Exploring The Quality Of Corporate Governance Disclosure Under An 'Apply And Explain' Regime

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6 *Figure 1: Typology for corporate governance explanations quality in an 'apply and explain' model*
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51 *Source: Author's own compilation following Shrives and Brennan, (2015)*
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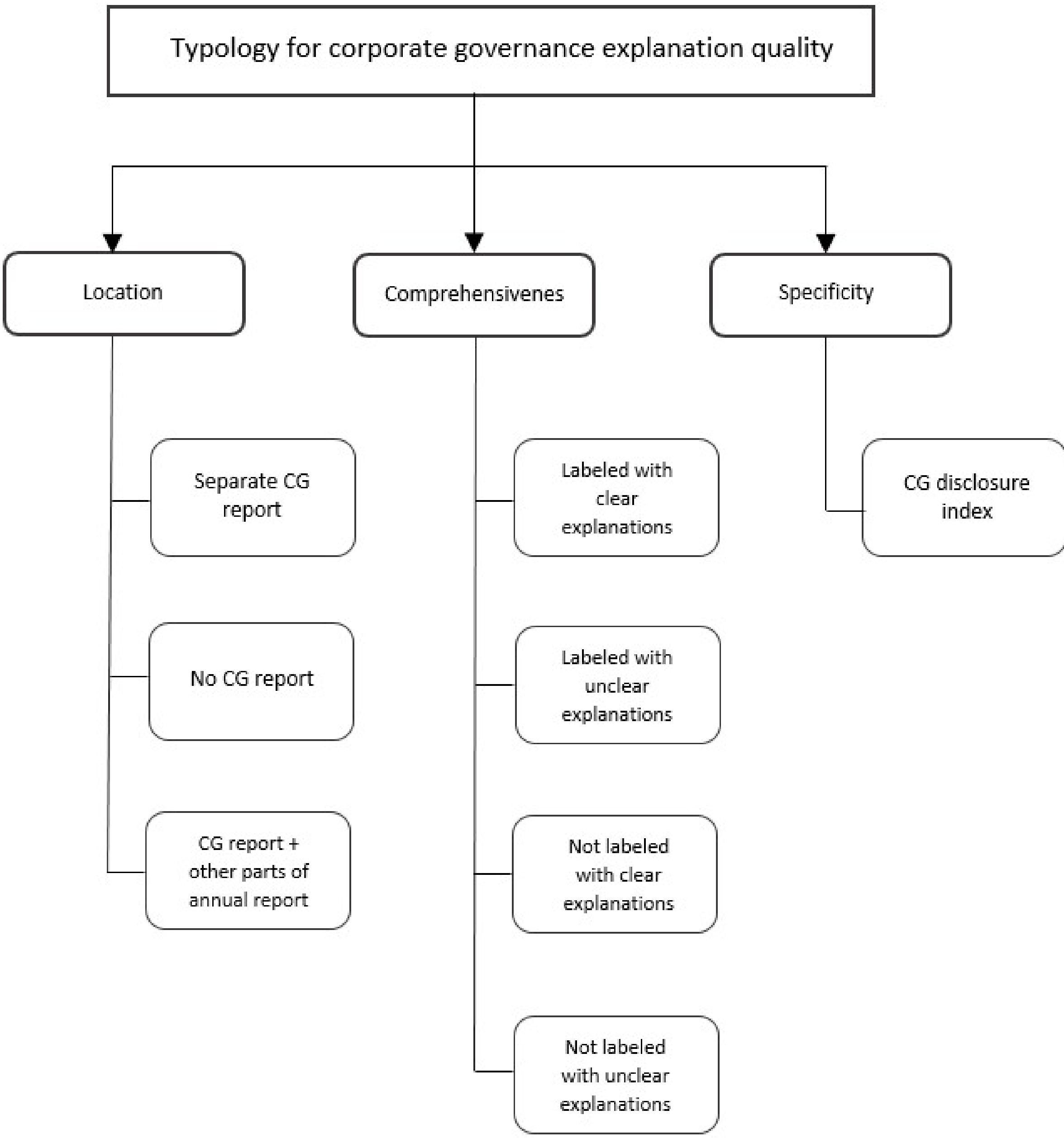

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EXPLORING THE QUALITY OF CORPORATE GOVERNANCE DISCLOSURE UNDER AN 'APPLY AND EXPLAIN' REGIME

ABSTRACT

Purpose: This study explores the quality of corporate governance disclosure under an 'apply and explain' regime in the context of an emerging economy (Mauritius), following a transition from the traditional 'comply or explain' approach within the national code of corporate governance.

Design/methodology/approach: The research relies on a content analysis of corporate governance disclosure of 86 annual reports of companies listed on the Stock Exchange of Mauritius (SEM) for the financial periods 2018-2019 and 2019-2020 and One-way ANOVA tests and draws on the typology of corporate governance explanations developed by Shrives and Brennan (2015), focusing on specificity, location and comprehensiveness dimensions. We draw on legitimacy theory and the concepts of substantive and symbolic disclosures to guide our interpretation of the findings.

Findings: From a specificity point of view, the disclosure index revealed significant variations, the highest score being four times the lowest score. With regards to location and comprehensiveness, only around half of companies are making optimum use of a corporate governance report and providing explanations by principles. We also illustrated how some firms provided symbolic disclosures. Overall, there are disparities in the application of the code by companies, reflected in a blend of substantive and symbolic disclosures to maintain their legitimacy.

Originality/Implications: Our study examines 'apply and explain' disclosure in a developing country in contrast to the 'comply or explain' approach studied so far in the literature. Merely professing a 'well intended' shift to the 'apply and explain' approach does not necessarily need to improvements in the quality of corporate governance disclosures. Companies, governance professionals and regulatory bodies could formulate disclosure guidance to better underpin the implications of the 'apply and explain' approach.

Keywords: corporate governance disclosures; apply and explain; comply or explain; legitimacy theory; emerging economies.

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INTRODUCTION

From both market and societal standpoints, a crucial dimension of good and effective corporate governance relates to the extent to which companies publicly disclose their governance arrangements. However, there has been long standing criticism that corporate governance disclosures lack quality and depth (Arcot *et al*., 2010; Shrives and Brennan, 2015), in spite of a number of guidelines and exhortations from regulators (e.g. UK's Financial Reporting Council, 2021; MacNeil and Esser, 2021). Beyond the developed country context and following the wide dissemination of Western-inspired codes to emerging economies (Areneke *et al*., 2022), the disclosure consequences of 'comply or explain' codes appear to be largely characterised by tick-box approaches, selective reporting, generic explanations and 'boilerplate' disclosures (Nerantzidis, 2015; Soobaroyen and Mahadeo, 2016; Djokic and Duh, 2018; Bosakova *et al*., 2019).

More recently however, an 'apply and explain' principles-based regime has emerged as a way to encourage companies to adopt corporate governance codes on a more substantive and holistic basis (Natesan, 2020). A company is expected to disclose a fuller explanation of its governance practices as to how it *applies* a code's principles in context (Asplund, 2020), rather than mechanically and abstractly disclose a list of procedures and processes (Bosakova *et al*., 2019) and/or to limit explanations to divergences from the code (Shrives and Brennan, 2015). Notwithstanding, some scholars are concerned that the 'apply and explain' approach, however well intentioned, creates room for flexibility and subjectivity (i.e. how detailed or in-depth an explanation needs to be), generates significant compliance costs and may not necessarily bring about a change away from a 'generic/boilerplate' behaviour towards disclosure (Tshipa *et al*., 2018; Van Vuuren, 2020).

Our study focuses on the case of Mauritius as one of the few African emerging economies to have adopted a code on an 'apply and explain' regime (National Committee on Corporate Governance, NCCG, 2016; Areneke *et al*., 2022). The 2016 code also sought to improve governance practices by emphasising adherence to overarching principles (rather than individual/detailed rules), reducing the extent of box-ticking whilst still offering flexibility in the way companies implemented these principles as long as there is adequate transparency explaining how these principles have been implemented. The crucial nature of transparency is underscored by the Mauritian government's very recent decision to introduce a corporate

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governance 'scorecard' to guide companies towards improving their implementation of the principles and disclosure thereof (NCCG, 2022)[1].

Theoretically, we rely on legitimacy theory on the basis that corporate governance disclosure requirements inherently provide companies with the flexibility and discretion to provide disclosures that reflect an adherence to societal and market expectations; albeit that the extent of the information may not be sufficiently detailed or substantive to allow an informed and rational evaluation/comparison of its practices. Authors such Seidl *et al*., (2013), Thanasas *et al*., (2018), Rizwan and Chughtai (2022) and Islam *et al*. (2022) have highlighted this possibility when considering corporate governance disclosure patterns in a number of countries although they did not consider the implications of an 'apply and explain' approach. Given the recent spread[2] of the 'apply and explain' model and the normative expectations it entails, there is an interest in evaluating the disclosure consequences. Drawing from the above, two research questions are put forward:

(a) How would an 'apply or explain' approach (re)shape (if at all) the quality of corporate governance disclosure?
(b) To what extent disclosures prepared under an 'apply and explain' approach reflect substantive and/or symbolic features?

The paper aims to firstly explore the quality of corporate governance disclosure under an 'apply and explain' and secondly to investigate the legitimacy-based motivations underlying such disclosures. We draw on prior studies (Shrives and Brennan 2015; Elmaghri *et al*. 2018) to devise a comprehensive disclosure checklist and apply a content analysis of corporate governance disclosures for companies listed on the Stock Exchange of Mauritius (SEM) for two financial years (2018-19 and 2019-20). Overall, the findings revealed a disparity in the application of the code when it comes to specificity, location and comprehensiveness. The ANOVA results portray that the differences are only significant at the sector level in the financial year 2018-2019. We also found evidence of symbolic disclosures in some parts of corporate governance disclosures provided by some firms. Overall, we conclude that the claimed advantages of the 'apply and explain' principle, in terms of providing sufficiently specific, well-located and comprehensive explanations, have not yet been materialised in the Mauritian context.

[1] https://nccg.mu/cg-scorecard-2021

[2] According to Bosakova *et al*., (2019), two countries in Africa have so far adopted an 'apply and explain' code (South Africa and Mauritius). In developed countries, the UK Financial Reporting Council has mandated the same approach for large private companies (known as the *Wates Corporate Governance Principles for Large Private Companies*).

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Although this study is not the first to examine the quality of corporate governance disclosures, it differs from other studies in three ways. First, our study provides new insights as to the quality of corporate governance disclosure under the 'apply and explain' approach. Prior studies have recommended empirical research (e.g. Tshipa *et al*., 2018; Van Vuuren, 2020; Natesan, 2020) to understand how companies communicate their application of the code in its entirety as opposed to merely providing explanations if/when they are not complying with some of the code's provisions (Arcot *et al*., 2010; MacNeil and Esser, 2021). Plausibly, explanations in a 'comply or explain' regime are typically seen as corporate mechanisms to ensure that the market does not react in an 'untoward' way towards the company given the typically negative connotation of 'non-compliance' (MacNeil and Esser, 2021). In contrast, disclosures in an 'apply and explain' regime are to provide readers with a generally neutral and comprehensive assessment of how a firm engages with the code, leaving it to them to ascertain whether the firm is sufficiently applying the code. Given the professed benefits of avoiding the traditionally compliance 'tick-box' approach, it would be important to appreciate the quality of disclosures under this new regime (Asplund, 2020). Secondly, an understanding of disclosure quality needs to move beyond the examination of a firm's compliance with best practices (Salterio *et al*., 2013; Senn, 2018; Ullah *et al*., 2020) and distinctively, we draw on relevant dimensions suggested by Shrives and Brennan (2015), namely specificity, location and comprehensiveness. Thirdly, the study answers the call for research on the validity of corporate governance reforms in developing and transition economies, due to the diversity of national contexts and enforcement approaches (Ararat *et al*., 2020). In spite of such emerging work, much of the literature still focuses on developed country settings and very few other large countries (e.g. China; South Africa).

Our motivations for investigating these research questions in the Mauritius context are threefold. First, it is one of the few countries to have adopted the new 'apply and explain' model. The regulator's decision to issue a new code in 2016 and to formally measure progress using a scorecard (NCCG, 2022) has led to new pressures amongst companies. Second, the Mauritian corporate governance context has distinctive characteristics due to the country's varied social, cultural, political and economic factors (Mooneeapen *et al*., 2022). Listed companies in Mauritius remain dominated by family-based ownership structures (Soobaroyen and Mahadeo, 2012) with around half of listed companies being controlled by two of the largest shareholders in the country (Mooneeapen *et al*., 2022). The rather small population of the country makes it difficult to segregate family, business and personal ties, while local directors traditionally hail from a small and close business community of directors serving on various boards (Soobaroyen and Mahadeo, 2012). Added to this, the small size, the remoteness of the island and the travel costs seem to deter the supply of foreign directors (Mooneeapen *et al*., 2022). Such local circumstances may compromise board independence (Mooneeapen *et al*., 2022) as well as shareholder protection (McGee, 2009). Contextually, this raises questions as to whether the validity (if at all) of recent corporate governance

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developments. The remainder of the paper discusses the theory and literature, methodology, followed by the findings and analysis, and conclusions/implications.

LITERATURE REVIEW

Review of studies on corporate governance explanations

A number of studies have investigated the extent to which companies rely on the 'or explain' option, as traditionally set out in corporate governance codes (Arcot *et al*., 2010; Cankar *et al*., 2010; Hooghiemstra and Van Ees 2011) i.e. to provide an explanation for non-compliance. While reflective of the flexibility of codes in allowing companies to maintain their governance practices/processes, the explanations were meant to signpost and justify non-compliance. However, deficiencies in the quality and extent of these explanations have long been observed in practice (Djokic and Duh, 2018) and there have been numerous calls to improve the quality and usefulness of these explanations (Shrives and Brennan, 2015). Additionally, it was found that some companies repeated the wording of the provisions of the Code and/or copy and paste other companies' justifications in their explanations, resulting in standardised, brief and boilerplate disclosure (Cankar *et al*., 2010; MacNeil and Esser, 2021). A lack of company-specific explanations were also reported by some authors (Soobaroyen and Mahadeo, 2008; Cankar *et al*., 2010; Arcot *et al*., 2010; Hooghiemstra and Van Ees, 2011; Seidl *et al*., 2013). There are also instances whereby some companies indicated compliance with the Code, even though it is not the case as a strategy to steer away from providing explanations (Arcot *et al*., 2010; MacNeil and Esser (2021). As result, explanations for deviations are either not provided at all or are of low quality.

Since the 'comply or explain' regime typically operates on the basis that the market and shareholders will act as enforcement mechanisms (Natesan, 2020; MacNeil and Esser, 2021), these findings have been attributed to inadequate shareholder engagement, particularly if financial performance is not affected (Shrives and Brennan, 2017). Explanations about non-compliance may also be insufficient to allow the market to evaluate the appropriateness of deviations from corporate governance codes (Albu and Girbina, 2015). It has been argued that the 'comply or explain' approach has resulted in an inclination towards greater compliance instead of providing explanations for deviations, the former being a simpler alternative to the crafting of good explanations (Shrives and Brennan, 2015). Cankar *et al*., (2010) observed that a rise in compliance with the code over time was accompanied by lower quality of disclosure. Likewise, Arcot *et al*., (2010, p. 198) conclude that "*poor explainers became compliers at a faster pace than non-compliers with better explanations*". Instead of embracing non-compliance when it is the most appropriate strategy given the company's circumstances, companies prefer to comply rather than explain deviations (Shrives and Brennan, 2017). Hence, the 'explain' dimension does not seem to be serving its purpose of generating additional insights (Cankar *et al*., 2010).

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However, some studies - albeit relatively fewer in number - depict a contrasting image. Grant Thornton's Corporate Governance Review (2019) of FTSE 350 companies observed a rise in the number of firms providing detailed reasons for their non-compliance. Similarly, Senn (2018) revealed a significant increase in explanations in case of deviations and advocated the effectiveness of the 'comply or explain' principle in corporate disclosure practices. Bradbury *et al*., (2018) examined the Australian 'comply or explain' corporate governance regime to examine the explanations provided for not having an audit committee and found that firms used consistent explanations. Salterio *et al*. (2013) observed that the 'comply or explain' principle was working well in the UK and Germany and that companies in both these countries benefited from the flexibility offered by this principle (Ullah *et al*., 2020); while Luo and Salterio (2014) found that Canadian companies electing to deviate and provide 'non-compliance' explanations exhibited higher firm value.

Overall, the literature suggests that firms do not communicate adequately on their corporate governance and in parallel, some regulators (Financial Reporting Council, 2021; King IV Report, 2016) have advocated reforms to de-emphasise the compliance 'tick-box' nature of codes and instead foster a principles-based approach. In this respect, the 'apply and explain' regime puts an onus on companies to apply the principles to their case and explain how their practices/processes are in line with these principles (Asplund, 2020). In this way, the explanation is not inherently a violation of the code and instead serves to justify and illustrate (Asplund, 2020), and by extension signals greater engagement with the code (Natesan, 2020). So far however, there is limited evidence about the consequences of an 'apply and explain'. In the case of South Africa, Van-Vuuren (2020) revealed there is adherence to the King IV principles but Tshipa *et al*., (2018) cautions that there may still be instrumental behaviour at play. This limited evidence motivates our research into the phenomena in other contexts that have adopted the new regime.

Context: The 'apply and explain' principle under the NCCG code (2016)

As one of the regularly top ranked African country on governance metrics (Areneke *et al*., 2022), Mauritius provides a valuable context to study corporate governance reforms in emerging economies. It adopted its first code in 2004 on a 'comply or explain' basis and although a fairly satisfactory level of compliance was noted over the first few years (Mahadeo and Soobaroyen, 2016), there were instances whereby no statement of compliance was provided or where statements were provided, the disclosure was generally brief and uninformative with little to no explanation. Mauritian companies also seemed to be choosing the easier requirements while ignoring inconvenient ones (e.g. disclosure of ownership structure or remuneration policy). In addition, the 2015 collapse of the BAI Group in Mauritius has equally revealed long-standing governance, audit and regulatory weaknesses (Areneke *et al*., 2022). In this light, the revised

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code (NCCG, 2016) adopts a principles-based approach[3], requiring all eligible firms to apply all the principles and to explain in their annual reports how these principles have been applied. In particular, the code states:

> "*All public interest entities and other entities required to report on corporate governance are required to **apply** all the principles contained in the Code and to **explain** in their annual reports **how these principles have been applied**… Where **material deviation** from any guidance contained within this Code occurs, however, the annual report should provide an **explanation**. The organisation's explanations may be **affected by individual circumstances** … Whilst shareholders and regulators have every right to challenge an organisation's explanations if they are unconvincing, such explanations should **not** be evaluated in a **mechanistic** and **box-ticking** way, and **departures** from the guidance should **not** automatically be treated as **breaches**.*" (emphasis added) (p. 7)

This statement clearly highlights the importance attached to explanations while reaffirming that corporate governance principles can be applied on the basis of the firm's circumstances and should not be merely assessed on the basis of simplistic criteria. Hence flexibility very much remains the priority but with an emphasis on the quality of the disclosures. Notwithstanding there is subjectivity underlying the new regime in that there may be different appreciations of the quality of explanations, as opposed to what have been previously a 'mechanistic' assessment of breaches to the code (e.g., adhered or not adhered to). While this reinforces the need for adequate disclosure to contextualise a company's decision to adopt a particular governance practice, it does also leave open the possibility for companies to rely on disclosures to convey a range of symbolic and substantive commitments to the code's principles. Taking into consideration the recent concerns about deficiencies in governance in Mauritius and the enactment of a revised code, companies may be mindful of the need to demonstrate adherence to the code and maintain their legitimacy. Hence, the quality of corporate governance disclosures takes a particular resonance in this context and we draw on the legitimacy perspective to frame our analysis of the data.

Theoretical Framework

Suchman (1995, p. 574) defined legitimacy as "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*". Khan *et al*., (2013) contends that the strategic variant of the theory bestows the firm's decision makers with the task of recognising threats to organisational legitimacy and act accordingly to maintain, enhance or repair legitimacy; thereby ensuring that there is a perceived or assumed alignment

[3] Please refer to Appendix 1 for the eight 'headline' principles as adopted by the NCCG code (2016).

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2 between a firm's actions and societal norms/expectations (e.g. adhering to good governance standards). In
3 this respect, the accounting literature (e.g. Soobaroyen and Ntim, 2013;Seidl et al., 2013) argues that
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5 communication is key to the legitimacy management exercise in disclosing for instance examples of actions
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7 being undertaken (and justifications), expressions of commitment (e.g. to principles),
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9 development/adoption of procedures, conveying governance-related information (e.g. profile of the board,
10 remuneration of executive officers) and more generally explanations about its ownership arrangements.
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12 Typically, a firm uses disclosures to communicate how it altered its activities and/or others' perception of
13 its operations (without necessarily changing the practices). In addition, an absence of disclosure can have
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15 different consequences, either in terms of not communicating potentially damaging information and hence
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17 not endangering the firm's legitimacy or the lack of information can lead to concerns about the firm's
18 activities and in fact threaten organizational legitimacy (Liu and Taylor, 2008). To this extent therefore,
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20 several authors argued that corporate governance disclosures (Liu and Taylor, 2008; Seidl *et al*., 2013;
21 Rizwan and Chughtai, 2022) are part of a legitimation exercise to maintain, gain or repair an organisation's
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23 social standing vis-à-vis the prevailing norms, values, and beliefs.
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26 In the specific context of emerging economies, Khan *et al*., (2013) further argued that the adoption of
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28 Western-style codes are attempts by governments, policy makers and local companies to gain legitimacy
29 with external stakeholders such as international investors and foreign agencies. The flexibility allowed
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31 under these corporate governance models (including the 'apply and explain' regime) effectively continues
32 to offer incentives for companies to engage with disclosures in a strategic way (Islam *et al*., 2022). Although
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34 there is a marked shift to a new corporate governance model, we assert that firms may still rely on corporate
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36 governance disclosure primarily for legitimacy reasons. In particular, a principles-based code, whilst
37 commendable, does provide a firm with the flexibility to adopt practices and procedures that suit its
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39 individual circumstances, but the organisation needs to explain how its approach is in line with each
40 principle (NCCG, 2016).
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43 We, therefore, argue that a firm's management may exploit this flexibility to shape stakeholder impressions,
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45 by communicating explanations that are consistent with its practices and principles and/or by providing
46 disclosures that merely given an impression of commitment to the code's principles. In this light, we draw
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48 on the notions of substantive and symbolic management (Ashforth and Gibbs, 1990) to interpret changes
49 (if any) in the quality of corporate governance disclosure. A company can substantively adopt a practice
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51 and comprehensively disclose this fact thereby demonstrating the entity's actions are aligned to societal
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53 norms and beliefs. Equally however a company may seek to only convey symbolic adoption through
54 disclosure primarily as a tactic (Khan *et al*., 2013) given the inherent flexibility that an apply or explain
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56 governance code offers to entities (Seidl *et al*., 2013). While social and economic actors may generally
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favour substantive actions (Ashforth and Gibbs, 1990), management will typically resort to symbolic assurance since they are more cost-effective and flexible (Day and Woodward, 2004). The quality and comprehensiveness of the disclosures can shift in light of societal pressures and scrutiny perceived by the organisations (Soobaroyen and Ntim, 2013).

Our study thus aims to determine how corporate governance disclosures can be used by firms for legitimacy reasons from the perspective of a symbolic and/or substantive strategy, these being two ends of a spectrum. Symbolic disclosures imply that firms provide vague and uninformative reports to gain legitimacy (Meng *et al*., 2018) which does not necessarily reflect their real corporate governance performance. It may be viewed as a minimum, introductory or threshold compliance with statutory requirements (Day and Woodward, 2004). Conversely, substantive disclosure involves exceeding compliance with minimum expectations and providing transparent, coherent and complete disclosures (Meng *et al*., 2018) that are in accordance with the principles and disclosure expectations in the code. We consider this framework in the analysis of the corporate governance disclosures in Mauritius.

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METHODOLOGY

Sample and analytical approach

The sample comprises of all companies listed on the stock exchange of Mauritius for which the annual report was available. Although their corporate governance reporting requirements are more extensive, financial institutions are also included since they are expected to adopt the Code at a minimum. The data was manually collected from annual reports (Elmagrhi *et al.,* 2018). The timeframe is over a two-year period i.e. the financial year 2018-19 and 2019-20 while the revised code was effective from July 2017 (NCCG, 2016)[4]. Out of a population of 55 companies, the sample size was 47 for year 2018-19 and 39 for the year 2019-2020 due to data availability constraints. Furthermore, disclosure studies are typically based on a content analysis approach and developing a disclosure index (Beattie *et al*., 2004; Nerantzidis ,2015; Ullah *et al*., 2020). In our case, we consider the multiple facets of specificity, comprehensiveness and location as informed by Shrives and Brennan (2015) to develop a more holistic view of the quality of corporate governance disclosure.

Specificity - corporate governance disclosure index

Firstly, with regards to specificity, we drawn on a disclosure index initially devised by Elmagrhi *et al*., (2018). Each question for the index scores 1 if disclosed and 0 if it is not, without any penalty for each undisclosed item. The index is designed with a particular focus on the specificity of corporate governance

[4] We do not focus on 2017-2018 since companies would still be transitioning to the new code.

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disclosure instead of merely focusing if they are applying the code or not explaining the relatively large number of items (97) (Elmagrhi *et al*., 2018) (Refer to Appendix 1 for a list of these items). For instance, if the disclosure board committee is taken into consideration, such as audit committee, instead of simply gauging its mere presence by just adding 1 if a company has an audit committee, otherwise 0, the index focuses more on specificity of the information by analysing further whether the company discloses its terms of reference, its composition and attendance record of the members. Arcot and Bruno (2011) noted that there should be no difference between a compliant company and a non-compliant company that deviates from standards for good and valid reasons that are fully disclosed. Hence, a company will not be penalised if it has not applied the Code as long as it has provided an explanation as to why it is the case. For example, a company will get a score of 1 if it has a Board Charter or if it discloses the reason why it does not have one. The index is calculated using the following formula:

$$CGDI = \sum_{t=1}^{nj} X_{ij} / n_j$$

where n_j is the number of items expected to be disclosed by j^{th} companies;

X_{ij} equals 1 if i^{th} item is disclosed and 0 if i^{th} item is not disclosed.

Hence, the corporate governance disclosure index (CGDI) would have the minimum value of 0 and the maximum value of 1. All items are weighted equally, given that there is no clear theoretical basis for assigning weights to various corporate governance items when assigning weights to various corporate governance provisions (Gyapong *et al*., 2019). Second, Beattie *et al*., (2004) argued that in the presence of a large number of items, both the weighted and unweighted scores tend to generate similar results. The corporate governance disclosure items are categorised in line with the main principles of the Code (Eight principles, Table 1). We omit Principle 6 since it concerns CSR and environmental reporting and is beyond the scope of this research. Hence, seven categories are considered.

A single coder (first author) performed the content analysis but to ensure the reliability, validity and consistency of the coding framework, coding categories and coded materials was discussed with two experienced coders (second and third author), and any mistakes or inconsistencies were discussed and corrected (Elmaghri *et al*., 2018). Furthermore, we rely on Cronbach Alpha to assess the content analysis's reliability (Elmaghri *et al*., 2018).

A one-way Analysis of Variance (ANOVA) is then conducted to test if there is any significant differences between CGDI and firm size and sector. In both tests, the decision rule was if the P value is less than the confidence level of 0.05, the null hypothesis is rejected and vice versa. The null hypothesis implies that there is no significant difference between sector and CGDI while the alternative hypothesis portrays a

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significant difference between sector and CGDI. The same hypotheses apply for firm size and CGDI. Firm size is calculated as the natural log of total assets following (Mirza *et al*., 2019). The sectors used are the same used to categorised firm on the SEM website. However, given the small number of firms in certain sectors, we further grouped them. For example, the "Leisure and Hotels" sector has been amalgamated to "Transport" which comprises only of the national airline (Air Mauritius Ltd). The Leisure and Hotels sector and the Transport sector are more or less dependent on each other as Air Mauritius Ltd offers the carrier to bring tourists in the country while on the other hand hotels accommodate these tourists. Thus, these two sectors are inter-related (Padachi *et al*., 2016). Depositary receipts as well as funds / GBL companies have been merged with foreign, property development has been merged with the "Investments' sector while sugar was moved to the "Industry" category given that they are closely related.

Location

Secondly, we consider the disclosure location in the annual report since the location of specific disclosures matters to readers (Ashcroft 2012). For instance, stakeholders may have more confidence in disclosures in the audited sections of the annual report (Ashcroft, 2012). Hence, annual report users may place more emphasis and importance on disclosures found in certain sections of the annual report rather than equal emphasis on the disclosures in each section. Investigating where firms disclose information in their annual reports will provide additional insights into the quality of corporate governance information and will equally extend prior corporate governance research that has so far only considered the location of disclosures in the annual report in a limited way (Ashcroft, 2012). Furthermore, the patchy or inconsistent nature of the location of disclosures does not enable the reader to appreciate fully the relevance and completeness of the corporate governance explanations.

In our study, and in line with Ashcroft (2012), companies will be rated 3 if they provide corporate governance explanations as part of a corporate governance report, 2 if the explanations are scattered throughout the annual report, and 1 if they do not have a corporate governance report and explanations are subsumed within another part of the annual report. A separate governance report will enable stakeholders to access the corporate governance -related information more easily than going through the entire annual report (Amaladoss *et al*., 2011). Therefore, stakeholders are likely to read and favour corporate governance information in a separate corporate governance report within the annual report.

Comprehensiveness

According to Shrives and Brennan (201), comprehensive information improves both understandability and comparability of corporate governance disclosure. Comprehensiveness is analysed in four categories: Companies are scored 4 if it provides explanations under the 8 principles of the code (refer to Table I for

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more details) and clearly stated it has fully applied NCCG / provided reasons of non-application and 3 if explanation are labelled under the 8 principles of the code but the disclosure of non-application is not clear. A score of 2 is applicable if explanations are not labelled under the 8 principles of the code but it clearly states that it has fully applied NCCG / provided reasons of non-application and a score of 1 is given if the explanations are not labelled under the 8 principles of the code and the disclosure of non-application is not clear.

If information is provided under the 8 principles, it is more likely that the disclosure is complete whereas if the corporate governance information are not labelled it might be difficult to ascertain whether the disclosure is comprehensive and extends to the recommended disclosure by the Code. Shrives and Brennan (2015) also highlighted on the importance of disclosing under Code provision labels to reduce scepticism in disclosures and enhancing verifiability. In addition, explanations for departures should be clearly presented in the corporate governance statement in such a way that they are easy to find for shareholders, investors and other stakeholders (The European Commission, 2014). This could be done, for example, by following the same order of recommendations as in the code or by grouping all explanations for departure in the same section of the corporate governance statement, as long as the explanation and method used is clearly explained. Thus, investors are likely to show a preference towards 4.

Figure 1 summarises the multiple criteria used to assess the quality of corporate governance disclosure in this study.

FINDINGS AND ANALYSIS

Corporate governance disclosure index (specificity)

The first stage of the analysis of the corporate governance disclosures examines any disclosure recommended by the Code, even at the most minimalist or symbolic level (Day and Woodward, 2004). The findings in Table II and III indicate a rather average level of corporate governance reporting when it comes to specificity with a mean CGDI score of 0.5911 and 0.5874 in 2018/2019 and 2019/2020 respectively. The highest and lowest total scores for governance reporting are 0.1856 and 0.8041 respectively- the difference being sizeable with the highest score being around four times higher than the minimum disclosure score; indicative of very different levels of engagement with the reforms. While not fully comparable, a review of the current findings relative to previous measures of corporate governance disclosure in Mauritius reveal that SEM listed companies tend to engage with broader aspects such as risk management and internal audit but being less clear on detailed aspects e.g. risk management processes and policies (Mahadeo and Soobaroyen, 2016). Our findings chime with a recent assessment exercise using the Corporate Governance Scorecard in that a significant difference exists between the best performing and

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weakest companies; the scores obtained by the 21 companies range from 24% to 81%, with an average score of 54% (NCCG, 2022).

As the findings depict a sizeable disparity in the application of the corporate governance code among the sample firms, a one-way ANOVA test is conducted to test for any significant differences between the CGDI and firm size as well as firm industry. The results shown in Table IV reveal a significant difference between CGDI and firm industry for the financial year 2018-19 but not in 2019-2020. The divergences in score between sectors was also evidenced in Padachi *et al*., (2016) under the previous 'comply or explain' model. In the initial year of implementation, firms may still be influenced by disclosure practices under the old code and hence exhibited some disclosure patterns under the previous 'comply or explain' approach. In contrast, the difference is not significant for firm size in both years. In both years examined, firm in the "foreign" sector had the lowest score of 0.186 and 0.227 respectively while firm in the finance sector scored highest at 0.742. The high compliance level of the Banks, Insurance and other finance sector is justified due to the various compliance requirements imposed by the different bodies as a result of the global financial crisis and other scandals involving this particular sector (Padachi *et al*., 2016). Surprisingly, smaller firms scored the highest and big firms the lowest in 2018-2019 while big companies scored both the minimum and maximum the following year. Some of the biggest firms are in the "foreign" sector and their level of adherence with local guidelines tend to be lower (Kuada and Hinson, 2012).

The CGDI is sub-divided into four benchmarks in order to determine where most companies stand in terms of specificity in disclosure scores as shown in Table III. Most companies scored between >0.5 ≤0.75 in both years (87.23% and 76.92%).

The disclosure scores per principle were then considered (Table V) and the results are relatively mixed, and indicative of selective engagement. For example, while most companies engaged with Principle 2 (about 80%), there were lower scores for all other principles, and in particular for Principle 3 (Director Appointment), Principle 7 (Audit) and Principle 1 (Governance Structure). As highlighted in prior studies, there seems to be a predilection for board related information (Mahadeo and Soobaroyen, 2016; Elmaghri *et al*., 2018; Rizwan and Chughtai, 2022). The minimum scores also highlight that some companies have barely engaged on a specific level with most of the principles, and there is little evidence of an improvement in the subsequent period. Variations in the disclosures per principles suggest there is little in the way of a holistic approach to the disclosure of how the code's principles are being applied. The average scores essentially suggest that companies still appear entrenched in the traditional approach to factual disclosures rather than consider providing more elaborate explanations. Although prior studies (Liu and Taylor, 2008; Mahadeo and Soobaroyen, 2008; Elmaghri *et al*., 2018) highlighted that certain corporate governance information were too sensitive (e.g. director remuneration, ownership) to be

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disclosed, it seems that there is more widespread hesitation to provide detailed explanatory notes on the various principles.

Location

Table VI reveals that a majority of companies are disclosing all their explanations in a corporate governance report although the proportion has declined to about 54% in 2019/2020. In this way, users are in a better position to look for and locate the information disclosed. Instead, there has been an increase in cases where explanations are scattered throughout the annual report (38.5%), namely in the corporate governance report and other reports. Although one is aware of the relevance of the location of information from a user's perspective (Ashcroft, 2012), many companies do not seem to be making an optimal use of the corporate governance report and thereby making it harder to appreciate a company's holistic engagement with the code's principles. In the case of UK private limited companies (Gaia *et al*., 2022), the code required the use of cross-referencing for relevant information provided in other parts of the annual report but such practice was not widespread; thereby again making corporate governance information difficult to find.

The above effectively leads to a form of obfuscation since typically different professionals/individuals write separate sections of the report. This may create imbalances in style, fluency and co-ordination in content (Courtis *et al*., 2004). The previous code (Report on Corporate Governance for Mauritius, 2004) specifically required that relevant information must be disclosed in a corporate governance report within the company annual report (Mahadeo and Soobaroyen, 2016). Although the updated Code mentions that *"All public interest entities … are required to apply all the principles contained in the Code and to explain* ***in their annual reports*** *how these principles have been applied."* (emphasis added) (2016, p. 7), the need for a specific location is not made explicit, and hence explaining such disparities (Bhasin and Shaikh, 2013). At the same time, the number of companies having no corporate governance report is rather low (3 in both financial years) which suggests that companies have at least recognised the need to provide a separate report; albeit that a clearer structure and location of the corporate governance explanations are required.

Comprehensiveness

Table VII shows that fewer than 40% of companies provided comprehensive disclosures for the year 2018-19. The majority (55.3%) produced information which is less comprehensive since explanations are not labelled under the 8 principles which might make it more difficult to understand which provision of the Code is being referenced and whether the firm is providing all the recommended corporate governance explanations (Shrives and Brenan, 2015). Taking into account the lower number of company reports for

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2019/2020, there has been little change over the period of analysis. In effect, less than 50% of the sampled companies have actually engaged in a comprehensive way. It is also noted that a sizeable proportion of companies do partially engage with the principles, but not in a very explicit and clear manner.

Overall, the findings revealed that while some companies have high quality of corporate governance explanation in terms of specificity, location and comprehensiveness, others are clearly far from meeting this threshold. For example, the corporate governance report of Lux Island Resorts (2019-2020) provides a useful illustration of a disclosure that can be regarded as substantive, even though it appears to be departing from usual practice:

"The composition of the Board: Following the restructuration exercise which involved the separation of the real estate cluster and hotel operation Company, LIR, from its management company, The Lux Collective Ltd (TLC), the Board is actually composed of only one executive director. The Board is of the view that a strong management presence is important and is currently considering to appoint another executive director."

This example is thus deemed to be substantive as it provides explanation as to why the Board is composed of only one executive director as well as the action the firm is going to take to apply the code. Overall however, the 'apply and explain' approach does not appear to have led to a more coherent approach to the adoption of governance principles and the explanations thereof. The findings with regards to the lack of a substantive adoption could be attributed to the passiveness of shareholders in Mauritius (Beebeejaun and Koobloll, 2018) and there may be a lack of sufficient pressure to address these requirements in a more comprehensive way. For instance, the dominant shareholders may resist change and prefer to maintain some level of opacity (Soobaroyen and Mahadoeo, 2016). In a similar vein, dominant shareholders who can obtain this information by other means do not have an incentive to encourage more detailed disclosures while smaller shareholders are relatively powerless in pressing for more engagement with the 'apply and explain' model (Andres and Theissen, 2008). Since the divergence in score between sectors was observed in a prior study based on 'a comply or explain' approach (Padachi *et al*., 2016), it might be argued the period of implementation is still influenced by previous disclosure practices.

Use of symbolic disclosures

A more detailed inspection of the corporate governance information has uncovered five types of symbolic disclosures (similar to the ones highlighted by Seidl et al., 2013) used by some firms in their attempt at legitimisation: 1) Claiming application of the code in instances of non-application 2) Providing a bland explanation for non-application. 3) Providing explanations by pointing to future application and which is copy-and-pasted from the previous year. 4) Providing similar (mimetic) explanations in response to

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specific requirements. 5) Not providing any explanation at all. The rather average and inconsistent level of disclosure evidenced above is further exacerbated when consideration is given to the nature of the disclosure: Is the disclosure simply symbolic and not reflecting real corporate governance performance or are companies providing transparent and substantive disclosures? By way of illustration of the concepts of substantive and symbolic disclosure, we use examples drawn from some corporate governance reports.

Under an 'apply and explain' approach, all principles arguably epitomise the ideal state that an organisation should strive towards improving its corporate governance practices (Bosakova *et al*., 2019). Yet, companies can acquire legitimacy simply by complying with the law (Seidl *et al*., 2013). Firms claiming that they have applied the code can thus be perceived as "compliant", but such companies (e.g. Alteo Limited 2019-2020, Fincorp Investment Ltd 2019-2020, P.O.L.I.C.Y. Limited 2019-2020) might be seeking to convey a symbolic message of operating in line with social norms and beliefs; while having not fully applied the code (Ashforth and Gibbs, 1990). Such a symbolic example is provided in the annual report of National Investment Trust. While for the reporting period 2018-2019, the company stated the following in its statement of compliance "*Throughout the year ended 30 June 2019, to the best of the Board's knowledge, the Company has complied with the Corporate Governance Code of Mauritius (2016) where applicable and, explained how these principles have been applied*.", the annual report however also mentioned that "*The Board of Directors has not adopted a Board Charter*".

Furthermore, companies providing explanation for deviations of the code in their statement of compliance (for e.g. Omnicane 2018-2019, Belle Mare Holdings Ltd 2018-2019) might equally engage into symbolic behaviour. Here, organisations are providing non-compliance explanations to persuade shareholders that non-compliance is legitimate (Shrives and Brennan, 2017). As Suchman (1995, p. 574) stated "A*n organization may occasionally depart from societal norms yet retain legitimacy because departures are dismissed as unique*." In that sense, non-compliance or more precisely non-application is not seen as a threat to legitimacy (Shrives and Brennan, 2015) since the latter would only arise if an explanation was defective or missing and market/societal players identify it (Shrives and Brennan, 2015). For example, the Mauritius Chemical and Fertilizer Industry Limited (2018-2019) merely states "*The Board does consider gender diversity during selection and appointment of Directors on the Board.*" as an area of non-application for gender balance on the Board, and this was deemed to be symbolic as it "*does little more than express a simple truism*" (Day and Woodward, 2004, p.53).

The third observation demonstrates a tendency by firms to provide explanations for their practices by pointing to future compliance with the code provisions (e.g., MUA Ltd, 2018-2019). These firms contend they should be considered legitimate since they are moving towards better application (Seidl *et al*., 2013)

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i.e. they are "*promising reform, thereby segregating today's reality from tomorrow's ideal*." (Suchman, 1995, p. 590). Some of these explanations are found to be copy-pasted from the previous year (e.g., Astoria Investments Ltd, Dale Capital Group Limited), which is symptomatic of boilerplate disclosure (MacNeil and Esser, 2021). Furthermore, a review of some the companies' explanations to justify non-application are copy-pasted from the previous year. For example, the following explanation was provided by Dale Capital Group Ltd as a reason of the non-application of the Code for both financial years 2018-2019 and 2019-2020:

"Principle 5: Risk Management, Internal Control and Internal Audit: Given the size and level of the business of the Company and the existing internal controls and the scope of the external audit, an Internal Audit function was not deemed necessary at this time. However, internal audit function is currently being formalised.

Principle 6: Reporting with integrity: During the year under review, the website has not been updated as per the provisions of the Code of Corporate Governance. The Board is reviewing tenders for the website design and updates."

As illustrative of a statement that points to future application while replicating the same statement from the previous year and henceforth considered symbolic, the Mauritius Development Investment Trust blandly asserts:

"Principle 5 Whistle-blowing Policy: A Whistle-blowing Policy will be implemented during the next financial year."

The above disclosure was simply repeated the next year, although one would expect the whistleblowing policy to be in place by the next financial year. Such examples thus undermine the purpose of the 'apply and explain' regime since the disclosure does not sufficiently explain the circumstances underlying the non-implementation of the disclosure. This is similar to previous concerns about the uninformative nature of corporate governance disclosures (Arcot *et al*., 2010).

Fourth, companies may be tempted to mimic or copy the actual explanations of others particularly where they are unsure themselves how best to craft the explanation (Shrives and Brennan, 2015). Such a behaviour can also be viewed as a legitimacy tactic; if non-compliance is being questioned, managers may copy what might be seen as an acceptable practice of other firms to preserve their own legitimacy (Shrives and Brennan, 2015). Hooghiemstra and Van Ees (2011) found that firms typically tend to deviate in similar

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areas and with similar forms of explanation. This pattern has also been observed among Mauritian firms. For instance, various firms adopted the argument about the "sensitivity of information" to continue to justify the non-disclosure of directors' remuneration on an individual basis (Caudan Development Ltd 2019-2020, Bluelife Ltd 2019-2020, Innodis Ltd 2018-2019, Harel Mallac Ltd 2019-2020). This also implies that managers provide generic explanations rather than company specific ones (Thanasas *et al*., 2018). The disclosure amounts to little more than mimicking other companies' justifications, thus reflective of a symbolic application of the code.

In addition, further scrutiny of the annual reports revealed instances where companies do not apply a specific guideline and remain silent about it (MacNeil and Esser, 2021). Such an instance is symbolic in nature as the firm has neither applied the code nor provided any explanation. For example, Dale Capital Group Ltd has no female directors and did not mention anything about it in its annual report 2019-2020). Not providing an explanation of non-compliance under the 'comply-or-explain' provisions of corporate governance codes - termed as the rhetoric of silence by Shrives and Brennan, (2017) - may create an impression of compliance and secure legitimacy (Shrives and Brennan, 2017). This practice has also been observed by Albu and Girbina (2015) and Djokic and Duh (2018). This practice has been categorised as denial and concealment by Ashforth and Gibbs (1990) whereby organisations suppress information regarding activities or outcomes that are likely to undermine legitimacy. According to MacNeil and Esser (2021), the market often fails to recognise this malpractice since they tend to judge only on the basis of what is provided rather than interpret the absence of information as a substantive non-application of the code. MacNeil and Li (2006) added further that corporate governance were being enacted in the form of 'perform or explain' whereby investors only reacted and cared about the governance of the firm in cases of deterioration in financial performance. Hence, shareholders can be often satisfied if the company performed well financially irrespective of the existence or quality of the explanation (Asplund, 2020).

CONCLUSION

The past two decades have witnessed numerous corporate governance reforms globally, including in emerging economies such as Mauritius. A distinctive dimension of the 2016 code's reforms is its attempt to move to an 'apply and explain' approach in an attempt to mitigate the drawbacks of the 'comply or explain' and the 'apply or explain' approach (Natesan, 2020). While much is known about the quality of explanations under the 'comply or explain' regime (Hooghiemstra, and Van Ees, 2011; MacNeil and Esser, 2021), disclosure under the 'apply and explain' approach remains largely unexplored (Van Vuuren 2020). To this end, the study adopts a content analysis method, inspired partly by Shrives and Brennan (2015)'s typology, to explore corporate governance disclosures in annual reports of Mauritius listed companies over the financial years 2018-2019 and 2019-2020.

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From a specificity point of view, the disclosure index revealed significant variations, the highest score being four times the lowest score. With regards to location, it is found that just over half of companies are using a corporate governance report for disclosing all their explanations, while others disclose the explanations in different parts of the annual report. The observations are similar when looking at the comprehensiveness attribute. Only about 49% of companies provided explanations in relation to all the principles and provide statements for non-application. Overall, we find notable disparities in the application of the code by companies when it comes to specificity, location and comprehensiveness. Using extracts from annual reports, we illustrated how some firms provided symbolic disclosures. In line with the theoretical framework, the results demonstrates that firms tend to adopt many of the code's recommendations, but still in a selective way and primarily from a legitimacy-seeking perspective, favouring a blend of substantive and symbolic disclosures.

Consequently, our study contributes to the literature by revealing the mixed consequence of the 'apply and explain' regime (e.g., Tshipa *et al*., 2018; Van Vuuren, 2020; Natesan, 2020). While expected to be more neutral and comprehensive, the quality of the disclosures has yet to provide sufficient detail and justifications to be useful to the stakeholder audience, beyond the traditional compliance 'tick-box' approach (Asplund, 2020). The findings thus challenge the notion that better governance will readily materialise following the change to an 'apply and explain' approach (Asplund, 2020) and that issues of boilerplate disclosure, box-ticking and poor quality of corporate governance explanations are continuing. Furthermore, the study validates the dimensions suggested by Shrives and Brennan (2015), namely specificity, location, and comprehensiveness. Finally, the study brings evidence about the consequences of corporate governance reforms in developing and transition economies (Ararat *et al*., 2020).

By investigating the quality of explanations under the 'apply and explain' approach, the research findings have implications for researchers and policy-makers. Further actions are needed for firms to adopt the spirit of governance codes and disclose more substantively. The recent decision to introduce a scorecard in Mauritius is in the right direction but it remains to be seen whether companies are able to provide more detailed explanations as a result. Notwithstanding, we would advise regulators and policymakers to consider issuing guidance and related training on the 'apply and explain' approach. Further research could also extend the years of analysis and compare disclosures in different countries.

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TABLES

Table I: Corporate Governance provision categories

Category	Details
Principle 1: Governance Structure	Board Charter, Code of Ethics, Position Statements Organisational Chart and Statement of Accountabilities.
Principle 2: The Structure of the Board and its Committees	Board details such as its structure type, size, composition, diversity, and company secretary and directors profile. It also incorporates board committees.
Principle 3: Director Appointment Procedures	Directors' election and re-election, induction and orientation, professional development as well as succession planning.
Principle 4: Director Duties, Remuneration and Performance	Director's legal duties, information governance and security, related party transaction, board evaluation and remuneration details.
Principle 5: Risk Governance and Internal Control	Risk governance and control such as risk management and internal controls.
Principle 6: Reporting with Integrity	Reporting under IFRS, IAS and Companies Act as well as social, environmental and CSR reporting and hence will not be considered.
Principle 7: Audit	Role of internal and external audit.
Principle 8: Relations with Shareholders and Other Key Stakeholders	Shareholders and stakeholder's involvement and communication, substantial shareholders and other shareholder information like general meetings.

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Table II: Quality criterion 1- Aggregate level of specificity by companies of their corporate governance explanations

	Obs	Mean	Std. Dev.	Min	Max
2018-19	47	0.5942	0.0995	0.1856	0.7423
2019-20	39	0.5874	0.1193	0.2268	0.8041
Total	86	0.5911	0.1083	0.1856	0.8041

Table II presents descriptive statistics of the corporate governance reporting index for the total sample by year and in aggregate. A score of 1 was given to a company if the company has disclosed items under the coding scheme and 0 if the information item has not been disclosed.

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Table III: Quality criterion 1- Aggregate level of specificity against a benchmark

	> 0 ≤0.25		**>0.25 ≤0.5**		**>0.5 ≤0.75**		**>0.75 ≤1**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
2018-2019	1	2.13	5	10.64	41	87.23	0	0
2019-2020	1	2.56	7	17.96	30	76.92	1	2.56

Table III presents corporate governance score benchmark by the number of companies. Details of scores per company for both years are found in the Appendix section. A score of 1 was given to a company if the company has disclosed items under the coding scheme and 0 if the information item has not been disclosed.

Table IV: ANOVA test

Financial year 2018-2019					
Industry					
	Mean	**Std Dev**	**Freq**	**Min**	**Max**
Banks, Insurance & Other Finance	0.658	0.045	6	0.619	0.742
Commerce	0.637	0.053	4	0.567	0.691
Foreign	0.515	0.144	11	0.186	0.691
Industry	0.600	0.090	6	0.495	0.722
Investments	0.603	0.076	14	0.412	0.711
Leisure and hotels	0.620	0.044	6	0.577	0.691
Source	**Sum of squares**	**df**	**Mean Squares**	**F**	**Significance**
Between groups	0.105	5	0.021	2.46	0.049*
Within groups	0.351	41	0.009		
Total	0.456	46	0.010		
Size					

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	Mean	**Std Dev**	**Freq**	**Min**	**Max**
Small	0.608	0.073	16	0.464	0.742
Medium	**0.604**	**0.087**	**16**	**0.412**	**0.722**
Big	0.569	0.132	15	0.185	0.691
Source	**Sum of squares**	**df**	**Mean Squares**	**F**	**Significance**
Between groups	0.014	2	0 007	0.70	0.501
Within groups	0.442	44	0.010		
Total	0.456	46	0.010		
2019-2020					
Industry					
	Mean	**Std Dev**	**Freq**	**Min**	**Max**
Banks, Insurance & Other Finance	**0.656**	**0.057**	**5**	**0.600**	**0.742**
Commerce	0.616	0.116	4	0.464	0.722
Foreign	0.518	0.173	9	0.227	0.804
Industry	0.621	0.091	4	0.515	0.711
Investments	0.590	0.0774	12	0.423	0.722
Leisure and hotels	0.588	0.142	5	0.340	0.691
Source	**Sum of squares**	**df**	**Mean Squares**	**F**	**Significance**
Between groups	0.075	5	0.015	1.06	0.400
Within groups	0.466	33	0.014		

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Total	0.541	38	0.014		
Size					
	Mean	**Std Dev**	**Freq**	**Min**	**Max**
Small	0.537	0.101	13	0.340	0.680
Medium	**0.594**	**0.102**	**13**	**0.361**	**0.711**
Big	0.631	0.140	13	0.227	0.804
Source	**Sum of squares**	**df**	**Mean Squares**	**F**	**Significance**
Between groups	0.059	2	0.029	2.19	0.126
Within groups	0.482	36	0.013		
Total	0.541	38	0.014		

Table IV portrays results of the ANOVA tests conducted between CGDI and firm size and sector. * shows significance at 5%

Table V: Quality criterion 1- Aggregate level of specificity by companies of their corporate governance explanations segregated by principles

	2018-19					2019-20				
	Obs	**Mean**	**Std. Dev.**	**Min**	**Max**	**Obs**	**Mean**	**Std. Dev.**	**Min**	**Max**
Principle 1: Governance Structure	47	0.4893	0.2224	0	0.9375	39	0.5112	0.2311	0.0625	0.9375
Principle 2: The Structure of the Board and its Committees	47	0.8128	0.1209	0.2	0.96	39	0.7959	0.1335	0.2	0.96
Principle 3: Director Appointment Procedures	47	0.4657	0.1240	0	0.6667	39	0.4644	0.1527	0	0.6667
Principle 4: Director	47	0.5319	0.1434	0.1333	0.8667	39	0.5726	0.1735	0.2	0.9333

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Duties, Remuneration and Performance										
Principle 5: Risk Governance and Internal Control	47	0.5426	0.1156	0.3	0.9	39	0.5462	0.1072	0.3	0.7
Principle 7: Audit	47	0.4929	0.1553	0.0833	0.8333	39	0.4893	0.1723	0.1667	0.8333
Principle 8: Relationship with stakeholders	47	0.5979	0.1763	0.2	1	39	0.5744	0.1817	0.2	1

Table V presents descriptive statistics of the corporate governance reporting index for the total sample by principle. A score of 1 was given to a company if the company has disclosed items under the coding scheme and 0 if the information item has not been disclosed.

Table VI: Quality criterion 2- Location by companies of their corporate governance explanations

Location	**2018-19**		**2019-2020**	
	Number	**Percentage (%)**	**Number**	**Percentage (%)**
3 if Explanations are part of a corporate governance report	29	61.7	21	53.8
2 if explanations are scattered throughout the annual report - in the corporate governance report plus other reports	15	31.9	15	38.5
1 if No corporate governance report: Explanations subsumed within another part of the annual report	3	6.4	3	7.7
TOTAL	47	100	39	100

Table VI presents results of location by companies of their corporate governance explanations. Companies are given a score of 3 if they provide corporate governance explanations as part of a corporate governance report, 2 if the explanations are scattered throughout the annual report and 1 if they do not have a corporate governance report and explanations subsumed within another part of the annual report.

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Table VII: Quality criterion 3 - Comprehensiveness by companies of their corporate governance explanations

Level of Comprehensiveness	2018-19		2019-2020	
	Number	Percentage (%)	Number	Percentage (%)
4 if explanations are labelled the 8 principles of the code + stated it has fully applied NCCG / reasons of non-application are clearly disclosed	18	38.3	19	48.7
3 if explanations are labelled under the 8 principles of the code but the disclosure of non-application is not clear,	2	4.3	1	2.6
2 if explanations are not labelled under the 8 principles of the code but stated it has fully applied NCCG /reasons of non-application are clearly disclosed	26	55.3	16	41
1 if explanations are not labelled under the 8 principles of the code and the disclosure of non-application is not clear	1	2.1	3	7.7
TOTAL	47	100	39	100

Table VII presents results of comprehensiveness by companies of their corporate governance explanations. Companies are given a score of 4 if it provides explanations for each of the 8 principles of the code and clearly stated it has fully applied NCCG / provided reasons of non-application, 3 if explanation are labelled under the 8 principles of the code but the disclosure of non-application is not clear, 2 if explanation are not labelled under the 8 principles of the code but it clearly states that it has fully applied NCCG / provided reasons of non-application and a score of 1 is given if the explanations are not labelled under the 8 principles of the code and the disclosure of non-application is not clear.

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