Meetings Frequency	At Least Once Every Quarter	At Least Once Every quarter
Board Committees		
Recommended Committees	Audit, Remuneration and Nomination	Audit Remuneration, Nomination and Risk
Audit Committee Membership	Majority of Independent Non-executive directors	All members should be independent non-executive directors
	Not Addressed	Minimum Three

Audit Committee Size		
Audit Committee qualifications	Majority should be Financially literate	Understanding of Integrated reporting, financial controls, Internal and external audit, corporate law and Risk management, and IT governance
Audit committee Meeting Frequency	Not Addressed	Minimum twice a year
Director/Insider Share Dealings	Prohibits Insider Dealing	Prohibits Insider Dealing
Risk Management, Internal Audit and Control		
Risk management	Risk Management	Risk committee/Audit Committee
Approach to Internal Audit	Not Addressed	Risk Based internal audit function
Accounting and Auditing		
Auditing	External Auditors/ Audit Committee	External Auditors, Audit Committee
Accounting and Financial Reporting	Accounting Standards/ IFRS	Accounting Standards/IFRS
Nature of Report at year End	Annual Report	Integrated Report

Integrated and Sustainability Reporting		
Ethics	Code of Ethics	Code of Ethics
Environment	Environment	Compliance with binding and non-binding laws
Health and Safety	Health and Safety	Compliance with binding and non-binding laws
Affirmative Action/Employment equity	Employment equity	Compliance with binding and non-binding laws
Black Empowerment	Black Empowerment	Compliance with binding and non-binding laws
HIV/AIDS	HIV	Not covered
Compliance and Enforcement	Boards/shareholders /auditors/courts/ media	Boards/shareholders/auditors, courts/media
Code Principles	Accountability/discipline/fairness/Independence/social responsibility/transparency	Corporate citizenship/leadership/sustainability
Corporate Governance Framework	Comply or Explain	Apply or Explain
Compliance or Regulation	Self Regulation/Voluntary	Self Regulation/Voluntary

Source: Compiled from King Report of Corporate Governance, 2002 and 2009.

Appendix 2: Full list of the South African Corporate Governance Provisions based on the third corporate governance code (King III).

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Shareholder corporate governance provisions.

1. Whether the role of chairman and CEO are separated
2. Whether the Board chair person is an independent non-executive director.
3. Whether the board meets at least four times a year.
4. Whether individual directors` meetings record is disclosed.
5. Whether the board chair person`s performance and effectiveness is evaluated and disclosed.
6. Whether the finance director is a member of the board.
7. Whether board members are clearly classified into executive, non-executive and independent non-executive directors.
8. Whether majority of board members are non-executive directors.
9. Whether the majority of non-executive directors are independent non-executive directors.
10. Whether there is a company secretary.
11. Whether the board sub-committee performance and effectiveness is evaluated.
12. Whether the board`s effectiveness and performance is evaluated.
13. Whether the effectiveness and performance of individual directors are evaluated.
14. Whether director remuneration is disclosed.
15. Whether the remuneration of the three highest paid non-director employees are disclosed.
16. Whether the remuneration policy is disclosed.
17. Whether shareholder approval was sought for the remuneration policy.

18. Whether the board sub committees` performance and effectiveness are evaluated.
19. Whether director`s biography, experience and responsibilities are disclosed.
20. Whether a nomination committee has been established.
21. Whether the nomination committee consists of a majority of independent directors.
22. Whether the chairperson of the nomination committee is an independent NED.
23. Whether the membership of the nomination committee is disclosed.
24. Whether the nomination committee members meeting attendance record is disclosed.
25. Whether a remuneration committee has been established.
26. Whether the remuneration committee is constituted entirely by independent NED.
27. Whether the chairperson of the remuneration committee is an IND.
28. Whether the membership of the remuneration committee is disclosed.
29. Whether the remuneration committee members` meetings attendance record is disclosed.

30. Whether the chairman and other non-executive directors do not receive share options or other incentive awards geared to share price or corporate performance.
31. Whether directors' remuneration, interests, and share options are disclosed.
32. Whether director remuneration policy and procedure is disclosed.
33. Whether directors have access to free independent legal advice.
34. The existence of an audit committee
35. Whether the audit committee meet at least twice a year.
36. Whether audit committee consists entirely of independent non-executive directors.
37. Whether the audit committee reported on the effectiveness of the company`s system of internal controls.
38. Whether the audit committee consist of at least three members.
39. Whether the board chairman is not a member of the audit committee.
40. Whether the audit committee reviewed the appropriateness of the expertise and adequacy of resources of the finance function.
41. Whether the audit committee reported to shareholders in the annual report.
42. Whether the names of all audit committee members are disclosed
43. Whether the qualifications of all audit committee members are disclosed.
44. Whether the period for which audit committee members have served on the audit committee is disclosed.
45. Whether the number of audit committee meetings are disclosed.
46. Whether member attendance at audit committee meetings are disclosed.
47. Whether a risk committee has been established.
48. Whether the risk committee members meeting attendance record is disclosed. Whether a narrative on both actual and potential future systematic and non-systematic risks is disclosed.
49. company risks will be managed is disclosed.
50. Whether how the board has satisfied itself that risk assessments responses and interventions are effective is disclosed.
51. Whether membership of the risk committee is disclosed.
52. Whether membership of the risk committee include both executive and non-executive directors.
53. Whether the risk committee has a minimum of three members.
54. Whether the risk committee met at least twice per year.
55. Whether key sustainable risks as well as the responses to these risks are disclosed.
56. Whether the board`s view on the effectiveness of the company`s risk management processes is disclosed.
57. Whether the board`s comments on the effectiveness of the system of internal controls is disclosed.
58. Whether the audit committee`s comment on the state of the internal financial control environment in the company is disclosed.

59. Whether an integrated report was produced.
60. Whether the annual financial statement is included in the integrated report.
61. Whether the board`s comment about the going concern status of the company is included in the integrated report.

Stakeholder Corporate governance provisions

62. Whether a narrative on how a company is complying with BBBEE requirements are disclosed.
63. Whether narrative on the existence of code of ethics are disclosed.
64. Whether a narrative on how a firm is actually complying and implementing employment equity laws is disclosed.
65. Whether a narrative on how a firm is addressing the threats posed by the HIV/aids pandemic in South Africa is disclosed.
66. Whether a narrative on the actual measures taken by a firm to address occupational health and safety of its employees is disclosed.
67. Whether a narrative on how a firm is actually complying with and implementing rules and regulations on the environment is disclosed.
68. Whether the sustainability report was independently assured.
69. Whether the scope of the assurance to be provided on the sustainability report is disclosed.
70. Whether the stakeholder policies are disclosed
71. Whether stakeholder groupings are disclosed
72. Whether the nature and outcomes of the board`s dealings with stakeholders are disclosed