

The Impact of Corporate Governance on Forward-looking CSR Disclosure

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Abstract

Purpose: We examine the impact of corporate governance mechanisms on forward-looking CSR disclosure (FCSR).

Methodology: We use the manual content analysis to measure FCSR for a sample of 94 companies listed on the Amman Stock Exchange (ASE) from 2010 to 2016. Data on companies' FCSR is manually collected from annual reports. We also use regression analyses to test our research hypotheses.

Findings: We find that board size positively affects FCSR, while CEO duality and family ownership negatively impact FCSR.

Originality: To the best of our knowledge, this is the first evidence of how governance mechanisms affect FCSR information in corporate annual reports in a developing country.

Keywords: CSR disclosure, forward-looking CSR disclosure, corporate governance, Jordan.

Introduction

Many corporate scandals coupled with an intense climate debate have attracted more attention to **Corporate Social Responsibility (CSR)** disclosure (Amin et al. 2021; Arvidsson, 2011). The disclosure of social and environmental information has become an essential tool used to complement firms' financial disclosure and help investors determine firms' value (Chung & Cho, 2018; Dahmash, et al. 2021; Raimo, et al. 2021). CSR disclosure can also help corporations construct a positive image (Yu & Bondi, 2019). Managers communicate either future or historical CSR information to deliver more informative disclosure to reduce information asymmetry between insiders and outsiders (Hung, et al. 2013; Kuzey & Uyar, 2017; Miras-Rodríguez et al. 2019). Forward-looking CSR disclosure (FCSR) addresses future goals, plans, and objectives that enable users to predict the company's future CSR activities. Historical CSR information, however, covers past and current results or actions that are related to corporate CSR **activities** (Michelon, et al. 2015). The literature argues that more information about management tendencies towards CSR, whether historical or future, can guarantee more meaningful disclosure (Ali, et al. 2018; Bouten, et al. 2011; Michelin et al., 2015).

We examine the impact of corporate governance mechanisms on FCSR. We focus on the Jordanian context for two reasons. First, the Jordanian context is particularly important as the CSR disclosure policy is largely voluntary based (Ananzeh, Alshurafat, & Hussainey, 2021). Thus it is still elusive to be identified among companies and industries within the country. Even more, when companies choose to disclose CSR information, they are likely to adopt different disclosure policies of varying quality (Ibrahim & Hanefah, 2016). Jordan has introduced the Corporate Governance Code 2009, which calls for more CSR disclosure. Second, management decision to reveal more FCSR could be driven by many factors, including the quality of the corporate governance system in a firm (Cormier & Magnan, 1999).

Our paper offers several contributions. First, we are among the first to focus on FCSR. As far as we know, no study has been conducted to examine what factors determine the level of forward-looking CSR disclosure. Therefore, this study provides new insights into CSR disclosure practices and directs the intentions of scholars towards new potential research questions. Second, in terms of case selection, this

study contributes to the literature in this area of research since there is little attention has been paid to examining CSR disclosure among Jordanian scholars. As part of its analysis, this study applies the 2SLS regression method to verify the validity of its findings, which can serve as a foundation for additional applications based on such a method. Fourth, we provide new evidence that on the negative impact of family ownership and CEO duality on the FCSR. D.

The paper is organised as follows. Section 2 reviews the literature on CSR disclosure. Section 3 illustrates the institutional context, theoretical background and develops the study hypotheses. Section 4 describes the study method. Section 5 presents and discusses the findings. Section 6 concludes.

2. Literature review, Jordanian context, and Research Hypotheses

Dienes et al. (2016)'s review article concludes that only 48 out of 316 studies have investigated the driver factors of CSR disclosure. CSR literature was heavily conducted using data from developed countries, while research on developing countries was less covered (Ali et al. 2017). However, unlike developing countries, developed countries represent the best practice of CSR disclosure (Ali et al., 2017). This is due to well-developed CSR standards being adopted by those countries compared to weak standards-setting of CSR among developing countries (Rizk et al., 2008; Shum et al., 2009).

CSR disclosure can be linked to a group of corporate characteristics (e.g. company size, profitability, leverage, company age, liquidity, environmental sensitivity, and others) (Andrikopoulos & Kriklani, 2013; Chan et al. 2014; Dienes et al., 2016; Gamerschlag et al. 2011), internal contextual factors (e.g. ownership structure and corporate governance mechanisms) (Ahmed Haji, 2013; Giannarakis, 2014; Jizi et al. 2014; Muttakin et al. 2015), and external contextual factors (e.g. the country of origin, national culture, competition level, legal system, and media exposure) (Belal & Cooper, 2011; Chih et al. 2010; Dienes et al., 2016; Gamerschlag et al., 2011; Patten, 2002).

Yu and Bondi (2019) examine the use of forward-looking statements in 90 CSR reports from different contexts. Their findings indicate that future-looking CSR

disclosure forms a significant part of the CSR reports worldwide. While mostly, however, previous literature neglects the type of CSR disclosure (historical or forward-looking CSR disclosure in this study), it is not clear what factors are likely to determine FCSR among companies (Zhang et al. 2020). Our study fills this gap.

Several studies use developed countries in their research design. Wang and Hussainey (2013) argue that ownership type (e.g., managerial ownership) and board characteristics (e.g. board size, board composition, CEO duality) are the mechanisms that induce managers to reveal forward-looking disclosure (FLD). Hussainey and Al-Najjar (2011) find that the large presence of non-executive directors is related to less incentive to provide FLD. On the other hand, closely held companies are likely to show a high FLD. Managerial ownership is also argued to be negatively correlated with FLD (Hassanein & Hussainey, 2015; Hu et al., 2018). Lakhal (2005) finds a negative relationship between FLD and ownership concentration and CEO duality, while foreign institutional ownership is associated with more FLD. O’Sullivan et al. (2008) find that board committee, auditor type, and information environment positively affect FLD.

A group of studies focuses on developing countries. Elgammal et al. (2018) find that foreign ownership positively affects FLD, while board size, independent directors, and the role of duality are negatively affecting FLD. Alkhatib (2014) finds that companies whose annual reports are audited by internationally affiliated audit firms are likely to reveal more FLD. In addition, Uyar and Kilic (2012) find that auditor type is correlated with more FLD.

Institutional context, theoretical framework, and hypotheses development

The legislative initiative of the Jordanian context presents a particularly valuable context to consider when examining CSR disclosure. Due to the scarcity of natural resources, Jordan suffers from exacerbating levels of poverty and unemployment. The government, therefore, has pursued many structural and political reforms intending to strengthen the private sector role in the country and stimulate economic growth. The recent issuance of the *Corporate Governance Code (CGC)* in 2009 was part of the agenda adopted by the Jordanian government to accomplish its goals. In

its' framework, the *CGC* distinctly outlines the management rights, duties, and responsibilities of companies and the protection of the rights of shareholders (Haddad et al., 2017). It also calls for (i) great independence amongst Jordanian companies' boards; (ii) the non-duality of the CEO and chairman functions; and (iii) promoting the role of the audit committees' (Abdullatif et al. 2019). *CGC* specifically mandates CSR disclosure. In Chapter 5, Article (5) states that *'The company shall disclose its policy regarding the local community and the environment.* Ibrahim & Hanefah (2016) articulate that the issuance of the *CGC* has invited more attention towards CSR participation among Jordanian companies, and hence involving further CSR disclosure.

Our analysis is based upon the underlying assumption that firms with good corporate governance will be more socially responsible, thus potentially impacting FCSR (Chan et al., 2014). Good corporate governance entails a better alignment between the interests of shareholders and agents and hence reduces the agency conflict between those parties (Gao et al. 2016). The agency theory premise on modeling the principals-agents relationship (Al-Shammari & Al-Sultan, 2010; Barako et al., 2006). When there is a separation of ownership, agency theory predicts potential agency costs resulting from a conflict of interest between the contracting parties (Jensen & Meckling, 1976; Watts, 1977). This is because shareholders and managers are likely to have incompatible objectives and preferences (Kaymak & Bektas, 2017). Information asymmetry can also occur on this occasion between insiders and outsiders due to managers possessing more information as a consequence of their day-to-day partnership in the corporation's actions (Jensen & Meckling, 1976). Here, companies can choose to deliver more FCSR to reduce this asymmetry, thereby alleviating the agency problem (Kuzey & Uyar, 2017). In addition, increasing CSR disclosure level in the form of further future information is a means to bridge the information gap between contracting parties (Hassanein & Hussainey, 2015; Uyar & Kilic, 2012). Reducing the level of information asymmetry reduces the conflict of interest between managers and shareholders and reduces agency costs (Hussainey & Al-Najjar, 2011).

While the *CGC* seeks to improve the corporate governance settings in Jordan actively, the predominance of some characteristics which are common to the Jordanian context can lead to a less effective corporate governance. Most importantly, the ownership

structure is well recognized as highly concentrated in the hands of dominant shareholders in the Jordanian market, which has been evident to be an antagonistic construct to good corporate governance (Abdullatif et al., 2019). Moreover, many listed Jordanian companies have a high level of family ownership (Abdullatif et al., 2019). In such settings, CEO duality (the CEO also appointed as the chairperson of the Board) is a common practice, and when CEO duality is not the present case, there is a high potential that the CEO is connected to the chairperson through family channels. Consequently, Jordan presents an agency setting that exhibits a great concentration of ownership which can prevent better corporate governance mechanisms. In combination with the *CGC*, Jordan is a particularly valuable context in which to analyse FCSR D.

In an agency setting such as Jordan, the board of directors is a crucial component of the corporate governance mechanism that ensures further overseeing and proper conduct of the agents (Said, Hj Zainuddin, & Haron, 2009). According to the agency theory, the board has two fundamental functions: monitoring and advice (Amin et al., 2021; Velte, 2021), in conjunction with its role in controlling directors for shareholders (Lattemann, et al. 2009). Therefore, large boards can mitigate the agency conflict in a high ownership concentration setting since possessing a diverse range of expertise and knowledge can contribute to more effective communication with shareholders (Ahmed Haji, 2013). Thus, the fruitful exchange of ideas derived from effective communication with shareholders can likely reinforce the CSR strategies in the company, thus increasing the potential to disclose more FCSR D (Giannarakis, 2014).

Literature shows that the board size is likely to positively impact CSR disclosure (Ahmed Haji, 2013; Esa & Ghazali, 2012; Jizi et al., 2014; Liu & Zhang, 2017). In Jordan, Barakat et al., 2015) also found a positive relationship between company disclosure and board size. Therefore, the following hypothesis is developed:

H1: Larger boards are more likely to reveal FCSR D.

The *CGC* emphasizes the importance of the independent director in overseeing and monitoring the managers for shareholders. Those directors enjoy the full independence of management and do not possess personal interests (Bansal et al.

2018). However, in Jordan, the immaturity of the legal system regarding shareholder protection rights, and the overly concentrated ownership, prevent the practice of good corporate governance; thus, raising a question of how likely the board independence can impact FCSR. The high representation of independent directors in the board is desirable as it can enable a more objective function of overseeing management compared to insider directors (Chau & Gray, 2010). This fact is based on the ground that independent directors are directly accountable towards shareholders and their role is manifested in controlling managers on behalf of owners (Ullah, Muttakin, & Khan, 2019). Therefore, by incorporating more independent directors into the board of directors, who typically possess significant expertise, companies can reduce agency costs, thereby reducing information asymmetry (Miras-Rodríguez et al., 2019). Accordingly, the considerable presence of independent directors who are less aligned to management can inevitably translate into more transparency, resulting in more disclosure, including FCSR (Jizi et al., 2014).

Khan, Muttakin, and Siddiqui (2013); Lattemann et al. (2009) show that board independence is positively associated with CSR disclosure. In the same vein, Kaymak and Bektas (2017) found that board independence is positively associated with CSR disclosure. However, others studies found that board independence has no impact on CSR disclosure (Liu & Zhang, 2017; Said et al., 2009). So, we set our second hypothesis as follows:

H2: More independence boards are likely to reveal FCSR.

In an agency setting, the presence of female directors on board is also deemed to be a crucial mechanism for additional monitoring and oversight (Al Lawati et al. 2021). Consistent with the agency theory, female directors can enhance the board's independence, which could increase the quality of corporate governance. Female directors are less likely to be part of the 'old-boys club', which brings them closer to independent directors (Al Lawati et al., 2021). Although women are likely to have different educational and professional backgrounds than men, their presence may allow them to obtain more informed decisions, a better process of decision-making, and enables richer communication on the board (Bear et al. 2010). Thus, the greater gender diversity on the board can increase the number of questions that can be raised for discussion (Carter, Simkins, & Simpson, 2003). It also could have the potential to

foster the depth and breadth of deliberation about CSR initiative and open new insights to address CSR related issues (Bear et al., 2010).

Bear et al. (2010) show that the high proportion of women on boards is positively associated with positive CSR ratings. Ibrahim and Hanefah (2016) also found a positive relationship between board diversity and CSR disclosure. Al Lawati et al. (2021) found that the presence of a female director on board is likely to impact the quality of forward-looking disclosure positively. We, therefore, hypothesize that:

H3: A more diversified board is likely to reveal FCSR.

Another factor that undermines the practice of good corporate governance mechanisms is the CEO duality. CEO duality takes place when an individual carries out the role of the executive director and the board chairman simultaneously (Amin et al., 2021; Rechner & Dalton, 1989; Said et al., 2009). While CEO duality exists in Jordan, a significant absence of separation between decision management and decision control is likely to be the case (Allegrini & Greco, 2013; Fama & Jensen, 1983). This is likely to result in, on the one hand, based on the agency theory, a substantive lack of board oversight (Molz, 1988) which leads to less transparency and significant information asymmetry (Allegrini & Greco 2013). While, on the other hand, the power concentration relates to the CEO duality results in more arbitrary decisions that can undermine the effectiveness of the control systems and neglect the shareholder's interest (Said et al. 2009). Consequently, the abuse of power is detrimental to good corporate governance which curb the company from being more socially responsible, and hence less FCSR (Kaymak & Bektas, 2017). The empirical evidence reported by Al-Janadi et al. (2013) and Abu Qa'dan and Suwaidan (2019) showed a negative impact of CEO duality on CSR disclosure. Thus, we hypothesize that:

H4: CEO duality roles are less likely to reveal FCSR.

As mentioned earlier, the construct of the ownership in Jordan is significantly concentrated in the hand of a few shareholders; and else more there is a great potential for family dominance in the market (Abdullatif et al., 2019). In such a setting, the principals-agent agency conflict (i.e. Type I agency problem) is less likely to be severe compared to the minority-majority shareholders' agency conflict (i.e. Type II

agency problem) (Abu Qa'dan & Suwaidan, 2019). This allows the emergence of two competing hypotheses.

The first is based on the 'Type I' agency problem and presumes fewer agency costs since key shareholders are expected to have the power and incentives to monitor and control managers' behavior (Jensen & Meckling, 1976). Thus, they can take advantage of their control and have unrestricted access to internal information (Allegrini & Greco, 2013). In this situation, controlling shareholders will pressure managers to deliver minimal disclosure (Laidroo, 2009), and a negative relationship is expected between ownership concentration and family ownership with FCSR. D.

The second is based on the agency 'Type II' problem and presumes severe agency costs between minority and controlling shareholders due to controlling shareholders trying to co-manage the company because of their significant shareholding (Al Lawati et al., 2021). This is likely to necessitate further monitoring costs to mitigate agency conflicts (Fama & Jensen, 1983). In this situation, minority shareholders, and to protect their interests, are likely to mandate more disclosure (Allegrini & Greco, 2013). The lack of corporate disclosure, on the other hand, can create a high information asymmetry which entails the risk of adverse investor reactions (Brammer & Pavelin, 2008). Weighting both arguments, we believe that the ownership concentration and family ownership are related to less FCSR. D. Therefore, we hypothesize that:

H5: Widely held companies are less likely to reveal FCSR. D.

H6: Family-held companies are less likely to reveal FCSR. D.

Method

Our analysis is based on a sample of 94 companies listed on the Amman Stock Exchange. This sample includes service and industrial sectors as Jordan's economy is primarily upheld by these sectors and also the industrial sector has a particularly substantial impact on the environment. Our sample period is 2010-2016. We started our analysis from 2010, which is the year after the prime issuance of the CGC in 2009. To maintain homogeneity between study samples, we restrict our analysis to 2016 - due to a recent change in the CGC for companies in 2017. We use content

analysis to identify FCRRD in companies' annual reports. To test our research hypotheses, we convert textual disclosure into numerical values that can be statistically analyzed (Joseph & Taplin, 2011).

FCSR Measurement

The dependent variable is the FCSR in companies' annual reports. This dimension encompasses the company's disclosure about its future CSR goals, plans, and objectives that enable users to predict its future practices of CSR (Michelon et al., 2015). To determine whether firms reveal FCSR, we follow three stages. First, we use a checklist of 41 CSR items to collect the FCSR (see Appendix 1). The study checklist was constructed by (i) selecting the initial list of CSR topics, (ii) selecting the commonly adopted CSR items used previously, and (iii) selecting items that are relevant to the Jordanian context. Second, we identify CSR by manually reading all narrative statements in the company's full annual reports. Third, we identify CSR items related to the company's future CSR goals, plans, and objectives. We have provided an example of our coding criteria in Table 1.

[insert Table 1 here]

Each relevant item that is believed to express the company's forward-looking CSR profile has been awarded one point. This method is argued to overcome researcher-induced measurement bias (Lakhal, 2005). Finally, the level of FCSR is the aggregate number of scores divided by the total number of CSR items in our checklist (Al-Tuwaijri, Christensen, & Hughes, 2004).

Where:

$FCSR = \frac{\sum_{j=1}^n d_j}{n}$ = the level of forward-looking CSR disclosure.

$d_j = 1$ if the item j is being disclosed, and 0 otherwise.

$n =$ maximum number of items expected to be disclosed, which equals 41.

The CSR disclosure was measured using the content analysis method, similar to most literature in this subject area. The content analysis offers a valid way to quantify the

amount of CSR information in the reports (Gamerschlag et al., 2011; Giannarakis, 2014). One of the authors performed the content analysis and another performed a double-check on the content analysis in order to ensure reliability and validity of the CSR disclosure measure.

Specification of independent variables

Table 2 shows our variables measurement. Following prior research, we include several control variables, namely, audit type (Al-Janadi et al., 2013), company size (Hassanein & Hussainey, 2015), profitability (Albitar, 2015), leverage (Athanasakou & Hussainey, 2014), liquidity (Ho and Taylor (2007), company age (Badulescu et al., 2018), and company visibility (Amin et al., 2021; Bansal, 2005).

[insert table 2 here]

Our regression model

We use Ordinary Least Square (OLS) regression to test our hypotheses and Kernel density histogram to check linearity and the normality of the data. The residual values calculated for the model have formed a bell-curve shape along the diagonal, indicating a non-departure from those assumptions (Hair, Black, Babin, & Anderson, 2010). In addition, we use a robust standard error method to correct for heteroskedasticity (Huber, 1967; White, 1982). Finally, to verify the non-multicollinearity among the study variables, we produce Pearson's correlations and found no evidence of multicollinearity problem (see Table 4). Consequently, this study develops an OLS regression that incorporates the following explanatory variables:

Where:

FCSR_{it} is forward-looking CSR disclosure, BSIZE_{it} is board size, IND_{it} is board independence, DIVE_{it} is board diversity, CEOD_{it} is duality role, OWNC_{it} is ownership concentration, FOWN_{it} is family ownership, AUDTP_{it} is auditor type, SIZE_{it} is company size, PROF_{it} is company profitability, LEVER_{it} is financial leverage, LIQ_{it} is company liquidity, AGE_{it} is company age, VISIB_{it} is company visibility; INDUSTRIES_{it} is industries dummy; years dummies (YEAR_{it}); error term (ϵ); i: company, t: year.

Our Empirical Analysis

Table 3 presents a descriptive analysis. The average value of FCSR is 19.6%, with a wide range of 0 to 65.9%, suggesting a large variation in the practices of FCSR within Jordanian-listed firms. A low level of FCSR is expected, given the fact that the Jordanian regulations are still insufficient to cover the requirements for such kind of disclosure (Haddad, Sbeiti, & Qasim, 2017).

The average value of board size is 8.10% with a minimum value of 4 and a maximum value of 13. This means that the board size of Jordanian firms ranges between 4 to 13 members. The mean value of the board independence is 3.90% with a minimum of 0 and a maximum of 10. In addition, the diversity of the board has a mean value of 3% with a minimum of 0 and a maximum of 28%. The mean value of the CEO duality is 18.3% with minimum and maximum values of 0 and 1. In terms of the ownership structure, the mean of the ownership concentration is about 60%, revealing that the ownership in Jordan is noticeably concentrated. Across the 94 Jordanian companies, the mean value of family ownership is about 19%, nearly within the same context, this proportion is somewhat greater than the average ownership of 15% of 267 Saudi Arabian companies between 2007 to 2011 (Habbash, 2016).

The mean values of the auditor type, companies' size (in logarithm), company profitability, leverage, liquidity, and company age (in logarithm) are 39.9%, 17.16%, 2.013%, 32.47%, 0.027%, 2.95%, respectively. The mean value of the media coverage is 56.5%, with a minimum value of 0 and a maximum value of 8.5%.

[insert table 3 here]

Correlation analysis

Table 4 presents the correlation matrix. Results indicate that multicollinearity between the independent variable is not a problem in this study.

[insert table 4 here]

Results and discussion

Table 5 shows the regression results. Columns 1-6 show the results of regressing the FCSR on each explanatory variable. The full model is shown in column 7. Overall, the results show that FCSR is positively associated with BSIZE, while negatively associated with CEOD and FOWN. However, FCSR is not associated with IND, DIVE, and OWNC. In terms of the control variables, SIZE, PROF, LEVER, LIQ, AGE, VISIB, were found to positively affect the FCSR

As evident in Table 5, board size (BSIZE) was found to be positively associated with FCSR. The coefficient of BSIZE is positive and statistically significant $p < 1\%$, indicating a positive role of the boards size on FCSR, and supporting H1. As mentioned earlier, Jordan represents an agency where ownership is highly concentrated. In such a setting, large board size is a crucial component of corporate governance via which more overseeing and monitoring can be guaranteed. Therefore, in Jordan and based on the agency theory, a large board entails representing a diverse range of expertise and backgrounds, which play a positive role in reducing agency conflict, resulting in more effective communication and higher transparency in the form of additional information future-looking CSR disclosure. These results are consistent with (Ahmed Haji, 2013; Donnelly & Mulcahy, 2008; Esa & Ghazali, 2012; Kathy Rao, Tilt, & Lester, 2012).

However, contrary to expectations, incorporating more independent directors in the board (IND), was not found to be associated with FCSR. Thus, H2 is rejected. Despite that the CGC has emphasized the role of independent directors in controlling managers for shareholders, we can argue that the immaturity of the legal system regarding shareholder protection rights, and the overly concentrated ownership can limit outside directors' influence on management decisions regarding FCSR. These results are in line with (Liu & Zhang, 2017; Said et al., 2009).

Similarly, board diversity (DIVE) is not associated with FCSR. Thus, H3 is rejected. From the descriptive statistics, it is evident that there is a relatively small presence of female directors on board in Jordan (approximately 3%), indicating that boards are significantly male-skewed. Based on the critical mass theory, the limited representation of females on corporate boards cannot lead to fundamental transmission in boardroom dynamics (Ahmad et al. 2018).

The role of duality (CEOD), on the other hand, was found to be negatively associated with FCSR. *The coefficient of the CEOD is negative and statistically significant at $p < 5\%$.* Thus, H4 was supported. Unifying the executive director and the chairperson role in one person can lead to a significant lack of board oversight; and second, a greater decision-making concentration that can restrict the board's independence and neglect shareholders' interest. Thus, in Jordan, the CEO duality is likely to result in a company being less socially responsible, and hence a low level of FCSR. These results are in line with prior research (Al-Janadi et al., 2013; Chau & Gray, 2010; Forker, 1992; Gul & Leung, 2004; Xiao & Yuan, 2007).

Surprisingly, the ownership concentration (OWNC) was not found to be statistically associated with FCSR. Thus, H5 is not supported. Therefore, it seems that the further concentration of ownership in Jordan does not particularly play a role in influencing the company management to reveal more FCSR, which is in line with Haddad et al. 2015. On the other hand, family ownership (FOWN) was found to be negatively associated with FCSR. *The coefficient of the FOWN is negative and significant at $< 1\%$.* Thus, H6 is supported. This indicates that the 'Type I' agency problem is more prevalent than the 'Type II' agency problem among Jordanian listed companies. Therefore, less agency conflict can be presumed in those companies since the key family investors enjoy a lineal control over managers and can access internal information more easily due to their substantial power. Given their informational advantage, key family investors are likely to pressure managers to reveal less disclosure which affects FCSR negatively. These results are consistent with prior research (Chau & Gray, 2002; Muttakin & Khan, 2014).

[insert table 5 here]

In terms of the control variables, auditor type (AUDTP) was not found to be associated with FCSR. However, company size (SIZE) was found to be positively associated with FCSR. This finding supports the view that large companies have sufficient resources to afford the cost of publishing additional information about the management profile towards CSR (Aljifri & Hussainey, 2007; Amin et al., 2021; Hussainey & Al-Najjar, 2011; Ting, 2021). In addition, company profitability (PROF) was found to be positively associated with FCSR. High-profit organizations tend to reveal more FCSR to manifest their good performance to attract potential investors

and gain shareholder confidence (Aljifri & Hussainey, 2007; Alkhatib, 2014; Ting, 2021).

Moreover, to what extent the company is being leveraged (LEVER) was found to be positively associated with FCSR. This finding supports the view that leveraged firms tend to reveal more disclosure about their CSR future profile to reduce the information asymmetry and meet creditor informational needs (Athanasakou & Hussainey, 2014; Zhang et al., 2020). In the same vein, liquidity (LIQ) was found to be positively associated with FCSR. Companies with a good current ratio were alleged to have effective managerial performance. Thus they tend to reveal detailed information about their CSR future profile (Naser, Al-Khatib, & Karbhari, 2002).

Company age (AGE) was found to be positively associated with FCSR. This indicates that mature companies are likely to be more well-established compared to younger companies that potentially affect their FCSR positively (Owusu-Ansah, 1998). Similarly, company visibility (VISIB) was found to be positively associated with FCSR. According to Brammer and Pavelin (2006), the company's visibility can be proxied by its media exposure. More media exposure carries out more public attention and scrutiny. Thus, companies are likely to disclose detailed information to legitimize their activities in the public's eye (Cormier, Magnan, & Van Velthoven, 2005).

Robustness test

1) Sensitivity test:

To validate the robustness of the study results, this study utilizes alternative proxies of the study variables. In pursuing this, an additional OLS regression is performed using a size of eight members board as a cut-off basis considering that fewer than eight members board is found to function less effectively (Jensen, 1993). Thus, a new variable that equals (1) if the board has eight members and more was generated, and 0 otherwise. In addition, the proportion of outside directors in the board is used as an alternative proxy of board independence instead of their actual number. Furthermore, company profitability is measured using the return on equity, while the company's financial leverage is measured using the ratio of total debt to total equity. Moreover, following Branco and Rodrigues (2008, p. 690), the company's visibility to the public is captured by its affiliation to the following sectors: “household goods and textiles,

beverages, food and drug retailers, telecommunication services, electricity, gas distribution, water, and banks". Thus, a dummy variable is utilized to designate firms from these sectors. By adopting these proxies, our results (not reported) are consistent with those produced earlier. However, company financial leverage has become insignificantly associated with FCSR. D.

(2) *Endogeneity concern*

Previous studies highlight the potentiality of the existence of an endogeneity problem when examining the relationship between corporate governance mechanisms and corporate disclosure. The endogeneity occurs due to simultaneity bias, reverse causality, or omitted variables (Katmon, Mohamad, Norwani, & Farooque, 2019). The Instrumental Variable Method (*IV*) with Two-Stage Least Square regression (*2SLS*) is a way via which the endogeneity problem is likely to be addressed. However, the application of the *IV-2SLS* method necessitates the use of a valid instrument -that is strongly correlated with the instrumented regressors and is orthogonal with the error term in the second stage (Liu, Miletkov, Wei, & Yang, 2015).

This study adopts the view by Liu et al. (2015); Uribe-Bohorquez, Martínez-Ferrero, and García-Sánchez (2018) that board independence is an endogenous variable. Here, in our choice of the instrument and in order to control for autocorrelation, we included the board independence that lagged on the first period (Harjoto, Laksmana, & Lee, 2015; Srinidhi, Gul, & Tsui, 2011). We also instrumented the board independence by its industry/year mean on the basis that governance arrangements for a firm may be linked to its industry peers due to similarity in the business structure (Liu et al., 2015); and such industry/year mean. However, this is less likely to directly influence FCSR. D. Moreover, we consider the growth opportunities as an instrument following (Uribe-Bohorquez et al., 2018).

Our results (not reported) of the *IV-2SLS* method are consistent with our baseline model. Furthermore, various diagnostics tests were undertaken to confirm the suitability of our choice of the instruments, for example, our instruments were found to be significantly correlated with board independence at a 1% significance level which proves the instruments' relevance. The instrument's validity is also proved by failing to reject the null hypothesis of exogeneity using Hansen's over-identification test. Finally, the assumption of whether the board independence is an exogenous

variable passed the test indicating our findings were not derived with the presence of endogeneity.

Conclusion

Our study shows that FCSR is explained by a set of factors: corporate governance mechanisms, ownership structure, and corporate characteristics. In particular, the board size, company size, profitability, financial leverage, liquidity, company age, and company visibility are likely to positively affect its disclosure about its CSR future profile. On the other hand, CEO duality and family ownership are likely to negatively affect its disclosure about its future CSR stance.

This study contributes to the literature by investigating how Jordanian companies are encouraged to reveal additional information about their future CSR stance. The findings of this paper are associated with vital theoretical and practical implications. First, due to the increasing attention of CSR, the quality of FCSR is a topic of interest to different stakeholders including researchers, policymakers, and regulators. Our results on the determinants of FCSR can accelerate the exploration process toward FCSR. Second, in terms of the theoretical contribution, our findings confirm some previous contributions in the literature by demonstrating the role of CSR disclosure in reducing agency conflict through good corporate governance practices. The findings have broader implications for moving toward more alignment between the interests of shareholders and agents, which strives to achieve overall information usefulness.

One of our research limitations is the small sample that has been used as it is only conducted on companies listed on the Amman Stock Exchange. Therefore, the generalizations of results may be limited only (Ibrahim & Hanefah, 2016). On the other hand, given the methodological limitations, content analysis is a somewhat subjective method and susceptible to human errors (Hackston & Milne, 1996; Saleh, Zulkifli, & Muhamad, 2010). Future studies can conduct a cross-country study to examine drivers of FCSR. Further research could also explore the impact of audit committee characteristics on FCSR. It would also be interesting to explore the economic and non-economic consequences of FCSR.

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Appendix 1

Them (1)	Human resources (HUR)
1	Statement related to enhancing staff safety and mental or physical health
2	Compliance with regulations and safety and health policy/safety department
3	Diversity and equal employment opportunities
4	Reporting on the employees' number
5	Policies of staff training programs
6	Funding staff at educational institutions

7	Employee wage and salary levels
8	Policies to increase job satisfaction and motivate employees
9	Improvements in the work environment / Employee morale
10	Employee profit-sharing / Benefits / Savings and pension funds
11	Information on the company's future and the stability of the workers' job
Them (2)	Environment (ENV)
12	The company's policy or concern towards the environment
13	Contribution to environmental protection and pollution control programs
14	Policies to prevent damage to the environment and conservation of natural resources.
15	Recycling projects
16	Use equipment with a low pollution effect
17	Financing pollution control equipment
18	Installation of an effluent treatment plant
19	Policies to improve the environment/investments in the environment
20	Pollution control in the conduct of business operations
21	Proper disposal of waste and sewage
22	Participation in environmental organizations
23	Reporting on air emission / Water discharge information
24	Campaign against garbage and conservation
25	ISO 14001
Them (3)	Product responsibility (PRT)
26	Reporting on the quality of the company's products
27	Research or development projects on products, their benefits, and sustainability performance of the product
28	Information on the health and safety of the product
29	Disclosing of consumer safety practices
30	Customer service improvement and consumer satisfaction/complaints
31	Product and service labeling, marketing communications, customer privacy, and compliance
Them (4)	Community involvement (COM)
32	Zakat/Donations and charitable activities
33	Support education through voluntary contributions/study scholarships
34	Employment opportunities for students/training programs
35	Policies of educational promotion/sponsorship of courses and conferences
36	Sponsorship of public health programs / conducting medical research
37	Programs to supports arts, culture, sport, and agricultural
38	Employment generation policies and helping in reducing the unemployment rate
39	Volunteering work in the community / social welfare
40	Related community activities/road network improvement/water harvesting
41	Cities and villages development and projects in poor areas

Table 1

CSR related statement	Coding output
Our company tend to reduce the total emissions of these chemicals by	Awarded

50%	
We have coached over than 50 trainees from different locations in 2012	Non-awarded
Over the next four years, the company plan to cut its energy consumption by another 5% which would further reduce our CO2 emissions.	Awarded
The company has set a plan to increase its donation by 20 thousand JOD in order to improve the social welfare of the local society.	Awarded

Table 2: Variables definitions

Variables	Description	Data sources
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Dependent variables								
FCSR	Future looking CSR disclosure			Content analysis				
Independent variables								
BSIZE	Number of board directors			Annual report				
IND	Number of independent directors on board	Mean	Std.	Min	p25	Median	p75	Max
DIVE	The percentage of female directors on board					Annual report		
CEOD	Equals 1 if the CEO role duplicated, otherwise 0.	0.196	0.128	0.024	0.122	0.171	0.268	0.585
BSIZE		8.105	2.29	4	7	8	9	13
OWN	Ratio of shares held by the substantial shareholders (above 5%)					Annual report		
FOWN	Ratio of shares held by family members and their relatives	0.032	0.069	0	0	0	0	0.286
AUDTP	Equals 1 if the company annual report being audited by one of the big 4 audit firms, otherwise 0.	0.183	0.387	0	0	0	0	1
OWNC		604	235	0.06	0.449	0.642	0.798	0.999
SIZE	The natural logarithm of the total number of employees	0.194	0.246	0	0.002	0.093	0.313	0.935
AUDTP		0.399	0.49	0	0	0	1	1
PROF	Return on investment					SDC		
LEVER	Debit ratio					SDC		
LIQ	Current assets divided by current liabilities					Data stream		
AGE	The natural logarithm of number of years since establishment					Amman stock exchange website ²		
VISIB	The average number of related articles published by two Jordanian newspapers					"Addustour" Newspaper and "Alrai" Newspaper. ³		

Table 3: Descriptive Statistics

¹ (SDC): The Jordanian Securities Depository Centre

² Amman stock exchange website: <https://www.ase.com.jo/en>

³ "Addustour" Newspaper website: <https://www.addustour.com>
"Alrai" Newspaper: <http://alrai.com/>

SIZE	5.293	1.598	.693	4.615	5.389	6.368	8.366
PROF	0.03	0.096	-0.301	-0.007	0.029	0.07	0.355
LEVER	32.446	21.685	0.308	16.436	29.025	41.71	93.26
LIQ	2.689	3.451	0.058	0.945	1.625	2.816	23.664
AGE	2.956	0.726	1.099	2.565	2.996	3.497	4.277
VISIB	0.565	1.388	0	0	0	0.5	8.5

Table 4: Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
FCSR	1.000													
BFSIZE	0.344	1.000												
IND	0.178	0.598	1.000											
DIVE	-0.022	0.038	-0.122	1.000										
CEOD	-0.102	-0.029	0.041	0.174	1.000									
OWNC	0.076	-0.162	-0.332	0.055	-0.052	1.000								
FOWN	-0.118	-0.015	0.056	-0.047	-0.046	-0.173	1.000							
AUDTP	0.287	0.280	0.041	0.005	-0.185	0.228	-0.235	1.000						
SIZE	0.611	0.374	0.190	0.005	-0.085	0.093	-0.076	0.263	1.000					
PROF	0.218	0.075	-0.018	0.100	0.110	0.173	0.159	0.046	0.226	1.000				
LEVER	0.209	0.039	0.093	-0.182	-0.122	-0.133	-0.158	0.142	0.245	-0.260	1.000			
LIQ	-0.073	-0.073	-0.115	-0.083	0.070	0.168	0.117	0.015	-0.190	0.120	-0.443	1.000		
AGE	0.359	0.233	0.283	-0.039	0.011	0.020	-0.061	0.413	0.186	0.124	0.163	-0.044	1.000	
VISIB	0.493	0.245	0.083	0.086	-0.015	0.069	-0.015	0.152	0.437	0.188	0.055	-0.110	0.147	1.000

Table 5: The relationship between FCSR and the independent variables

	BSize	IND	DIVE	CEOD	OWNC	FOWN	All variables
	1	2	3	4	5	6	7
BSize	0.00743*** (4.449)						0.00662*** (3.051)
IND		0.00415** (2.471)					0.00113 (0.509)
DIVE			-0.00605 (-0.114)				-0.00974 (-0.182)
CEOD				-0.0192** (-2.002)			-0.0215** (-2.226)
OWNC					-0.0158 (-0.936)		-0.0138 (-0.828)
FOWN						-0.0483*** (-3.365)	-0.0626*** (-4.374)
AUDTP	0.0192** (2.293)	0.0286*** (3.707)	0.0260*** (3.332)	0.0232*** (3.042)	0.0278*** (3.659)	0.0202*** (2.628)	0.0113 (1.328)
SIZE	0.0311*** (15.190)	0.0327*** (15.649)	0.0339*** (16.615)	0.0338*** (16.713)	0.0341*** (16.765)	0.0338*** (16.629)	0.0307*** (14.531)
PROF	0.0570* (1.782)	0.0604* (1.916)	0.0525* (1.665)	0.0600* (1.906)	0.0547* (1.694)	0.0728** (2.320)	0.0947*** (2.928)
LEVER	0.000638*** (3.071)	0.000576*** (2.762)	0.000545** (2.546)	0.000524** (2.511)	0.000536** (2.504)	0.000537** (2.524)	0.000563*** (2.610)
LIQ	0.00324*** (3.446)	0.00306*** (3.223)	0.00287*** (2.931)	0.00297*** (2.976)	0.00305*** (3.052)	0.00302*** (3.073)	0.00357*** (3.579)
AGE	0.0196*** (3.787)	0.0175*** (3.137)	0.0231*** (4.281)	0.0247*** (4.623)	0.0224*** (4.094)	0.0210*** (3.796)	0.0175*** (3.102)
VISIB	0.0270*** (8.997)	0.0280*** (8.706)	0.0278*** (8.533)	0.0276*** (8.318)	0.0278*** (8.488)	0.0279*** (8.607)	0.0271*** (8.669)
Constant	-0.103*** (-3.862)	-0.0618*** (-2.617)	-0.0647*** (-2.627)	-0.0611** (-2.511)	-0.0565** (-2.216)	-0.0438* (-1.784)	-0.0579* (-1.781)

Observations	631	631	631	631	631	631	631
R-squared	0.596	0.588	0.583	0.586	0.584	0.591	0.609

The table shows the regression analysis results, for the relationship between FCSR and each of the independent variable separately (columns 1 to 6). The results in column 7, shows the results after including all the variables in the same model. Robust t-statistics in parentheses, *** p<0.01, ** p<0.05, * p<0.1
