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**The Impact of Corporate Govern-
ance, Future News and Level
of Impression Management
on Forward-Looking Information
An Empirical Study on Companies Listed
in Egyptian Stock Exchange**

Abstract

Extant research to date presents mixed views on whether a forward-looking disclosure is considered informative or opportunistic. So, the paper examines the association between disclosure of forward-looking information in Annual Result Press Releases (ARPRs) and (i) the existence of future news about the firm, (ii) the quality of firm corporate governance, and (iii) the level of impression management. Prospective disclosure is not the main content of AR-PRs, which provides a summary of previous year earnings. Thus, the inclusion of forward-looking information in the ARPR represents a strategic decision. The paper depends on hand-collected AR-PRs issued by Egyptian listed companies. It found that the level of prospective information in ARPRs is positively associated with the level of quantitative impression management in the release. Fascinatingly, companies with future good news are less likely to include forward-looking information in their press releases. This indicates that (positive) prospective information is used as an impression management tool. The paper shows that negative forward-looking information is almost non-existent, and companies prefer qualitative forecasts when they refer to negative results. Finally, the paper provides evidence on corporate governance mechanisms that are associated to this type of disclosure.

Keywords : Content analysis, impression management, corporate governance, forward-looking information, annual results press release

1.Introduction

The paper investigates the forward-looking (or prospective) content of Annual Results Press Releases (ARPRs). Actually, it looks into the determinants that drive managerial inclusion of this type of information into ARPRs and study whether (i) the quality of the corporate governance, (ii) the level of impression management in the release, and (iii) the existence of positive future news about the firm influence the decision to include forward-looking information and the content of these voluntary disclosures.

A forward-looking statement is based on current expectations and beliefs, and involves anticipating a future trend or event in relation to the company activity (Clarkson *et al.*, 1994). Managers have discretion in terms of whether to make a forecast, and in deciding its timing, form and specificity. This discretion allows them to signal their quality through their forecast choices (Karamanou and Vafeas, 2005). therefore, forecasts are an indicator of managerial ability to anticipate economic events that is reflected in the company market value (Trueman,1986).Generally, voluntary disclosure is beneficial for market participants because it reduces information asymmetries.In particular, the release of prospective information is valuable because it helps investors in their investment decisions (Kieso and Weygandt, 2014). However, the main risk of making a forecast is that it could prove to be inaccurate and might lead to claims, given the difficulty in determining *ex-post* whether the error was due to uncertainty or management bias (Johnson *et al.*, 2001).Additionally, forward-looking information can damage competitive advantage by providing information to competitors, thus deterring managers from releasing it (Clarkson *et al.*, 1994).

Prior literature investigating prospective information focuses mainly on the narratives of annual reports or sections of them (e.g., Athanasakou and Hussainey,2010;Clarkson *et al.*,1994; Lim *et al.*, 2007;O'Sullivan *et al.*, 2008; Schleicher *et al.*,2007;Sc0hleicher and Walker, 2010).There is also limited research in other sources such as analyst reports (Hussainey and Walker, 2008) and other sites such as Initial Public Offerings prospects(Clarkson *et al.*,1992).In this study, the author focuses on ARPRs. The differences between the role of annual reports and press releases in the corporate communica-

tion strategy are well documented (Aerts and Cormier, 2009). Accounting regulations restrict the amount of discretion that managers have in reporting relevant information in the financial statements (Abrahamson and Amir, 1996), but they are free to shape press releases. Press releases are timelier, more elaborate and may include a more expressive language than annual reports (Aerts and Cormier, 2009). In particular, timeliness is an important factor in making the content of a document more effective in directing attention, making that information more prominent and capable of changing impressions (Daft and Lengel, 1986). Hence, managers may have incentives to include self-serving disclosure practices in press releases because this venue allows more discretion to managers, its format and content is unregulated, it is released to the market soon after the year-end and it is not audited by independent auditors.

ARPRs represent a purely voluntary disclosure decision by management. These releases are only affected by the basic premise applying to information reported by all listed companies in the Egyptian Stock Exchange of being complete and not misleading, false or deceptive. Some Stock Exchanges guide companies and other users in relation to narrative forecasts. For example, NYSE requires that companies should avoid “overly optimistic forecasts, exaggerated claims, and unwarranted promises”. However, there are no explicit directions in relation to language used in narratives compared to numerical disclosures. Press releases contain a summary of the financial results, usually static and retrospective information, thus providing stakeholders with valuable information about financial results before the annual report is made available.

They may include prospective information which, given the characteristics of this venue, may serve management opportunistic disclosure behavior. It is widely accepted that managers have incentives to engage in self-presentation disclosure practices or even withhold negative outcomes (Abrahamson and Park, 1994). Recent evidence suggests that, while usually forward-looking disclosures are selflessly motivated, some may represent management’s attempts to describe overly optimistic financial performance (Schleicher and Walker, 2010). In addition, informal channels such as ARPRs, which allow managers more discretion with lower level of account-

ability represent a particular interesting venue to investigate the disclosure of risky disclosures (i.e., forward-looking information) (Clarkson *et al.*, 1999).

To shed light on the nature of prospective information (informative vs. opportunistic), the paper addresses three main drivers of forward looking information that it may expect to be associated with this type of disclosure. The first, look at the quality of corporate governance, There is no prior evidence on the association between corporate governance and the release of forward-looking information in ARPRs. However, this paper expects that, similar to other types of voluntary disclosure, the strength of firm corporate governance will be a significant driver of this type of disclosure. The quality of the corporate governance influences the amount and quality of management forecasts disclosures (Ajinkya *et al.*, 2005; Hossain *et al.*, 2005; Karamanou and Vafeas, 2005), whereas strong governance mechanisms can alleviate managerial self-interest and improve the quality of disclosure (Ajinkya *et al.*, 2005). econd, similar to prior literature (Davis *et al.*, 2008; Matsumoto *et al.*, 2008) the author also investigates the extent to which the existence of future good news about the firm influences the release of this information, focusing in particular on the future issuance of equity or debt that has an impact on this type of disclosure. Finally, look at the association between impression management and this type of disclosure. mpresion management is viewed as a manipulative device (e.g., Brennan *et al.* 2009), and thus, it is a proxy for strategic managerial behavior.

To run our tests the researcher uses an Egyptian sample of hand-collected ARPRs for the years 2015 and 2016 and study the probability that a firm will disclose forward-looking information in its ARPR, as well as the length of those disclosures. Our results suggest that firms that have future good news are actually less likely to include forward-looking information in their ARPRs, suggesting that perhaps the inclusion of forward-looking information is used as an impression management tool to alter the perceptions of third parties regarding firm future performance. Consistent with this idea, the paper also finds that this type of disclosure is positively associated with our proxy for quantitative impression management. Further, it shows that firms that issue equity in the following year are more likely to

incorporate forward-looking disclosures in their ARPR, potentially, to signal good prospects and attract investors. The study also provides evidence that firms with greater power of independent directors, more board committees and more financial experts on the board are more likely to incorporate forward-looking information in their ARPRs. On the contrary, boards with rooted chairmen are less likely to disclose forward-looking information. The study also finds evidence that firms that have greater gender diversity are less likely to incorporate forward-looking information, perhaps giving credibility to theories that support the argument that women are more risk averse and less willing to incur in potential claims for disclosing highly uncertain information.

Our research contributes to both the literature on corporate governance and disclosure, by studying different elements of corporate governance that had not been analyzed by prior research, according to the researcher knowledge, as well as to the literature on forward-looking information, where very little previous research has been previously done. The study shows that companies provide prospective information to the market using the ARPR.

The structure of the paper is organized as follows. The next section provides the theoretical background and developing the research hypotheses. This is followed by a description of the method used to carry out the study. After presenting the results, and discussing their implications, the paper concludes limitations and providing directions for further research.

2. Literature review and hypotheses development

2.1. Voluntary disclosure of forward-looking information

The traditional financial reporting model stresses backward-looking, quantified and financial information. However, there is a demand for more forward-looking and non-financial disclosures (Beattie *et al.*, 2004). Companies do not have a formal policy for forward-looking disclosure (Bamber and Cheon, 1998). Thus, financial projections may be released in meetings with analysts, conference calls, annual shareholders meetings or even in press releases. Similar to the content of shareholders letters, the content of ARPRs usually summarizes and explains the causes of previous year performance

(Staw *et al.*,1983). Although it is not their natural content, as the letters to shareholders, ARPRs also may contain statements about future performance.

Obviously, not all companies have equal ability to forecast. Logically, large companies, with more sophisticated planning systems and more resources are more capable to make correct forecasts(Clarkson *et al.*, 1994).There are benefits and costs derived from the release of prospective disclosures. Unlike other regulated forms of disclosure, management has considerable discretion in terms of whether to make an earnings forecast or other type of forward-looking information and in choosing its timing, venue and characteristics (i.e. qualitative, quantitative, horizon, optimistic or pessimistic, etc.)

The benefits of forward-looking disclosures have been investigated in previous research. For example,Clarkson et al.(1994) found that the inclusion of prospective information in MD&A provides reliable information with respect to corporate future performance and the level of forward-looking information in MD&A varies with future corporate performance (Clarkson *et al.*,1999). Evidence has shown that some factors driving disclosure are similar to MD&A and press releases and that both disclosures play an important role as part of the disclosure package of the firm (Clarkson *et al.*, 1999). Clarkson *et al.*(1992) study the management decision to include earnings forecast in the valuation of Initial Public Offerings of Canadian companies. It has been discussed that management prefers to make forecast disclosures through less formal (less regulated) channels (e.g., the press)where they can be less accountable (Clarkson *et al.*, 1999) .This is consistent with the notion that annual reports, and MD&A as part of them, are formal channels monitored by internal and external auditors. Therefore, the study can expect that the factors driving forward-looking disclosures might differently affect more strictly monitored venues, such as annual report or sections of it, and press releases.

Another reason for management prospective disclosures is that they contribute in improving the quality and accuracy of the analyst forecasts (Barron *et al.*, 1999; Walker and Tsalta,2001). Higher level of forward-looking disclosures improves the stock market's abil-

ity of anticipating future earnings changes (Hussainey *et al.*, 2003; Schleicher and Walker,1999).

However, there is also a strong possibility that companies may intend to change the impression that the reader have on corporate performance by using prospective information. For example, prior research found that companies performing poorly are more likely to include information related to the future (Clatworthy and Jones, 2006;Schleicher *et al.*,2007).Moreover, Schleicher and Walker (2010) found evidence on the use of forward-looking information as a potentially misleading disclosure strategy.

Voluntary disclosure of forward-looking information is also costly because proprietary information might be revealed (e.g., Dontoh, 1989).As discussed by Clarkson *et al.* (1994), this fear is augmented as the company expects of initiation new products. Forward-looking disclosures also expose managers for losing reputation and facing litigation action if the disclosure is considered inaccurate(Francis *et al.*,1994; Skinner,1997; Skinner,1994).Co-Ompanies with lower proprietary costs (lower growth opportunities) are more likely to include forecasts in press releases (Bamber and Cheon,1998). Growth opportunities indicate availability of profitable investments or expansion capacity among others.Companies with growth prospects are likely to be less disposed to disclose information because doing so would reduce the value of those opportunities (Bamber and Cheon, 1998; Larran and Rees, 2003).In this line, empirical evidence is mostly consistent with the good news bias hypothesis where companies with good news (e.g., companies with earnings prospects better than prior year or than market expectations) tend to disclose, while companies with bad news tend to withhold that information (Clarkson *et al.*,1992; Clarkson *et al.*,1994;Lev and Penman,1990).However, other studies found a negative association between company performance and the disclosure of forward-looking information (Skinner, 1997; Skinner, 1994).

The legal environment in which companies operate affects the amount and quality of their disclosure (Hope, 2003; Jaggi and Low, 2000; La Porta *et al.*,1998).Companies operating in different reporting environments and legal systems might have different forward-looking disclosure strategies. Prior research found that managers' dis-

closure biased forward-looking disclosures and that they do so when it is more difficult for investors to detect that they have misrepresented their information (Rogers and Stocken, 2005). However, the hazard of litigation is less likely to prevent managers from forecasting optimistically when it is more difficult to successfully sue them for issuing misleading information. Clarkson *et al.* (1992) commented that "Inclusion of an earnings forecast is almost nonexistent in U.S. markets. In contrast, it is almost universal in the United Kingdom. In Canada some firms choose to include a forecast, but others do not." Also, Johnson *et al.* (2001) noticed that US shareholder litigation related to management disclosure of forward-looking disclosure prompted government to issue legislation in this regard.

The Egyptian financial reporting environment is different from that of USA or the UK. In countries with a strong legal environment such as the UK or the USA (common-law countries), the pressure for good quality disclosure is higher (Webb *et al.*, 2008) than in companies that operate in countries with weak legal environment such as Spain (La Porta *et al.*, 1999). The study investigates the disclosure strategy in relation to prospective information of Egyptian listed companies and expects that the level of optimism in prospective disclosures to be high.

2.2 Research hypotheses

Since the release of forward-looking information in ARPRs is voluntary, the study initially examines why some companies include this prospective disclosures and others do not. The first objective is, therefore, to understand the issue of voluntary disclosure of prospective information in the context of ARPRs. Based on prior research (Clarkson *et al.*, 1992; Clarkson *et al.*, 1994; Davis *et al.*, 2008; Lev and Penman, 1990), this paper investigates the good news hypothesis and hypothesizes that companies with better future news are more likely to disclose prospective information. For tests of the disclosure of voluntary forward-looking information in ARPRs (hypothesis 1), a firm that issues multiple forecasts and one that issues just a single forecast in the press release are treated the same. The hypothesis is formally developed in its alternative form.

H1: there is a positively association between including forward-looking in ARPRs and the existence of forthcoming news about the firm

The study also examines whether the voluntary disclosure of forward-looking information is associated with the structure of a firm's governance. Shareholders own the company but they do not run it. Instead, managers are designated to do this job on behalf of shareholders. This separation of ownership and control creates agency problems (Jensen and Meckling, 1976). Several parties and mechanisms (for example, auditors, regulators, stock analysts, the media, and product market competition) influence management decisions (Brickley and Zimmerman, 2010). Within this complex environment with different incentives and interests held by the various parties involved, governance mechanisms assist in monitoring management and protecting shareholder benefits (Shleifer and Vishny, 1997).

Based on previous evidence (Ajinkya *et al.*, 2005; Karamanou and Vafeas, 2005; Lim *et al.*, 2007; O'Sullivan *et al.*, 2008), this study expects a positive relationship between the strength of corporate governance mechanisms along all a number of corporate governance dimensions and the disclosure of prospective information in an ARPR.

In general, strong governance mechanisms, and particularly strong boards, are associated with higher financial disclosure transparency and quality (Cheng and Courtenay, 2006; Karamanou and Vafeas, 2005). Financial reports containing forward-looking information are more likely to be perceived as being of higher quality (Ajinkya *et al.*, 2005; Karamanou and Vafeas, 2005) and therefore, the study can expect the quality of board committees to be associated with forward-looking disclosures (O'Sullivan *et al.*, 2008). For example, prior research found that companies with more independent boards tend to issue more forward-looking information (i.e., Ajinkya *et al.*, 2005; Hossain *et al.*, 2005; Karamanou and Vafeas, 2005; Lim *et al.*, 2007). The audit committee plays an important monitoring role to assure the quality of financial reporting and corporate accountability (Carcello and Neal, 2000) and the independence of the audit committees is also important (Davidson *et al.*, 2005; Karamanou and Vafeas, 2005; Walker, 2004). Audit committee independence ensures that the decisions made are free from management's influence and they are more likely to convey shareholders' interests.

Another aspect that relates to the quality of the board is the level of expertise of its members (Corporate Governance Report, 2006). It is expected that boards comprised of members who are more competent or knowledgeable will do a better job of monitoring the activities of management (Klein, 1998) and this will be reflected in the quality of the information provided by the firm (Karamanou and Vafeas, 2005).

Gender diversity of board members has been argued to be an important factor that enhances the quality of the board (Carter *et al.*, 2003). Diverse boards can be more effective than homogenous boards because women bring different perspectives and opinions to board decision-making (Fondas and Salsalos, 2000). Women tend to follow more conservative and risk averse behavior which may significantly influence financial reporting practices. However, gender diversity may generate conflicts resulting in a less effective decision-making process. The empirical evidence on the effect of gender on firm performance and other accounting aspects has been inconclusive.

A different element of corporate governance relates to the ownership structure in the company. Institutional investors, for example, have incentives to monitor managerial behavior to protect their large shareholdings (Byrd *et al.*, 1998). These shareholders examine and analyze managerial performance more closely thereby improving corporate governance. Empirical research found that external block-holders are responsible for removing poorly performing managers after an unsuccessful corporate control bid (Denis and Serrano, 1996). Moreover, institutions demand for more disclosure (El-Gazzar, 1998) and, in particular, institutional ownership is positively associated with the likelihood of forecast occurrence and frequency of forecasts in corporate reports (Ajinkya *et al.*, 2005). Nonetheless, other studies find a weak support for this hypothesis (McKinnon and Dalimunthe, 1993; Mitchell *et al.*, 1995) or even an inverse relationship between institutional ownership concentration and disclosure (Schadewitz and Bl-evins, 1998).

Therefore the second hypothesis in its alternative form can be:

H2: Companies with stronger boards are more likely to include forward-looking disclosures in ARPRs

This study is interested in assessing the extent to which forward-looking information may respond to opportunistic rather than informative motivations. It investigates the level of optimism and pessimism in the press release in relation to both qualitative and quantitative prospective information. Schleicher and Walker (2010) found that managers provide forward-looking information to favorably impress the firm stakeholders using qualitative disclosures. The study tests this hypothesis by looking at the association between the inclusion of forward-looking information in the press release and a proxy of impression management in the press release, which is calculated following the work of Brennan et al. (2009). Therefore the third hypothesis can be developed in its alternative form as follows:

H3: Companies with greater levels of impression management are more likely to include forward-looking disclosures in ARPRs

3. Methodology

3.1. Selected sample

The initial sample is based on the entire population of publicly listed Egyptian companies for 2015 and 2016. Selecting the sample to make it more manageable for the content analysis may bias the results. Data from two continuous years was gathered to investigate disclosure patterns and change in disclosure quality between the two years.

The gathering of the ARPRs started by searching the company's Website. Companies post press releases to their websites using the link 'media' or 'investor relations'. If it is not available we contact the company to request the press release. The study, therefore, gathers all the press releases issued by the companies included in the sample. The first task is to assess the presence or absence of forward-looking information in ARPRs. Read all the press releases for each of the 148 companies who issued an ARPR. Of the 253 companies included in the sample (126 for 2015 and 127 companies for 2016), 148 (58%) issued an ARPR.

3.2. Manual content analysis

To do manual content analysis, the study assesses whether companies include forward-looking information in their ARPR. This is done by reading all releases and applying the rules of coding described below. Following prior studies, manual content analysis is used to quantify the amount and type of forward-looking information included in ARPRs (e.g., Barron *et al.*, 1999; Bryan, 1997). Manual coding is more precise but also has disadvantages derived from the limitations on sample size (Core, 2001).

Previous studies have used computerized textual-analysis software to analyze disclosure contents. Recent research investigating the inclusion of forward-looking information in corporate reports has used DICTION (Davis *et al.*, 2008), NUDIST (Hussainey and Walker, 2008; 2009) or a Bayesian Algorithm computed using PERL (Li, 2010). However, the value of manual coding in content analysis has been acknowledged as important to establish a benchmark against other procedures (Beattie *et al.*, 2004). Research investigating the accuracy of a computer-aid method compared to manual method of coding finds the latter is less reliable (Henry and Leone, 2009; Hussainey, 2004). Following literature (Hossain *et al.*, 2005; Schleicher and Walker, 2010), the present study considers manual content analysis as the most appropriate approach given the characteristics of the disclosures being analyzed. First, these press releases are short documents which manual analysis does not imply an unmanageable task. Second, ARPRs include a small amount of forward-looking information making the manual coding relatively easy. Third, studies have shown the advantage of using manual content analysis which allows identifying and coding words in context.

3.2.1. Forward-looking disclosures

Prospective information included in these press releases is, in general, highly qualitative and refers to a broad range of issues. There were only a few earnings forecasts as such as reported in prior research (Hoskin *et al.*, 1986), and the forward-looking comments included in press releases are mostly vague prospective management comments such as “the firm has the objective of exceeding L.E. 1,000m-ill for the first time on the company history “. Therefore, a range or point increase is not required to code a statement as forward-looking (Hossain *et al.*, 2005)¹.

As a basis to identify forward-looking information in ARPRs, the study takes the list of forward-looking keywords developed by Hussainey *et al.* (2003) and adds those keywords included in Matsumoto *et al.* (2006) and not considered in Hussainey *et al.* (2003). Moreover, it adds new keywords found in the press releases during the coding process. The list includes future year numbers, for example, a press release related to 2016 which refers to year 2018 should be considered forward-looking information.

The author read all the press releases up to three times in search for the forward-looking information. Sentences containing one of the keywords included in our list of forward-looking keywords were identified for subsequent coding of the content. According to the above argument, research identifies forward-looking information taking into consideration the context to avoid coding text units that contains a word identified as a forward-looking keyword but do not refer to forward-looking information.

¹ As in prior literature (Hossain *et al.*, 2005), we do not require extensive detail for a disclosure to count as forward-looking (i.e., a range or point estimate of the profit increase/decrease is not required). It is enough for a firm to disclose that profits or any other figure are expected to increase/decrease to be considered a forward-looking disclosure.

Tone of forward-looking disclosures.

We identify and code the tone of keywords following prior research (Abrahamson and Amir, 1996; Abrahamson and Park, 1994; Brennan *et al.*, 2009; Clatworthy and Jones, 2003; Davis *et al.*, 2008; Schleicher and Walker, 2010). A statement is considered as *positive* (*negative*) if it contains a forward-looking keyword and at least one of the positive (negative) keywords from the list². *Neutral* statements are those that cannot be classified as positive or negative. Amounts are coded according to the direction of the predicted change in relation to a benchmark which should be explicitly stated in the press release. In order to categorize a quantitative item as positive or negative the press release has to be explicit about whether the current year amount is higher or lower than the prior year amount. If prior year amount or benchmark is the same as the current year (neither increase nor decrease is being reported) the figure is considered to be neutral. We are also interested on the type of quantitative information included in press releases. The study classifies the figures related to forward-looking information included in press releases as profit, sales, dividends, other financial and non-financial figures. Moreover, it codes the forward-looking statements time horizon as one-year, multiple-year or undefined³.

Impression management score

The study constructs two impression management scores as shown in Appendix 1. These scores are calculated using a methodology similar to that used in Brennan *et al.* (2009). The method is also similar to that used in other prior works (Gordon *et al.*, 2008; Matsumoto *et al.*, 2006; Tetlock *et al.*, 2008).

² The list of positive/negative keywords is based on literature (Abrahamson and Park, 1994; Brennan *et al.*, 2009; Clatworthy and Jones, 2003) and available from the authors upon request.

³ One year forecast occurs when a statement includes one of the following one year keywords: "2016" (for press releases related to 2015), "2017" (for press releases related to 2016), "forthcoming financial year", "this year", "next 12 months", "next twelve months", "next 6-12 months", "next 6 month", "next six months", "next 3 months" or "next three months". We define multiple year forecasts information as statements that contain forward-looking information with at least one of the following multiple year key words: "2017 and subsequent years" (for press releases related to 2015), "2018 and subsequent years" (for press release related to 2016), "years", "more than 12 months", "more than twelve months", "next eighteen months" or "next 18 months"). Undefined forecasts are those that do not refer to a year or specific date (e.g. high growth rate forecasted). (Hussainey *et al.* 2003)

The scores reflect the level of positivism/negativism in relation to forward-looking disclosures included in the press release for qualitative (IMSC1) and quantitative (IMSC2) information. The impression management scores combine two potentially misleading disclosure practices investigated in literature (Brennan *et al.*, 2009; Garcia Osma and Guillamon- Saorin, 2009) and which are also present in the context of forward-looking disclosures. The scores are calculated on the basis of qualitative and quantitative information. Study assigns +/-1 weight to positive/negative keywords /amounts and a +/-0.5 weight to reinforcement of positive/negative keywords/amounts. The IMSC is computed as the difference between the total composite score (SC1 or SC2) for positive items (keywords/amounts/reinforcement/ performance comparisons) and negative items (keywords/amounts/ reinforcement/ performance comparisons) scaled by the total amount of forward-looking disclosures (FLW).

Reliability process

Manual coding involves subjectivity on the part of the coder and researchers need to be not biased to produce reliable measures. This study relies on prior studies (Beattie *et al.*, 2004; Boyatzis, 1998; Weber, 1985) to make the coding process acceptable and hard. First, write-down and refine the coding rules. Two coders (one of the authors and an independent coder expert in communication and media business) apply the coding rules to a sub-sample of 20 press releases and the reliability level is assessed by calculating an agreement ratio. The overall rate of agreement between the two coders was over 95% which is considered satisfactory and in line with prior research (Clatworthy and Jones, 2003; Milne and Adler, 1999).

3.3. Regression specifications

First, the study models the probability that a firm includes forward-looking information in its ARPR as a function of the existence of future news about the firm, the strength of its corporate governance mechanisms and controls. Using this model, the study tests hypotheses H1 and H2. Specifically, it estimates the following multinomial logistic model:

$$\log [p_{it}/(1-p_{it})] = \beta_0 + \beta_1 \text{CorpGovit} + \beta_2 \text{FutureNewsit} + \sum \alpha \text{Controlsit}, \quad (1)$$

whereas p_{it} is the latent probability that firm i includes forward-looking information in its ARPR in year t ($y_{it} = 1$) and $1 - p_{it}$ is the latent probability that firm i does not voluntarily include forward-looking information in the press release in year t ($y_{it} = 0$) (Clarkson *et al.*, 1994); *CorpGov* is a vector of variables that measure of the strength of firm corporate governance mechanisms.

Future News is a vector of variables that measure the existence of news about the firm in the following period. In model (1), the study expects that β_1 will be positive (negative) for those measures of *CorpGov* that capture the strength (weakness) of firm corporate governance mechanisms. Regarding β_2 , if positive future corporate news drives the firm disclosure of prospective information, the researcher expects that β_2 will be positive and significant.

Regarding *CorpGov*, the study includes the following variables in the model. The effect of the presence of institutional shareholders is included following prior literature (Ajinkya *et al.*, 2005; Karamanou and Vafeas, 2005). *Inst_Control* takes the value of 1 for companies in which at least one institutional shareholder, not an officer, owns 5% or more of shares and 0 otherwise. Prior studies also argue on the importance of gender diversity to enhance the monitoring power of corporate boards (Carter *et al.*, 2003). The study includes the variable *Female* in the model to investigate the effect of it on the disclosure of forward-looking information. *Female* takes the value of 1 if at least one woman is in the board; as in prior literature, research considers the level of financial expertise in the board to be relevant for this study (Karamanou and Vafeas, 2005). *Non_Expert* is the percentage of independent board members who are non-accounting financial experts⁴.

⁴ an accounting financial expert who has experience as a public accountant, auditor, principal or chief financial officer, controller, or principal or chief accounting officer; or a non-financial expert who has experience as the chief executive officer, president, or chairman of the board in a for-profit corporation, or who has experience as the managing director, partner or principal in venture financing, investment banking, or money management (DeFond *et al.*, 2004).

The independence of the audit committee has been found to be associated with forward-looking disclosure (Kanagaretnam *et al.*, 2007 ; Karamanou and Vafeas,2005). *AudChair_Ind* is a proxy for the audit committee independence and takes the value of 1 if the chairman of the audit committee is an independent director; 0 otherwise; *NCOM* is the number of board subcommittees(Kanagaretnam *et al.*, 2007). Similar to prior literature, the study includes a variable to proxy for chairman tenure (Davidson *et al.*,2004; Kanagaretnam *et al.*, 2007). *Chr_Tenure* is the number of years the chairman has been in the board. It is expected that greater values of *Non_Expert*, and *Chr_Tenure* are associated with poorer corporate governance, whilst greater values of *AudChair_Ind* are associated with stronger governance. The study does not make predictions with regards to *Female* and *Inst_Control*.

Regarding the vector of *FutureNews*, the study considers the following: *C_EQ* is future change in book value of equity; *C_DEBT* is future change in debt outstanding; *C_MVE* is future change in market value of equity; *C_NI* is future change in net income. Clearly, positive values of *C_MVE* and *C_NI* are associated with positive news about the firm, whilst positive values of *C_EQ* and *C_DEBT* are associated with the issuance of equity and debt, respectively. To the extent that firms are more likely to include forward-looking information when there is positive news in the forthcoming periods, the study expects that these variables will be positively associated with the likelihood of including forward-looking information in the AR-PR.

As controls in model (1), the paper includes a number of variables which measure the opportunities of managers to disclose voluntary information. *MTB* is market-to-book value and it is a proxy for growth (Bamber and Cheon, 1998). It includes two variables to control for profitability: *CFO* (cash flow from operations scaled by lagged total assets) and total accruals scaled by lagged total assets, which is also a proxy for accounting quality (*AC-CQ*), these variables are included to control for the effect of company performance on the quality of disclosure evidenced in the literature (Dye, 2001; Skinner, 1994). Aljifri and Hussainey (2007) also consider profitability as one of the factors that affects the disclosure of forward-looking information by companies. They found a significant positive associa-

tion between disclosure of forward-looking information and company profitability. Following prior literature on voluntary disclosure (Francis *et al.*, 2008), the study includes the size of the firm (*SIZE*), and leverage (*LEV*). Size is often found to be related to disclosure (e.g. Ahmed and Courtis, 1999; Lang and Lundholm, 1993). This variable controls for factors that have an influence on the disclosure policy (such as direct costs of preparing the disclosures) to make sure that our results are not driven by size (Bamber and Cheon, 1998). Company size also controls for the company ability to forecast (Clarkson *et al.*, 1994). Further, it includes leverage because prior literature found that high leverage is associated with higher levels of forward-looking information disclosed (Aljifri and Hussainey, 2007).

As a second (related) test, the study models the amount of forward-looking information included in press releases as a function of our determinants. The model is specified as follows:

$$LFLW_{it} = \beta_0 + \beta_1 CorpGov_{it} + \beta_2 FutureNews_{it} + \sum \alpha Controls_{it} + \mu_{it}, \quad (2)$$

where *LFLW* is the natural logarithm of the amount of prospective information included in the press release. And all other variables are defined before. In model (2), similar to model (1), the study expects that β_1 will be positive (negative) for those measures of *CorpGov* that capture the strength (weakness) of firm corporate governance mechanisms. Regarding β_2 , if positive future news about the firm is a driver of firm disclosure of prospective information, it is expected that β_2 will be positive and significant.

Finally, to test H3, the study includes two additional variables that proxy for the level of impression management in the ARPR. These variables, *IMSC1* and *IMSC2*, are respectively, proxies of qualitative and quantitative impression management as calculated following the method in Brennan *et al.* (2009). Specifically, the study supplements model (1) as follows:

$$LFLW_{it} = \beta_0 + \beta_1 CorpGov_{it} + \beta_2 FutureNews_{it} + \lambda_1 IMSC1 + \lambda_2 IMSC2 + \sum \alpha Controls_{it} + \mu_{it}, \quad (3)$$

If forward-looking disclosure is associated to impression management, it expects that the λ coefficients will be significantly positive, indicating that prospective disclosure may be opportunistic, or at the

very least, used as an attempt to favorably impress the reader in combination with other strategic disclosure techniques.

4. Results

The study primarily compares the characteristics (in terms of firm performance, growth opportunities and corporate governance mechanisms) firms that included forward-looking disclosure with the respective characteristics of firms that did not include forward-looking information. Further the research looks at the association between the different characteristics of the forward-looking disclosures analyzed in this study and the factors that may affect the management choice of such type of prospective information.

4.1 Descriptive analysis

Of the companies that produced an ARPR, 90 (61%) included at least one statement referring to forward-looking information. The number of companies including forward-looking information in press releases increases over time from 54% in 2015 to 67% in 2016. Following Clarkson et al. (1994), they investigate whether the decision to include forecast or forward-looking information in press releases is independent over time. The results of a Pearson chi-square test of association designed to test this relationship indicates that the decision to include this disclosures in press releases is not related to the firm's forecast decision in the previous year. Based on the ARPRs in the sample, the chi-square test statistic is 2.37 and it is insignificant at conventional levels (significant at 10% level). These results are similar to those found by Clarkson et al. (1994) in their analysis of forecasts in the MD&A section of annual reports. The length of the press releases ranges from a minimum of 118 words to a maximum of 3,021 words, the average length is 825 words, and this is approximately 3 pages. The length increases from 770 words in 2015 to 874 words in 2016. The differences in length are significant as shown by the results of the Kruskal-Willis test (Chi-square with two degrees of freedom=17.80, p -value=0.00). These results are consistent with prior literature showing that press releases have been increasing in length over time (Davis *et al.*, 2008; Francis *et al.*, 2002).

The entire sample comprises 557 forward-looking statements, averaging 3.8 statements per press release with a maximum of 19 statements per press release. An ARPR contains only 1 statement 20 percent of the time, 2 statements 23 percent of the time, 3 statements 15 percent of the time, and 4 or more statements 42 percent of the time. The average of forward-looking information included in the press release is 41 words. This average ranges from 30 in 2015 to 50 words in 2016. These differences are statistically significant using a Kruskal-Wallis test (Chi-square= 4.7, p -value=0.02).

Not surprisingly, the overall tone of disclosure is either positive or neutral, as seen in Table 1. Only two ARPRs included negative qualitative forecasts. The percentage of positive and neutral statements⁵ is similar for both years, 65% of the forward-looking statements are positive and 35% are neutral. Similar to the results of Clarkson et al. (1994) who reported that most of the forecast in the MD&A section of annual reports were qualitative, the study finds that ARPRs contain 139 quantitative items referring to future events.⁶

Of these 139 amounts, 22 (16%) are positive figures and 117 (84%) are neutral. No negative figures referring to prospective information were reported. The percentage of positive and neutral quantitative figures varies over time. The level of positive amounts decreases from 21% in 2015 to 13% in 2016 while the percentage of neutral amounts increases from 79% in 2015 to 87% in 2016. Table 1 also describes the type of figures included in the press release. All quantitative items are classified into six categories: profit /EPS, earnings components, sales, sales components, other financial figures and non-financial figures. Definitions of these categories are as follow. *Profit /EPS* relates to any profit or EPS figure included in the press

⁵ A statement is considered as *positive (negative)* if it contains a forward-looking keyword and at least one of the positive (negative) keywords from the list. *Neutral* statements are those that cannot be classified as positive or negative.

⁶ *Positive (negative)* amounts are coded in relation to a benchmark which should be explicitly stated in the press release. In order to categorise a quantitative item as positive or negative the press release has to be explicit about whether the current year amount is higher or lower than the prior year amount. If prior year amount or benchmark is the same as the current year (neither increase nor decrease being reported) the figure is considered to be neutral.

release (e.g., profit before special items, profit before tax, etc.) referring to the reporting entity as a whole (consolidated figures). *Earnings components* are earnings that do not refer to the reporting entity as a whole but to a particular business or geographic segment. *Sales or turnover* figures refer to the reporting entity as a whole (consolidated figures). *Sales components* are sales that do not refer to the reporting entity as a whole but to a particular business or geographic segment. *Dividends* relates to dividends figures reported. *Other financial figures* include financial information not included in any of the above categories. Further, quantitative information can also be non-financial information.

The most frequently forward-looking disclosures appearing in press releases are non-financial figures (approximately 45% of the quantitative figures) followed by other monetary amounts (36% of the quantitative figures). Only 10% of the figures refer to profit or sales forecasts. Therefore, our results, consistent with prior literature (Bamber and Cheon, 1998; Clarkson *et al.*, 1994), show that the prospective information included in press releases is mostly qualitative and when the information is quantitative it usually refers to non-financial figures.⁷

The study also analyze the forecast time horizon which relates to both qualitative and quantitative prospective information (see Table 1). It analyzes forward-looking statements and determine whether they refer to one-year forecast, multiple-year forecast or undefined when given the information provided in the statement, it could not be classified as one-year or multiple-year. The results show that most of the statements relate to short-term prospective disclosures 50% or undefined (40%)

⁷ The study investigates specificity of earnings forecasts. However, there are only six earnings forecasts, two of them are point estimate, two are a range forecast and one specifies a minimum earning. This lack of specific forecasts is consistent with the findings in Bamber and Cheon (1998) showing that forecast venue is associated with forecast specificity. They report that forecasts issued in meetings with reporters and analysts are more likely to be specific while those included in press releases are likely to be less specific (i.e. maximum or qualitative)

4.2. Multivariate analysis

Table 2 presents descriptive statistics of the variables included in model (1) and (2). Due to missing values of some control variables, the final sample composition is of 146 firm-year observations, corresponding to 146 ARPRs, 90 of which contain forward-looking information (61.6%). From this table, we can observe that 78.4% of observations have at least one

institutional block-holder; 43.9% of sample firms have at least one female director on the board, and 66.8% have an independent director as chairman of the audit committee. On average, sample firms have 3 board committees (Mean $NCOM=2.797$) and a chairman with 13 years of experience in the firm. Control variables behave as expected.

Table 3 presents the correlation matrix. Significant correlations (at 10% or better significance levels) are presented in bold. The correlation between *FLI* and *LFLW* is nearly 1 as expected. Amongst the control variables the highest correlation is between *LEV* and *C_MVE* at 0.314. Correlations are generally low between the independent variables, indicating that they capture different constructs, this is particularly important for the *CorpGov* variables, which tend to be highly correlated amongst them (see, e.g., García and Gill-de-Albornoz 2007). From Table 3, we can see that four out of the six corporate governance variables are significantly correlated with *LFLW*. In particular, there is a positive correlation between *LFLW* and *AudChair_Ind*, indicating that firms where independent directors have greater power are more likely to discuss forward-looking data in ARPR. On the other hand, the study finds a negative association between *LFLW* and *Female*, *Non_Expert* and *Chr_Tenure*. This indicates that firms where there are less directors with financial expertise, more gender diversity and a greater likelihood of horizon problems (myopic biases) for the manager are less likely to discuss forward-looking information in their ARPRs. With the exception of *Female*, for which we offered no prediction, the signs of the observed correlations are consistent with our expectations.

Table 4 presents the results of running model (1) for the full sample of data. The study runs four specifications of the model, first only with the *Future News* vector of variables, then with the *Corp Gov* variables, then with both of these variables, and finally, for the

full specification. It can be observed that out of the *Future News* variables, only *C_EQ* is significant across all models specifications ($C_EQ=1.019$, $p\text{-val}=0.03$ in column 1; $C_EQ=0.881$, $p\text{-val}=0.08$ in column 3; and $C_EQ=0.893$, $p\text{-val}=0.09$ in column 4). This indicates that firms are more likely to include forward-looking information when they are going to issue capital in the following period. The study does not find any significant evidence that the other types of news are associated with this decision.

Regarding the corporate governance variables, the study finds a consistently negative association between the lack of directors with financial expertise and *FLI* ($Non_Expert=-0.251$, $p\text{-val}=0.01$ in column 2; $Non_Expert=-0.257$, $p\text{-val}=0.01$ in column 3; and $Non_Expert=-0.256$, $p\text{-val}=0.01$ in column 4), and also between the potential existence of horizon problems and *FLI* ($Chr_Tenure=-0.032$, $p\text{-val}=0.03$ in column 2; $Chr_Tenure=-0.038$, $p\text{-val}=0.03$ in column 3; and $Chr_Tenure=-0.035$, $p\text{-val}=0.03$ in column 4). Both *Non_Expert* and *Chr_Tenure* proxy for potential corporate governance problems, related to lack of sufficient expertise in the board to monitor the financial reporting process and to long CEO tenure, which may be indicative of the existence of entrenched management or at least, of the potential development of myopic behavior, as tenure increases and managerial horizon in the firm is shorter than investors' horizons. The research also finds a negative association between gender diversity and *FLI*. It does not have a prediction for the sign of this variable, but this result is consistent with recent research by Barua et al. (2010) who explore the related issue of accounting quality and gender diversity in top management teams. Those authors find that female chief financial officers show differential caution and risk-taking preferences and being less aggressive in business and finance settings. Finally, the study finds that the variables related to strong governance are positively associated with *FLI*. In particular, both *Aud Chair_Ind* and *NCOM* are positively and significantly related to *FLI*, consistent with strong corporate governance mechanism being associated with greater disclosure.

Table 5 provides results of running model (2) for the full sample. The dependent variable in this case is *LFLW*, the natural logarithm of the number of forward-looking words contained in the ARPR. The

results obtained are virtually identical to those reported in Table 4. This is as expected, as the correlation between *FLI* and *LFLW* is very high and positive. The evidence reported in this table confirms that future news about the firm is only partial drivers of forward-looking information, whilst corporate governance variables have significant explanatory power.

Table 6 presents evidence of the potentially misleading role of forward-looking disclosures included in press releases (Hypothesis 3). Results of model 3 show a significant and positive association between prospective information and our impression management score across all models specifications for qualitative information ($IMSC1=18.81$, $p\text{-val}<0.01$ in column 1; $IMSC1=17.65$, $p\text{-val}<0.01$ in column 3; and $IMSC1=16.48$, $p\text{-val}<0.01$ in column 4) and for quantitative information ($IMSC2=53.67$, $p\text{-val}<0.01$ in column 2; $IMSC2=41.39$, $p\text{-val}<0.01$ in column 3; and $IMSC2=35.84$, $p\text{-val}=0.02$ in column 4). This means that the level of impression management increases with the level of forward-looking disclosures. Moreover, future company performance is negatively associated with the amount of forward-looking. This may indicate that companies expecting poor results in the future use the discretion allowed by press releases to include upward biased forward-looking disclosures and create unrealistic positive expectations about the firm performance.

5. Discussion and conclusion

The study examines the forward-looking content of press releases. It looks into the determinants that drive managerial inclusion of forward-looking information into ARPRs and in particular, whether (i) the quality of the corporate governance and (ii) the existence of positive future news about the firm influence the decision to include forward-looking information and the content of these voluntary disclosures. Moreover, it examines and provides descriptive of the disclosure of all type of forward-looking information in the press releases, including management forecasts. Given that these types of disclosures (i.e., press releases) have not been analyzed for forward-looking information before, the research is interested in providing a broad representation of the type of information disclosed by firms regarding their future prospective.

The study expected that, similar to other types of voluntary disclosure, the strength of firm corporate governance will be a significant driver of forward-looking information. There is no prior evidence on the association between corporate governance and the release of forward-looking information in ARPRs. It also examines the extent to which the existence of future good news about the firm influences the release of this information, as well, as whether the future issuance of equity or debt has an impact on this type of disclosure. To run our tests, the study uses an Egyptian sample of hand-collected ARPRs for the years 2015 and 2016 and study the probability that a firm will disclose forward-looking information in its ARPR, as well as the length of those disclosures. As in prior literature, it finds that the disclosure of forward-looking information is influenced by company future performance (Clarkson *et al.*, 1999). Our results suggest that firms that have future good news are actually less likely to include forward-looking information in their AR-PRs. Moreover, the level of positively biased disclosures increases with the level of forward-looking information included in press releases. This suggests that perhaps the inclusion of forward-looking information is used as an impression management tool to alter the perceptions of third parties regarding the firm future performance (Davis *et al.*, 2008; Schleicher and Walker, 2010). This is also in line with prior evidence showing that loss firms provide more informative forward-looking information in their reports (Schleicher *et al.*, 2007). The paper shows that firms that issue equity in the following year are more likely to incorporate forward-looking disclosures in their ARPR, potentially, to signal good prospects. The evidence is consistent with corporate governance being a fundamental determinant of this type of release. In particular, similar to prior research (O'Sullivan *et al.*, 2008), the research shows that firms with greater power of independent directors, more board committees and more financial experts on the board are more likely to incorporate forward-looking information in their ARPRs. On the contrary, boards with rooted chairmen are less likely to disclose forward-looking information. The study examines the effect of gender diversity because it was one of the recommendations stressed in the new regulation on corporate governance for public Egyptian companies (Corporate Governance Report, 2006). It finds evidence that firms that have greater gender di-

versity are less likely to incorporate forward-looking information, perhaps giving credence to theories making the argument that women are more risk averse and less willing to incur in potential claims for disclosing highly uncertain information. The study does not find evidence of the association between institutional ownership and prospective disclosures. This is consistent with some of the prior research in the area (Mitchell *et al.*, 1995).

This research contributes to both the literature on corporate governance and disclosure, by studying different elements of corporate governance that had not been analyzed by prior research as well as to the literature on forward-looking information, whereas very little previous research has been previously done.

This study is particularly relevant to corporate regulators and policy makers because it provide further insights into the role of corporate governance in improving the integrity and transparency of corporate reports. Other findings provide evidence of the effectiveness of some corporate governance mechanisms such as independence of the audit committee or financial expertise in the board in opposition to others such as institutional control which seems not to influence Forward-looking disclosure practices in press releases.

6. Limitations (Future research)

One of the limitations of the paper is the smaller number of years considered. The data gathered for this work is mostly hand collected which means labor-intensive and time consuming work for the researcher. Moreover, the governance structures remain relatively unchanged throughout time and adding more years would not provide high statistical power to the results presented in the current paper. Another limitation is that unobserved omitted variables could be correlated with corporate governance structures and the characteristics of the forward-looking disclosures included in the analysis. This problem could arise from factors such as corporate control, ownership structured or regulatory environment.

Appendix 1: Method used to calculate the composite scores (IMSC)

Adapted from Brennan *et al.* (2009). Definition of these measures is as follows; *Positive/negative keyword*: (1) a sentence in which the word is mentioned communicates a negative/positive financial outcome for the company and (2) the sentence mentions the environment affecting the company positively/negatively. *Positive/negative amount*: Amounts are categorized into positive or negative by reference to prior year results. *Reinforcement*: A keyword is reinforced when a qualifier is included to emphasize its positive or negative meaning. *Performance comparisons*: When the current year amount is accompanied by a benchmark/prior year amount showing an increase /decrease in the current year amount.

Qualitative score		SC1 Weighting
(1) Thematic	Keywords (positive and negative)	1.0
(2) Emphasis	Reinforcement (positive and negative)	0.5
Quantitative score		SC2 Weighting
(1) Thematic	Disclosure of quantitative performance monetary and non-monetary amounts (positive and negative)	1.0
(2) Emphasis	Performance comparisons /reinforcement of amounts (positive and negative)	0.5

Impression Management Score (IMSC)

Positive composite score (1)/(2) – Negative composite score (1)/(2)

$$= \text{Net positive composite score (1)/(2) / FLW} = \text{Impression Management Score}$$

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Table 1. Descriptive evidence of ARPR content

A statement is considered as *positive (negative)* if it contains a forward-looking keyword and at least one of the positive (negative) keywords from the list. *Neutral* statements are those that cannot be classified as positive or negative. *Positive (negative)* amounts are coded in relation to a benchmark which should be explicitly stated in the press release. In order to categorise a quantitative item as positive or negative the press release has to be explicit about whether the current year amount is higher or lower than the prior year amount. If prior year amount or benchmark is the same as the current year (neither increase nor decrease being reported) the figure is considered to be neutral.

Profit/EPS relates to any profit or EPS figure included in the press. *Earnings components* are earnings that do not refer to the reporting entity as a whole but to a particular business or geographic segment. *Sales or turnover* figures refer to the reporting entity as a whole (consolidated figures). *Sales components* are sales that do not refer to the reporting entity as a whole but to a particular business or geographic segment. *Dividends* relates to dividends figures reported. *Other financial figures* include financial information not included in any of the above categories. Non-financial are figures that related to other information not considered financial.

The Forecast Time Horizon category applies to both qualitative and quantitative prospective information. It refers to *one-year* when the forward-looking statement includes one of the keywords identified as one-year forecast, *multiple-year* when the forward-looking statement includes one of the keywords identified as multiple-year forecast and *undefined* when given the information provided in the statement it could not be classified as one-year or multiple-year.

	2015 (38 ARPRs)		2016 (52 ARPRs)		Total (90 ARPRs)	
	No.	%	No.	%	No.	%
Qualitative information						
(FL Statements)						
Positive	87	65	142	66	229	66
Negative	0	0	2	1	2	1
Neutral	46	35	71	33	117	33
Total	133	100	215	100	348	100
Quantitative figures						
Positive	9	21	13	13	22	16
Negative	0	0	0	0	0	0
Neutral	33	79	84	87	117	84
Total	42	100	97	100	139	100
Profit/EPS	4	9	2	2	6	4
Earnings components	0	0	0	0	0	0
Sales	2	5	5	5	7	6
Sales componen	0	0	0	0	0	0
Dividend	8	19	5	5	13	9
Other financial figures	18	43	32	33	50	36
Non-Financial figures	10	24	53	55	63	45
Total	42	100	97	100	139	100
Forecast time horizon						
One-year	85	71	77	36	162	49
Multiple-year	8	6	25	12	33	10
Undefined	27	23	110	52	137	41
Total	120	100	212	100	332	100

Table 2. Descriptive statistics of model variables

	Mean	Std. Dev	Q1	Median	Q3
LFLW	2.196	2.043	0.000	2.736	4.111
FLI	0.616	0.493	0.000	1.000	1.000
Impression management					
IMSC1					
IMSC2					
Future news					
C_EQ	0.171	0.328	0.048	0.116	0.226
C_DEBT	1.911	10.767	-0.069	0.164	0.450
C_MVE	0.347	1.206	-0.072	0.135	0.486
C_NI	0.285	2.059	-0.042	0.216	0.516
Corporate Governance					
Inst_Control	0.784	0.413	1.000	1.000	1.000
Female	0.439	0.818	0.000	0.000	1.000
Non_Expert	0.872	1.583	0.000	0.000	1.000
AudChair_Ind	0.668	0.472	0.000	1.000	1.000
NCOM	2.797	0.983	2.000	3.000	3.000
Chr_Tenure	13.012	9.802	5.000	10.000	19.500
Controls					
SIZE	0.416	0.382	0.111	0.317	0.615
ACCQ	0.026	0.267	-0.083	-0.012	0.059
CFO	0.089	0.113	0.029	0.081	0.136
MTB	3.663	2.863	1.998	2.854	4.032
LEV	0.636	0.763	0.159	0.409	0.677

Sample is composed of 146 firm-year observations for the period 2015-2016. LFLW is the natural logarithm of the number of words in the annual press release that refer to prospective looking information. FLI takes the value of 1 if the firm includes forward-looking information in the ARPR, 0 otherwise. IMSC1 (IMSC2) is our measure of qualitative (quantitative) impression management. C_EQ is future change in book value of equity; C_DEBT is future change in debt outstanding; C_MVE is future change in market value of equity; C_NI is future change in net income; Inst_Control takes the value of 1 for companies in which at least

one institutional shareholder, not an officer, owns 5% or more of shares and 0 otherwise; Female takes the value of 1 if at least one woman in the board; Non_Expert is the percentage of independent board members who are non-accounting financial experts; AudChair_Ind takes the value of 1 if the chairman of the audit committee is an independent director; 0 otherwise; NCOM is the number of board subcommittees; Chr_Tenure is the number of years the chairman has been in the board; SIZE is property plant and equipment over lagged total assets, ACCQ is signed total accruals over lagged total assets, CFO is cash flow from operations over lagged total assets, MTB is the market-to-book ratio, LEV is total debt over lagged total assets

Table 3. Correlation matrix

Sample is composed of 146 firm-year observations for the period 2015-2016.

	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1)LFLW	0.950	0.128	-0.099	-0.032	-0.102	-0.019	-0.122	-0.127	0.193	0.094	-0.173	-0.008	0.007	-0.048	0.149	-0.043
(2)FLI	1.000	0.132	-0.056	-0.046	-0.049	-0.039	-0.154	-0.071	0.170	0.097	-0.141	0.036	-0.045	-0.018	0.146	-0.011
(3)C_EQ		1.000	-0.096	0.178	0.246	-0.032	-0.017	0.009	0.034	-0.138	0.039	0.224	-0.066	-0.164	-0.093	0.076
(4)C_DEBT			1.000	-0.020	0.020	0.056	-0.044	-0.008	-0.012	-0.085	-0.045	-0.103	-0.093	0.234	0.153	-0.125
(5)C_MVE				1.000	0.078	0.049	-0.088	-0.036	0.038	-0.067	-0.106	0.035	-0.132	0.032	-0.245	0.314
(6)C_NI					1.000	0.042	-0.070	0.033	-0.045	-0.094	-0.051	0.069	0.143	0.077	-0.273	0.021
(7)Inst_Control						1.000	-0.180	0.230	0.014	-0.109	-0.065	0.047	-0.002	0.187	-0.015	-0.178
(8)Female							1.000	-0.143	-0.078	0.229	0.031	-0.005	0.039	0.071	-0.022	0.137
(9)Non_Expert								1.000	0.281	0.013	0.078	-0.056	-0.079	-0.031	-0.083	-0.003
(10)									1.000	0.089	-0.037	-0.039	-0.119	0.066	0.094	0.123
(11)NCOM										1.000	0.029	-0.148	0.086	0.038	0.058	0.279
(12)Chr_Tenure											1.000	-0.198	-0.093	-0.104	-0.151	0.124
(13)SIZE												1.000	-0.100	0.070	-0.237	0.089
(14)ACCQ													1.000	-0.242	0.086	-0.017
(15)CFO														1.000	0.259	-0.259
(16)MTB															1.000	-0.189
(17)LEV																1.000

LFLW is the natural logarithm of the number of words in the annual press release that refer to prospective looking information. FLI takes the value of 1 if the firm includes forward-looking information in the ARPR, 0 otherwise. C_EQ is future change in book value of equity; C_DEBT is future change in debt outstanding; C_MVE is future change in market value of equity; C_NI is future change in net income; Inst_Control takes the value of 1 for companies in which at least one institutional shareholder, not an officer, owns 5% or more of shares and 0 otherwise; Female takes the value of 1 if at least one woman in the board; Non_Expert is the percentage of independent board members who are non-accounting financial experts; AudChair_Ind takes the value of 1 if the chairman of the audit committee is an independent director; 0 otherwise; NC-OM is the number of board subcommittees; Chr_Tenure is the number of years the chairman has been in the board; SIZE is property plant and equipment over lagged total assets, ACCQ is signed total accruals over lagged total assets, CFO is cash flow from operations over lagged total assets, MTB is the market-to-book ratio, LEV is total debt over lagged total assets.

Table 4. Probability of including forward-looking information in the ARPR

	Coeff. (p-val)	Coeff. (p-val)	Coeff. (p-val)	Coeff. (p-val)
Intercept	0.228 (0.15)	-0.217 (0.79)	-0.486 (0.59)	-1.313 (0.13)
<i>Future news</i>				
C_EQ	1.354 (0.04)		1.165 (0.12)	1.142 (0.15)
C_DEBT	-0.007 (0.22)		-0.006 (0.26)	-0.005 (0.28)
C_MVE	-0.090 (0.52)		-0.177 (0.11)	-0.093 (0.31)
C_NI	-0.019 (0.71)		0.034 (0.25)	0.047 (0.27)
<i>Corporate Governance</i>				
Inst_Control		-0.234 (0.32)	0.080 (0.87)	0.101 (0.43)
Female		-0.587 (0.02)	-0.655 (0.01)	-0.603 (0.01)
Non_Expert		-0.181 (0.07)	-0.207 (0.06)	-0.205 (0.06)
AudChair_Ind		0.703 (0.04)	0.638 (0.07)	0.619 (0.09)
NCOM		0.410 (0.03)	0.428 (0.04)	0.521 (0.02)
Chr_Tenure		-0.032 (0.06)	-0.034 (0.06)	-0.025 (0.14)
<i>Controls</i>				
SIZE				0.494 (0.47)
ACCQ				-0.875 (0.31)
CFO				-1.289 (0.58)
MTB				0.123 (0.25)
LEV				-0.143 (0.65)
Concordant Percent	57.1	67.6	69.3	71.4
Pseudo R-Sq	0.06	0.15	0.18	0.21

The dependent variable is FLI, which takes the value of 1 if the firm includes forward-looking information in the ARPR, 0 otherwise. Sample is composed of 146 firm-year observations for the period 2015-2016. All variable definitions are as on Tables 1 and 2

Table 5. Amount of forward-looking information in the ARPR

	Coeff. (p-val)	Coeff. (p-val)	Coeff. (p-val)	Coeff. (p-val)
Intercept	2.121	1.499	1.548	1.537
<i>Future news</i>	(<0.01)	(0.03)	(0.03)	(0.07)
C_EQ	1.019 (0.03)		0.881 (0.08)	0.893 (0.09)
C_DEBT	-0.015 (0.15)		-0.015 (0.14)	-0.019 (0.12)
C_MVE	-0.089 (0.26)		-0.182 (0.09)	-0.112 (0.25)
C_NI	-0.135 (0.05)		-0.103 (0.10)	-0.068 (0.24)
<i>Corporate Governance</i>				
Inst_Control		-0.059 (0.44)	0.049 (0.45)	0.033 (0.47)
Female		-0.401 (0.02)	-0.448 (0.01)	-0.406 (0.03)
Non_Expert		-0.251 (0.01)	-0.257 (0.01)	-0.256 (0.01)
AudChair_Ind		0.856 (0.01)	0.814 (0.01)	0.806 (0.02)
NCOM		0.332 (0.03)	0.327 (0.03)	0.346 (0.03)
Chr_Tenure		-0.032 (0.03)	-0.038 (0.03)	-0.035 (0.03)
<i>Controls</i>				
SIZE				-0.270 (0.59)
ACCQ				-0.307 (0.65)
CFO				-0.921 (0.62)
MTB				0.058 (0.44)
LEV				-0.182 (0.50)
N	146	146	146	146
Adj.Rsq	0.05	0.13	0.17	0.18

The dependent variable is LFLW, the natural logarithm of the number of words in the annual press release that refer to prospective looking information. Sample is composed of 146 firm-year observations for the period 2015-2016. All variable definitions are as on Tables 1 and 2.

Table 6. Relation between Impression management and forward looking information

	Coeff. (p-val)	Coeff. (p-val)	Coeff. (p-val)	Coeff. (p- val)
Intercept	1.55	2.05	1.47	1.79
<i>Impression management</i>	(<0.01)	(<0.01)	(<0.01)	(0.02)
IMSC1	18.81 (<0.01)	53.67	17,65 (<0.01)	16.48 (<0.01)
IMSC2			41.39	35.84
<i>Future news C_EQ</i>		(<0.01)	(<0.01)	(0.02)
C_DEBT				0.43 (0.23)
C_MVE				-0.12 (0.19)
C_NI				-0.12 (0.07)
<i>Corporate Governance</i>				(0.07)
Inst_Control				-0.07 (0.85)
Female				-0.28 (0.07)
Non_Expert				-0.21 (0.01)
AudChair_Ind				0.69 (0.02)
NCOM				0.15 (0.19)
Chr_Tenure				-0.03 (0.02)
<i>Controls</i>				Included
N	146	146	146	146
Adj.Rsq	0.23	0.07	0.27	0.39

The dependent variable is LFLW, the natural logarithm of the number of words in the annual press release that refer to prospective looking information. Sample is composed of 146 firm-year observations for the period 2015-2016. All variable definitions are as on Tables 1 and 2.