Voluntary Corporate Governance Disclosure Innovative Evidence: The Case of Jordan

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Abstract: This paper aimed to assess the corporate governance voluntary disclosure level and the impact of a set of corporate governances (CG) attributes on the level to which corporate governance voluntary disclosure is conducted in Jordan. Another objective was to determine if Jordanian industrial listed corporations adhere to and disclose good CG practices voluntarily, and if they do, to determine the factors influencing such disclosure. This study employed 61 industrial listed firms for the years 2010-2014. The research developed a general voluntary CG disclosure index composing of 15 Jordanian Corporate Governance Codes and gauged the relationship via pooled OLS and regression method. The results indicated that the proposed Jordanian Corporate Governance Index (JCGI) enhanced voluntary corporate governance disclosure among Jordanian listed firms over the examined years. They also showed varying levels of CG disclosures in different scenarios; 1) it is lower in firms with higher managerial ownership and 2) higher relative to the independent directors' proportion on the board, audit firm size, and audit committee presence with institutional ownership. Evidence on the compliance level towards the CG code in Amman Stock Exchange is unique and the study is distinct as it provides a pioneering evidence of the achieved compliance level.

Keywords: Jordan, corporate governance codes, voluntary corporate disclosure, governance index, industrial sector.

1. INTRODUCTION

According to studies in literature, the primary purpose behind corporate governance code is the enhancement of the following activities; voluntary corporate disclosure, corporate accountability and corporate transparency (Allegrini & Greco, 2013; Bouwman, 2011; Hermlin & Weisbach, 2012). Despite the fact that corporate governance codes have been introduced and they have evolved over the past twenty years, and as such, implementation of and adherence to CG codes differ based on regional, cultural and organizational differences (Bebchk & Weisbach, 2010). Adherence to corporate governance codes is mostly done voluntarily (comply or explain) as exemplified by the U.K. 1992 Cadbury Report, with a few exceptions. For instance, compliance to the U.S. 2002 Sarbanes-Oxley Act is mandatory (compliance or else). As for the compliance level with corporate governance codes, they differ on the basis of firm and country level governance practices as evidenced by (Judge, 2011; Samaaha, Dahawy, Hussainey, & Stapleton, 2012) and Samaaha *et al*. (2012).

In the current times, an increasing trend of introducing CG codes have been noted in developed countries like Australia, Canada, France, Germany and Japan, as well as in developing countries like Egypt, Saudi Arabia, South Africa, Jordan and Turkey. This has been primarily conducted to enhance standards of CG implemented among firms in the above countries.

However, regardless of the positive advantages of the comply or explain method, scholars are still critical of its effectiveness (Pietrancosta, 2009). for the following reasons; first, codes cannot enhance the governance practices of every company unlike hard law regulation, as the companies have autonomy of whether to adhere to the codes requirements or refrain. Second, based on empirical evidence, when companies adhere with the requirements of the codes, they often adhere in form rather than in substance (Krenn, 2014). Consequently, the codes can assist in steering clear of or in minimizing the use of ineffective governance practices, but not in promoting the universal adoption of the best governance practices (Haxhi & Aguilera, 2014).

Overall, good compliance to CG standards have been displayed by developed countries and this may be attributed to their effective legal, economic and cultural systems in establishing such practices. This argument was supported by Perez de Toledo (2010), Judge (2011) and Salterio, Conrod, & Schmidt (2013).

On the other hand, in developing countries, the scenario is such that the level of compliance with corporate governance disclosure lags behind their developing counterparts (Ararat, Black, & Yurtoglu,

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2016; Cuomo, Mallin, & Zattoni, 2015) . Empirical studies dedicated to the developing countries, in terms of country level reported varying degrees of compliance based on the government type in existence (Samaha *et al*., 2012). As a consequence, corporate governance literature has focused on examining factors that influence voluntary corporate disclosure (Ararat *et al*., 2016; Jallow, Ntim, Opong, Danbolt, & Thomas, 2012; Samaaha *et al*., 2012). Owing to the few studies conducted in the developing countries, the present work fills in the gap in corporate governance literature in this context by examining the voluntary corporate disclosure determinants in Jordan. This is particularly important as the compliance index model, employed in this study, is considered to be a relatively new method that has not yet been employed in studies dedicated to Jordan. The main objective of this research to assess the corporate governance voluntary disclosure level and the impact of a set of corporate governances (CG) attributes on the level to which corporate governance voluntary disclosure is conducted in the Jordanian industrial listed corporations.

2. LITERATURE REVIEW

2.1. Determinants of Voluntary Corporate Disclosure

Studies dedicated to corporate governance reveal variation in the degrees of voluntary disclosure among listed firms (Jallow *et al*., 2012; Samaha, Khlif, & Hussainey, 2015). On the basis of the evidence they reported, the primary determinants of the corporate governance disclosures in terms of level and quality are board characteristics and corporate governance disclosures (Chalevas, 2011).

More specifically, with respect to the present study, the question as to which factors influence the compliance level with the JCGC 2010 involves the exploration of the factors that influence voluntary JCGC compliance. Corporate governance studies indicate that characteristics of board of directors and firm ownership structure primarily determine voluntary corporate governance disclosure (e.g., Chalevas, 2011; Samaha *et al*., 2012; Allegrini & Greco, 2013; Ntim & Soobaroyen, 2013). Accordingly, the top influential corporate governance and ownership variables are included in the present study for examination.

2.1.1. Board of Directors Characteristics

To reiterate, the characteristics of board of director are significant in determining voluntary corporate disclosure and this study concentrated on the following for its investigation; independent directors, audit firm size and the presence of audit committee.

2.1.1.1. Proportion of Independent Directors and Voluntary Corporate Disclosure

Throughout the years, corporate governance regulations and academic studies have increasingly focused on independent boards and its importance (Chen & .Cheng, 2011; Johanson & \Ostergren, 2010). Based on the agency theory, independent boards are more capable of limiting opportunistic activities of management (Fama & Jensen, 1983), and they safeguard the rights of shareholders and minimize agency costs (Chalevas, 2011). The theory also posits that the existence of independent directors on the board can minimize information asymmetry (Allegrini & Greco, 2013). In this background, independent directors can also assist the board and committees by contributing their knowledge as well as experience (Barako, Hancock, & Izan, 2006) and through these, they are more able to oversee management activities. In empirical studies, evidence have been found indicating a positive relationship between independent directors' proportion on the board and voluntary corporate disclosure, where disclosure significantly heightened among 169 South African listed firms from 2002-2006 Jallow *et al*. (2012) , and in 100 Egyptian listed firms with greater independent directors proportions Samaaha *et al*. (2012).

Moreover, majority of the theoretical and empirical studies in literature indicate a positive association between the two variables (e.g., (Hussainey & Al-Najjar, 2012), and as such, the following hypothesis is proposed to be tested;

H1: There "is a positive relationship between the proportion of independent non-executive directors and the level of voluntary compliance with, and disclosure of, corporate governance practices."

2.1.1.2. Audit "Firm Size and Voluntary Corporate Disclosure"

According to the"agency and stakeholder theories, audit firms are able to influence the level and and quality of their corporate governance disclosure (Barako *et al*., 2006). Such firms are considered to be external corporate governance mechanisms that oversee management activities through the firm's financial performance and disclosures (Kang & Yoo, 2012). Evidence points to the fact that large-sized audit firms (big 4) adopt superior auditing performance standards compared to their small audit counterparts

(Schiehll, Terra, & Victor, 2013). Hence, large-sized audit firms are expected to have auditors that are experienced, trained and qualified (Barako *et al*., 2006)."

On the basis"of the empirical studies that examined the quality of external auditing-voluntary corporate disclosure relationship, a positive or no significant relationship exists. For instance, Barako *et al*. (2006) related that the size of the audit firm has no significant relationship with the disclosure of corporate governance as indicated by a sample of Kenyan listed companies. Similarly, Jallow *et al*. (2012) examined 169 SA listed corporations for the years from 2002 to 2006 and reported that audit firm size positively related to corporate governance disclosure. Also, , Albassam (2014) found the Saudi firms audited by the Big 4 are more likely to increase their voluntary disclosure. On the basis of the above discussion of studies in literature (Albassam, 2014; Jallow *et al*., 2012), and the suggestions of both agency and stakeholder theories of the positive relationship between audit firm size and voluntary corporate disclosure, the following hypothesis is proposed to be tested."

H2: There is a positive relationship between audit firm size and the level of voluntary compliance with, and disclosure of, corporate governance practices.

2.1.1.3. The Presence of Audit Committee and Voluntary Corporate Disclosure

Among the recommendations brought forward by some corporate governance codes including (governance code of listed corporations in France, 2013; GCGCGC, 2014).corporate codes is the presence of a corporate governance committee. The main reason behind the setting up of the committee is to assist in implementing corporate governance standards adoption that can lead to voluntary corporate disclosure (Ntim *et al*., 2012a). In fact, the stakeholder theory has its basis on the premise that the corporate governance main role is to safeguard the stakeholders and shareholders alike (Solomon, 2007). Hence, the audit committee's presence can contribute to the protection of their rights and can minimize information variations, relaying the commitment of the company to good corporate governance practices to the market (Jallow *et al*., 2012; Samaha *et al*., 2015).

Corporate governance literature also indicates that studies concerning the relationship between the presence of audit committees and voluntary corporate disclosure are still few and far between (Ntim, *et al*., 2012a). Among the few, Samaha *et al*. (2015) conducted a meta-analysis in his review of 64 studies, and found audit committee to significantly and positively influence voluntary disclosure. In the context of Jordan, no study has focused on the influence of audit committee on voluntary corporate disclosure and this urged the present study to contribute to international literature. Given the above discussion and the findings of prior studies, the third hypothesis is proposed as follows;

H3: There is a positive relationship between the presence of audit committee and the level of voluntary compliance with, and disclosure of, corporate governance practices.

2.1.2. Ownership Structure and Voluntary Corporate Disclosure

This subsection is dedicated to presenting two ownership structure types present in the Jordanian industrial listed firms namely, institutional ownership and managerial ownership.

2.1.2.1. Institutional Ownership and Voluntary Corporate Disclosure

The agency theory posits that oversight facilitates the reduction of conflicts of interest that are bound to arise between directors and investors (Jeensen & Meckling, 1979). In this background, institutional investors are capable of overseeing firms and in assisting in the enhancement of corporate governance disclosure (Aggarwal, Erel, Fereira, & Matos, 2011). According to a related study, Chung & Zhang (2011) revealed that institutional investors are incentivized to safeguard their investments, particularly in the face of a costly exist. This is an indication of the mitigation of agency costs in the presence of institutional ownerships. Similarly, Ntim *et al*. (2012a) and Chung & Zhang (2011) revealed that enhancing voluntary disclosure may lead to increased share price and firm value. Moreover, based on empirical findings, a positive institutional ownership-voluntary corporate disclosure relationship exists (Albassam, 2014; Jallow *et al*., 2012). More specifically, Jallow *et al*. (2012) employed a sample of 169 South Africa n listed firms and found the institutional ownership level to positively and significantly influence the voluntary corporate governance disclosures of the firms. Also, Chung & Zhang (2011) made use of a large sample comprising of 12,093 firm-year observations for the years from 2001-2006 to examine institutional investor preferences in the U.S. financial market. Their findings revealed that

institutional investors are highly attracted to high voluntary corporate governance compliance.

In the context of Jordanian firms, the relationship between the above variables is sadly under-studied. Hence, in this study, the researcher attempts to provide evidence on this specific relationship in the context of Jordanian listed firms. Studies in literature reported evidence from both developed and developing countries that a positive relationship exists between the two variables (Albassam, 2014; Jallow *et al*., 2012). On this basis, the following fourth hypothesis is proposed;

H4: There is a positive relationship between institutional ownership and the level of voluntary compliance with, and disclosure of, corporate governance practices.

2.1.2.2. Managerial Ownership and Voluntary Corporate Disclosure

Managerial ownership is important due to the significant role that the board of directors plays in corporate governance disclosure policies (Jensen & Meckling, 1976; Chalevas, 2011). Based on the perspective of agency theory, the managerial ownership-voluntary corporate disclosure relationship is still inconclusive (Haniff & Hudaib, 2006). In this regard, Fama and Jensen (1983) contended that managers may maximize their investments by employing inside information in issues of their own interest rather than the firm's interest.

In this background, shareholders are able to oversee board behavior to minimize agency issues as argued by Jensen and Meckling (1976) but this may lead to increased costs of monitoring and thus, disclosure is substitutable for monitoring, wherein the latter can also enhance corporate governance practices as evidenced in prior studies (Allegrini & Greco, 2013).

Managerial ownership studies' findings reported a negative relationship between managerial ownership and corporate governance disclosure. Among them, Eng & Mak (2003) found that lower board ownership is linked with higher disclosure level in their study that employed a sample of 158 Singaporean listed firms. Along a similar line of study, Hussainey and Al-Najjar (2012) found that the shares percentage held by insiders negatively correlated with corporate governance practices in the context of 130 U.K. firms.

Similarly, although the relationship between director ownership and voluntary corporate disclosure in Jordanian firms have yet to be examined extensively, prior studies reported a negative relationship between the two (e.g., Eng & Mak, 2003; Hussainey & Al-Najjar, 2012) and as such, the following hypothesis is proposed to be examined;

H5: There is a negative relationship between managerial ownership and the level of voluntary compliance with, and disclosure of, corporate governance practices.

3. DATA AND RESEARCH METHODOLOGY

3.1. Sample and Data

The study sample is "obtained from 61 non-financial industrial companies listed in the Amman Stock Exchange (ASE) at the end of 2014. Industrial sector constitutes 29% of the Jordanian listed companies and they contribute up to 21% of market capitalization of listed companies traded in ASE in the same year (2014), amounting to 3693 Million JOD (Amman Stock Exchange, 2014)."

This period (2010-2014) is chosen "based on several reasons; first, 2010 was selected as the year of theannouncement of the Jordanian Code of Corporate Governance was in 2009 (JSC, 2009). Second, 2014 was chosen because the annual reports in this year is deemed to be the most current information source available at the period the study was conducted for the entire sample.

Moreover, the corporate governance disclosures and the accounting variables were obtained from the annual reports of the study sample, where two criteria were established for firm selection. The two conditions included the availability of a firm's full five-year annual reports (2010-2014), and the availability of the accounting data of the firms within the same period. The above two criteria"were followed owing to many reasons; the first reason pertains to the fact that not unlike prior studies including (El-Faitouri, 2012; Jallow *et al*., 2012; Samaaha *et al*., 2012), the criterion facilitated meeting the requirements for a balanced panel data analysis. Both (Hair, 2010) And (Gujarati, 2008) enumerated advantages for employing panel data that involves cross-section and time-series observations – they are higher degrees of freedom and less multi-collinearity among variables. The second criterion involves the examination of five-year data with cross-sectional and time-series properties as this would facilitate the determination of the possibility of the relationship between cross-sectional properties and

voluntary CG disclosure, and whether or not its drivers are maintained throughout the period."

3.2. Research Methodology: Measurement of Variables and Model Specification

3.2.1. The Dependent Variable: The Jordanian Corporate Governance Index (JCGI)

The development of a general index (JCGI) is fundamental to the present"analysis to be employed as a voluntary CG compliance and disclosure index. Table **1** presents that JCGI comprises of 15 CG provisions on the basis of three general JCGC sections, and encapsulating sub-indices, which includes, the board of directors, board sub-committees, and the rights of shareholders and the general assembly. Moreover, the JCGI is developed by providing the value of '1' if any of the CG provisions is disclosed in the annual report, and zero if not. Through this scheme, the disclosure score of a specific firm will differ between zero percent to fifteen percent, with higher index levels confirming greater compliance as well as disclosure."

According to Beattie, McInnes, & Fearnley (2004), there are two main methods employed in literature to score voluntary governance disclosure indices namely binary coding and weighted scoring. The former entails scoring corporate governance disclosure index

Table 1: Full List of the JCG Index Provisions Based on the JCGC

Corporate Governance Variable	Explanation
1. Board of Directors	
Chairman and CEO	A dummy variable equal to 1 if the roles of chairman and chief executive are not combined, 0 otherwise.
Board Structure	A dummy variable equal to 1 if a third or more of Directors on Board of Directors are independent directors. o otherwise.
Board Size	A dummy variable equal to 1 if the members of the board of directors shall be not less than five, 0 otherwise.
2. Board Sub-Committees	
2.1. Audit Committee	
Presence	A dummy variable equal to 1 if the company has an Audit Committee, 0 otherwise.
Structure	A dummy variable equal to 1 if the audit committee has two independent non-executive directors or more, 0 otherwise.
Financial expert	A dummy variable equal to 1 if the audit committee has at least one financial expert, 0 otherwise.
Chairman	A dummy variable equal to 1 if the chairman of the audit committee is independent, 0 otherwise.
Meetings	A dummy variable equal to 1 if the audit committee holds at least four meetings a year, 0 otherwise.
2.2. Remuneration & Nomination Committee	
Presence	A dummy variable equal to 1 if the company has a remuneration committee, 0 otherwise.
Structure	A dummy variable equal to 1 if the remuneration committee has two independent non-executive directors or more, 0 otherwise.
Chairman of remuneration committee	A dummy variable equal to 1 if the chairman of the remuneration committee is independent, 0 otherwise.
3. Rights of Shareholders and General Assembly (GA)	
Whether the GA meets at least once a year	A dummy variable 0-1
Whether the firm announces a GA meeting at least 21days before the date of the meeting	A dummy variable 0-1
Whether the shareholders have the right to appoint others to attend the GA on their behalf	A dummy variable 0-1
Whether the firm applies a one vote one share policy	A dummy variable 0-1

available in the firms annual reports (Beattie *et al*., 2004; Ntim *et al*., 2012a). Several studies have employed this method, in developed countries (Ammann, Oesch, & Schmid, 2013; Gompeers, Ishii, & Metrick, 2003) and developing countries (Albassam, 2014). The method basically hinges on the examination of the existence or non-existence of corporate governance provisions.

Following most prior studies, the present one employed binary scoring scheme regardless of its drawbacks – the drawbacks include; 1) in contrast to weighted scoring, binary coding does not enable the assessment of disclosed information quality (Jallow *et al*., 2012; Samaaha *et al*., 2012; Tariq & Abbas, 2013), and 2) the method disregards variation in the importance of provisions (Jallow *et al*., 2012). Consistent with prior studies (Albassam, 2014; Jallow *et al*., 2012; Samaaha *et al*., 2012), the JCGI provisions are led by the top significant corporate governance mechanisms, which are the board of directors and board of sub-committees (see Table **1**).

3.2.2. The "Main Explanatory Variables: Corporate Governance Mechanisms"

Corporate governance "studies indicate that the characteristics of board of directors and ownership structure are two major factors that influence the corporate governance disclosure in terms of level and quality (Albassam, 2014; Hidalgo, Garc'\ia-Meca, & Mart'\inez, 2011; Samaaha *et al*., 2012). Thus, consistent with prior studies, the model included two primary sets of variables as explanatory variables namely, corporate board structure and ownership structure as presented in Table **2**. More specifically, the variables of the board of director's characteristics are independent directors (INDD), audit firm size (AFZ) and the presence of audit committee (AC). In this study, prior studies definition and measurement of explanatory variables are adopted (see Table **2**). As for the second set of explanatory variables, it comprises of ownership structure with two types namely, institutional ownership"(IONR) and managerial ownership (MONR). The definition and measurement of ownership structures are also adopted from prior empirical studies that investigated voluntary corporate governance disclosure as presented in Table **2**.

3.2.3. The Control Variables: Firm Characteristics

According to Jallow *et al*. (2012), in order to minimize the potential for omitted variables bias, some control variables have to be incorporated. In this study the variables of firm size (FSZ), and leverage (LVG) are considered on the basis of theoretical expectation and on prior empirical studies that investigated the relationship between corporate governance and voluntary corporate governance disclosure (Albassam, 2014; Samaaha *et al*., 2012). The summary of the definitions of the entire variables included in this study is presented in Table **2**.

As with past studies, and with the assumption that the entire relations are linear, OLS regression is employed to examine whether or not the JCGI variations are explained by the variables as indicated by the following equation;

$$JCGI_{it} = \alpha_{0+} \beta_1 INDD_{it\,+} \beta_2 AFZ_{it+} \beta_3 IONR_{it+} \beta_4 MNOR_{it\,+} \sum \beta_i \; CONTROLS_{it+} \varepsilon_{it}$$

Table 2: Summary of Variables

Dependent variables	
JCGI	Corporate governance (CG) compliance and disclosure index consisting of 15 provisions from the JCGC, which take a value of 1 if each corporate governance provision is disclosed, and 0 otherwise; scaled to have a value between 0%and 100%.
Independent Variables	
INED	Percentage of independent director members on the board of directors.
AFZ	1, if a firm is audited by a big-four audit firm (PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young and KPMG), and 0 otherwise.
AC	1, if a firm has set up an Audit Committee, and 0 otherwise
IONR	Percentage of shares held by institutional shareholders
MONR	Percentage of shares held by Managerial shareholders
Control Variables	
FSZ	Natural log of the book value of a firm's assets
LVG	The ratio of total debt to total assets.

Where,

JCGI denotes the constructed Jordanian Corporate Governance Disclosure Index

α_0 denotes a constant term

INDD denotes independent directors,

AFZ denotes audit firm size,

IONR denotes institutional ownership,

MONR denotes control variables of FSZ and LVG, and

ε denotes error term or residual.

The empirical results comprising of descriptive statistics and regression analyses results are discussed in the next section.

4. EMPIRICAL RESULTS

4.1. Descriptive Analysis

The summary of the descriptive statistics results of the entire study variables are presented in Table **3**. Based on the figures in the table of the explanatory variables and control variables, there is significant variation in the sample and thus the possibilities of sample selection bias is minimized. More importantly, there is a significant degree of dispersion in the JCGI dispersion that ranges from 27% (4 out of 15 items disclosed) to 100% (15 out of 15 items disclosed), with the average company complying to 65% of the 15 examined CG provisions.

In order to obtain the levels of compliance in terms of its improvement, and to determine the CGC provisions that contributed the most to the degree of variation in the aggregate compliance levels with JCGI, the levels of compliance among the companies in the sample are examined in conjunction with the provisions constituting JCGI. The reports of the percentage of compliance levels with the provisions for the pooled sample, and for each of the five years examined are presented in Table **4**. In the table, row 3 indicates aggregate levels of compliance, whereas row 4 indicates individual compliance to CG provisions.

According to the figures in row 3, the compliance with the CG provisions were improved over the five years, with the aggregate levels of compliance showing an increase from 62% (2010) to 69% (2014). Also, in row 4, the figures indicate substantial variables in the compliance levels with the individual CG provisions among the companies in the sample that ranges from 100% (full compliance), in the rights of shareholders and general assembly to 15% (partial-compliance),“in the contribution to the remuneration and nomination committee characteristics. More specifically, the high compliance level in the case of rights of shareholders is connected to the nature of the “provisions imposed by regulatory bodies” (i.e., Amman Stock Exchange, ASE) to safeguard the interests of shareholders. For instance, the compliance to the general assembly meetings in terms of frequency, the shareholders’ right to appoint others, and the firm’s announcement of GA meeting at least 21 days prior to the meeting data – all obtained 100%. Contrastingly, the low level of compliance with the provisions of board of directors and board sub-committees is attributed to the absence of effective corporate governance practices before governance reforms. Table **4** indicates that the average compliance scores in 2010, is lower than that of 2014, at which time, the code was introduced.”

4.2. Bivariate Correlation Analysis

Aligned with prior “studies dedicated to corporate governance (e.g., Haniffa & Hudaib, 2006; Ntim *et al*.,

Table 3: Summary Descriptive Statistics of all Variables for all (305) Firm Years

Variable	Minimum	Maximum	Mean	Std. Deviation
AC	0	1	.72	.45
INED	.00	1.00	.90	.16
MONR	.00	.63	.31	.09
IONR	.00	.82	.16	.18
AFZ	0	1	.34	.47
LEV	.00	1.19	.36	.23
FSZ	14	21	17	1.34
JCGI	.27	1.00	.65	.20

Table 4: The Levels of Compliance with the JCGC Provisions among the Sampled Companies

CG provisions of the JCGI	Compliance levels among companies(%)					
	All	**2010**	**2011**	**2012**	**2013**	**2014**
Aggregate mean scores of the JCGI	65	62	64	65	66	69
Individual CG provisions of the JCGI	**All**	**2010**	**2011**	**2012**	**2013**	**2014**
1. Board of Directors						
Role duality	34	34	34	34	34	34
Board Structure	88	85	87	89	90	89
Board Size	96	98	98	95	93	97
2. Board Sub-Committees						
2.1. Audit Committee						
Presence	72	67	70	74	75	75
Structure	29	25	28	28	30	34
Financial expert	29	25	28	28	30	34
Chairman	29	25	28	28	30	34
Meetings	72	67	70	74	75	75
2.2. Remuneration & Nomination Committee						
Presence	39	30	34	41	43	48
Structure	20	15	20	20	21	26
Chairman of remuneration committee	20	15	20	20	21	26
3. Rights of Shareholders and General Assembly						
Whether the GA meets at least once a year	100	100	100	100	100	100
Whether the firm announces a GA meeting at least 21days before the date of the meeting	100	100	100	100	100	100
Whether the shareholders have the right to appoint others to attend the GA on their behalf	100	100	100	100	100	100
Whether the firm applies a one vote one share policy	100	100	100	100	100	100

Notes: This Table reports both the aggregate and individual levels of compliance with the 15 corporate governance (CG) provisions from the 2010 JCGC. Column 2 of the table reports compliance levels (%) for all five firm-years for the 61industrial companies, while Columns 3 to 7 report compliance levels for each of the five firm-years investigated.

2012a; Samaha *et al*., 2012; Ntim & Soobaroyen, 2013), all the proposed hypotheses are tested through ordinary least squares (OLS) that necessitated the examination for multicollinearity, autocorrelation, normality, homoscedasticity and linearity. The correlation matrix of the entire variables for the purpose of multicollinearity is presented in Table **5**. In order to obtain robust results, the researcher made use of Pearson's parametric and Spearman's non-parametric coefficients and notably, the coefficients magnitude and direction are similar, indicating the absence of serious non-normal issues. Both results show that the variables correlation are fairly low and this shows no major issues of multicollinearity as explained by (Jallow *et al*., 2012; Ntim, Opong, & Danbolt, 2012)."

According to the (Table **5**), there are" significant relationships between JCGI and the explanatory variables and aligned with the predicted relationships, audit firm size, independent directors, presence of audit committee, and institutional ownership significantly and positively related to JCGI. On the other hand, managerial ownership significantly and negatively related with JCGI. With regards to the control variables, the results reveal that larger firms tend to significantly disclose as hypothesized but those having higher leverage refrain from doing so."

4.3. OLS (Multivariate) Regression Analysis

In this section, the empirical results are presented and discussed. The researcher made use of OLS regression "to examine the determinants of voluntary corporate governance disclosure. Specifically, the voluntary corporate governance disclosure model was developed to examine the determinants of voluntary corporate governance disclosure among the industrial listed firms in the context of Jordan. Within the model

Table 5: Correlation Matrix of all Variables for all (305) Firm Years

Variable	JCGI	INED	AFZ	AC	IONR	MONR	FSZ	LVG
JCGI	1	.397**	.188**	.700**	.324**	-.353**	-.014	-.059
INED	.219**	1	.210**	.131*	.333**	-.461**	-.060	-.158**
AFZ	.203**	.211**	1	.026	.270**	-.069	.175**	.042
AC	.578**	.060	.026	1	.196**	-.196**	.010	-.035
IONR	.418**	.251**	.301**	.202**	1	-.220**	.081	.093
MONR	-.252**	-.208**	-.158**	-.094	-.186**	1	-.014	.035
FSZ	.085	-.007	.218**	.044	.098	.006	1	.153**
LVG	-.031	.045	.070	-.059	.072	.098	.142*	1

Notes: The bottom left half of the table contains Pearson's parametric correlation coefficients, whereas the upper right half of the table shows Spearman's non-parametric correlation coefficients. **, and * indicate that correlation is significant at the 1%, and 5% level, respectively.

the JCGI is the dependent variable as a proxy of corporate governance practices, while the explanatory variables comprise of five board characteristics and ownership structure constructs."

The tested study hypotheses are listed in Table **6** along with the findings obtained from the regression analysis of the relationships proposed. On the basis of the results, the Jordanian context-specific factors, comprising of ownership characteristics and CG variables were found to be significant in explaining voluntary CG disclosures. For instance, the results showed positive and significant coefficients of independent directors, audit firm size, the presence of audit committee and institutional ownership to the level of 10%, which indicates that H1, H2, H3 and H4 are all supported.

In particular, the positive "relationship between independent directors and voluntary CG disclosure is aligned with prior studies conducted by Albassam (2014) and Samaaha *et al*. (2012). On the other hand, the negative relationship between managerial ownership and voluntary CG disclosure indicates that companies with managerial ownership do not disclose as much because in this case, shareholders can monitor board behavior to minimize agency problems (Jensen & Meckling, 1976) although this may lead to

Table 6: Regression Analysis of the Determinants of Voluntary Corporate Governance Disclosures

Independent Variables	Predicted sign	JCGI	
		Coefficients	P-values
Board of Directors' Characteristics			
Independent Directors	+	.085	(.056)**
Audit Firm Size	+	.073	(.114)*
Presence of Audit Committee	+	.507	(.000)**
Ownership Structure variables			
Institutional Ownership	+	.247	(.000)**
Managerial Ownership	-	-.127	(.005)**
Control Variables			
Firm size	+	.027	(.544)
Leverage	-	-.019	(.661)
Durbin-Watson statistics	1.868		
F- value	36.833**		
Adjusted R2	45.2%		
No. of observations	305		

Notes: P-values are in parentheses. ** and * denote significance at 1%, 5% levels, respectively.

increased monitoring costs. Hence, voluntary disclosure may replace direct monitoring directors while simultaneously enhancing corporate governance practices (Eng & Mak, 2003; Allegrini & Greco, 2013). This supports H5 and prior reported findings in literature (e.g., Albassam, 2014; Hussainey & Al-Najjar, 2012)."

Moreover, the coefficients"of the control variables indicate their hypothesized signs – for instance, firm size is significantly and positively related to voluntary CG disclosure as found by past studies (e.g., Jallow *et al*., 2012; Samaaha *et al*., 2012). Also, the negative and insignificant coefficient of leverage is consistent with other past studies that found no relationship between the variable and voluntary disclosure (e.g., Samaaha *et al*., 2012; Eng & Mak, 2003)."

5. SUMMARY AND CONCLUSION

Over the last few years, the"relationship between corporate governance mechanisms and corporate disclosure has been increasingly investigated by studies. Nevertheless, studies dedicated to determining the extent of CG influence over the decisions of firms to voluntary report CG information in their annual reports are still few and far between. This paper therefore extends the governance and disclosure literature and provides empirical evidence on the"effect of a set of corporate governance factors on corporate governance voluntary disclosure among the Jordanian industrial firms.

In this background, the Jordanian corporate scenario calls for the meeting of affirmative action and stakeholder CG provisions as it characterized by weak enforcement of corporate regulations and high institutional ownership and weak shareholder activism. This scenario has been a topic of concern among researchers and practitioners alike, particularly as to whether or not voluntary compliance regime will work effectively to enhance CG standards. The primary aim of this work is thus to investigate the extent of voluntary compliance with JCGC among Jordanian listed companies, and to examine the Jordanian context-specific and general factors that influence such compliance and disclosure behavior. The study sample comprised of 61 industrial firms for the years 2010-2014, among which 15 CG provisions based on JCGC are analyzed.

The obtained findings are aligned with those studies conducted in emerging countries that showed improved compliance level in conjunction with governance standards. Stated clearly, increased level of compliance was indicated after the local governance codes were published (e.g., Albassam, 2014; Jallow *et al*., 2012; Samaaha *et al*., 2012; Ntim *et al*., 2012a; Allegrini & Greco, 2013). The above improvement is aligned with the adoption of 'comply or explain' strategy of voluntary CG code disclosure for its enhancement in Jordan.

Similar to studies of its calibre, this study possesses several limitations, with the first being that the developed index uses a binary coding method that considers all corporate provisions to have equal importance. This could have been enhanced if the alternative weighted index was employed. Second, this study is limited in light of the reliability of the disclosure index – this could have proven to be more effective with the re-coding of the index by another researcher through an inter-coder consistency as suggested by Hassn & Marston (2010). Third, this analysis is limited to the industrial companies in one of emerging countries, Jordan. Thus, for future research there is a need to examine whether the same findings can be found by examining these variables in different countries that have different legal systems because as mentioned by Sanchez-Marin & Baixauli (2014) that the effectiveness of corporate governance is different between countries especially between developed and developing ones. Moreover, future studies could also adopt balanced and unbalanced data in their examinations to determine differences or lack thereof between the methods utilized – this could help in generalization of results.

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