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Article

Does More Corporate Governance Information Disclosure Predict Higher Management Expenses? Evidence From Chinese Site Visit Disclosures

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Abstract

In this paper, we use site-visit information disclosures of Chinese A-share listed firms (2012–2021) to predict management expenses. We find that ownership concentration drives corporate governance disclosures that predict management expenses, indicating that our content analysis is informative and can help mitigate agency problems. These effects differ between state-owned and non-state-owned firms. Robustness checks confirm that the results are consistent.

Keywords: content analysis; site visit; corporate governance information; management expenses
JEL: G30, G32, G40

1. Introduction

Listed firms have many motivations influencing their information disclosure. This is more the case with voluntary disclosure than with mandatory disclosure. Voluntary disclosure, which is not mandated by regulations, occurs when corporate management of its own volition provides information related to corporate finance and development (Meek et al., 1995). To reduce information asymmetry between corporate management and investors, listed firms are inclined to disclose information (Healy and Palepu, 2001). Voluntary disclosure enhances communication and mitigates such asymmetry.

The voluntary disclosure of different types of information by listed companies is driven by various factors. Some capital operation information can illustrate a firm's mergers and acquisitions, financing, etc., such as strategic transformation and business adjustments (Hanley and Hoberg, 2010; Kumar et al., 2012). Moreover, voluntary disclosure increases the reliability of financial information (Skinner, 1995), as demonstrated by the financial information reported in voluntary disclosures. Furthermore, a listed firm that has a comprehensive principal–agent relationship may prefer to voluntarily disclose more corporate governance information (Eng and Mak, 2003; Garas and Elmassah, 2018; Ho and Wong, 2001). Therefore, the specific information in voluntary disclosure could transmit some specific issues and predict economic variables related to disclosure motivation.

With respect to the specific information in voluntary disclosures, however, current studies of voluntary disclosure focus mainly on the disclosure of financial information (Dye and Hughes, 2018; Kasznik, 1999), but few consider corporate governance information in voluntary disclosures. The corporate governance information conveyed through voluntary disclosure has unique significance for governance. It provides a firm's ownership structure, management shareholding and agency relationship information to investors (Barako et al., 2006), which differs from the other types of information provided in a voluntary disclosure.

Considering the specific information included within a voluntary disclosure, in this paper, unlike in previous studies, we focus on the corporate governance information provided through site visit disclosure, as it highlights listed firms' agency relationship motivations. Under the information transmission mechanism and reputation mechanism, listed firms transmit value and quality to investors through their specific information disclosed. Investors evaluate the value of a firm on the basis of these information disclosures, which would assist investors in making proper investment decisions.

Why do we focus on site visit information disclosure? First, the site visit is a field trip by the investor to the headquarters and production facilities of a corporation, during which investors can observe corporate operations and talk with top managers and employees (Cheng et al., 2013a). Investors increasingly regard site visits as an information acquisition activity (Abramowitz, 2006; Jackson, 2009). Financial analysts consider site visits to be a useful way to acquire more information, forecast future performance and improve the efficiency of the capital market (Brown et al., 2015; Cheng et al., 2016; Lu et al., 2018). Hence, site visits can lead to more accurate information (Cheng et al.,

2016). Second, site visit information disclosure is the information on site visits that listed firms should disclose to both agencies and investors after investors visit the companies. Notably, the Shenzhen Stock Exchange (SZSE) and Shanghai Stock Exchange (SHSE) imposed requirements for site visit information disclosure between 2006 and 2013. The disclosure includes participants, dates, locations, and questions and answers discussed and discloses this information in annual reports (Yang et al., 2020), suggesting that the site visit disclosure structure and format are mandatory. However, the degree of detail of the questions and answers in site visit disclosure is not mandated; listed companies can disclose the questions and answers at their discretion, meaning that site visit information disclosure is not mandatory. Overall, site visit information disclosure is still essentially voluntary (The examples of site visit disclosures in Chinese may be accessed at http://static.cninfo.com.cn/finalpage/2022-06-23/1213803327.PDF and http://static.cninfo.com.cn/finalpage/2022-06-23/1213803083.PDF; the first link includes profile of companies, but there are no profiles of companies in the second one. The comparisons of these two examples suggest the contents disclosed are arbitrary.). Thus, site visit information disclosure could mitigate information asymmetry.

To explore the disclosure of corporate governance information in voluntary disclosure, we use the site visit information disclosure of firms listed on the Chinese A-shares market as the research object and utilize word frequency statistics to obtain corporate governance information in site visit information disclosures. We construct a lexicon of corporate governance terms and calculate the frequency with which corporate governance information (Appendix Table 10 illustrates corporate governance information that is in the top 30% for frequency of terms related to corporate governance within site visit information disclosures. The terms "management", "board of directors" and other terms or phrases illustrated in Appendix Table 10 are mentioned in site visit information disclosures, which suggests that the questions and answers during the site visit are corporate-governance specific.) related to the lexicon appears in site visit information disclosures.

Next, how much corporate governance information listed firms choose to disclose is driven by the listed firms' motivations. The motivation behind voluntary disclosure is not random: it is associated with the firm's corporate governance situation and its characteristics. Therefore, we assess firms' characteristics to determine whether these characteristics affect listed firms' disclosure of corporate governance information. We find that ownership concentration is the main factor affecting the disclosure of corporate governance information in site visit information disclosures. Firms are less likely to disclose corporate governance information when they have concentrated ownership, which indicates that listed firms with concentrated ownership do not communicate their agency issues by disclosing corporate governance information and prefer to conceal agency issues. Ownership concentration thus contains the motivation for disclosure.

Furthermore, we attempt to discover the value of corporate governance information in site visit information disclosures to prove that this kind of information contains incremental information. Our results indicate that corporate governance information in a site visit disclosure could predict management expenses in the following term, suggesting that corporate governance information disclosure might improve or conceal agency problems, which can be explained by the predictive results of changes in management expenses. Moreover, we compare the prediction ability of corporate governance information and ownership concentration and find that corporate governance information is a better indicator for predicting management expenses. Thus, the information is valuable and involves incremental content that other indicators do not have.

This paper contributes to the literature in the following ways. First, it contributes to the literature concerning the voluntary disclosure of specific information value by measuring the prediction of site visit information text. The findings of prior studies mainly show that the voluntary disclosure of private information affects investment opportunities (Eng and Mak, 2003; Kumar et al., 2016), the environment of firms (Fekrat et al., 1996) and shareholder expectations (An et al., 2015). Voluntary disclosure can alleviate information asymmetry (Healy and Palepu, 2001). However, no evidence exists regarding how the specific information in a voluntary disclosure embodies the value, let alone certain information in the site visit disclosure. In our study, we describe an empirical analysis to clarify the ability of corporate governance information in site visit disclosure to predict management expenses from the perspective of motivation and implementation space. The prediction of change in management expenses is considered an observable variable for concealing or improving agency issues. To some extent, we provide new insights into information value, which could alleviate agency issues.

Second, in this study, a content analysis structure of corporate governance information based on a textual analysis is proposed to explore information value (Schumaker and Chen, 2009). This structure is helpful for exploring the prediction of specific information and discovering information value. We use word frequency statistics with a lexicon of corporate governance terms to calculate the frequency with which corporate governance-related information appears in site visit information disclosures. Few studies have utilized this method to explore information value. We also explain why corporate governance information contains incremental information by improving corporate governance information to be a better indicator for prediction than other determinants are.

The remainder of the paper is organized as follows. In section 2, we propose our hypotheses. Section 3 includes

the data and research design. Section 4 presents our empirical analysis and robustness checks, and section 5 contains the conclusions.

2. Hypothesis Development

In the highly competitive and information-driven securities market, a notable trend has emerged in which certain listed firms with robust firm values—characterized by their solid financial performance, strong market reputation, and sustainable growth prospects—tend to favor the voluntary information transmission mechanism as a strategic communication tool (Indriastuti et al., 2021; Newson and Deegan, 2002; Ross, 1979). These firms, often enjoying favorable financing conditions because of their creditworthiness and investor confidence, typically possess a concentrated ownership structure, where major shareholders have significant influence over corporate decisions. Additionally, the complex principal–agent relations within these firms, stemming from the diverse interests of stakeholders, including shareholders, management, and creditors, necessitate a transparent and effective information disclosure system. By voluntarily sharing relevant and timely information with the market, these listed firms aim to build trust, improve their corporate image, and ultimately facilitate better capital allocation and value creation (Siregar and Utama, 2008; Xiao and Yuan, 2007). Listed firms' preference for the voluntary disclosure of governance information is driven by agency issues. Hence, the motivation underlying a firm's voluntary disclosure of corporate governance information is far from arbitrary; rather, it is intricately linked to the firm's specific corporate governance conditions and its overall firm value (Indriastuti et al., 2021). The corporate governance situation of a firm is, in turn, intricately associated with a variety of firm characteristics. These characteristics encompass aspects such as ownership structure, where the distribution of shares among different stakeholders, including institutional investors, insiders, and the general public, plays a pivotal role in shaping governance dynamics. Additionally, the duality of leadership, particularly the presence or absence of a clear separation between the roles of the chief executive officer (CEO) and the chairperson of the board, significantly influences the governance landscape, potentially affecting decision-making processes, accountability, and transparency within the organization (Newson and Deegan, 2002; Vickneswaran, 2025). These characteristics could affect the choice to engage in the voluntary disclosure of corporate governance information.

Ownership concentration within a company is a critical determinant of its disclosure practices. According to agency theory, high ownership concentration leads to a classic type II agency problem—the conflict between controlling shareholders and minority shareholders (Shleifer and Vishny, 1997). In the context of China's A-share market, this problem is particularly pronounced. Firms with highly concentrated ownership are often dominated by a single major shareholder or a coalition of large shareholders. While one might argue that such firms have incentives to disclose more information to attract external funds (Garas and Elmassah, 2018), this "market dependency" view is often overshadowed by the entrenchment effect and tunneling incentives in emerging markets such as China.

Controlling shareholders, who enjoy extensive power over the board and management, have a strong motivation to conceal detailed corporate governance information rather than reveal it. Voluntary disclosure of such information could increase transparency and scrutiny, which in turn attracts regulatory attention and hinders tunneling opportunities. For example, detailed governance disclosures might expose governance weaknesses, such as a lack of board independence or ineffective internal controls, which could trigger oversight from regulatory bodies such as the China Securities Regulatory Commission (CSRC). Transparency makes it more difficult for controlling shareholders to engage in self-dealing transactions or related-party lending without being detected by minority investors or regulators.

From a signaling theory perspective, firms with severe agency problems have "bad news" to hide. Therefore, they have no incentive to send a positive signal through voluntary disclosure. Instead, they prefer to disclose only the mandatory minimum, adhering to the principle of "minimal compliance" to avoid additional scrutiny. This behavior is rationalized within an institutional environment where enforcement is sometimes selective and the perceived benefits of opacity outweigh its costs for controlling shareholders. Therefore, on the basis of the entrenched agency conflicts and the unique institutional context of China (characterized by high tunneling risk and regulatory pressure), we expect a negative relationship between ownership concentration and the voluntary disclosure of corporate governance information. On the basis of the above analysis, we propose hypothesis 1.

H1. The ownership concentration of listed firms is associated with the choice to engage in the voluntary disclosure of corporate governance information.

Agency issues frequently arise as a significant concern for both shareholders and management within corporations (Shleifer and Vishny, 1997; Yermack, 2006). On the one hand, corporate visitors focus on agency issues, and listed firms disclose more corporate governance information. On the other hand, whether the corporate governance information disclosed in site visit disclosures is detailed is related to the motivation to alleviate agency issues. If corporate governance information is not detailed in site visit disclosures, firms are more likely to conceal agency issues, and vice versa. Furthermore, the probability of listed firms disclosing corporate governance information to alleviate agency issues or conceal severe agency problems is illustrated by the change in management expenses (Gao et al., 2023).

Voluntary disclosure of corporate governance information serves as a critical mechanism to mitigate agency

problems by increasing transparency and enabling more effective monitoring. Beyond external oversight, this transparency is crucial for optimizing internal incentive structures, particularly executive compensation contracts (Bushman and Smith, 2001; Wang et al., 2020). Effective corporate governance, characterized by transparent decision-making processes, robust accountability mechanisms, and the active engagement of stakeholders, significantly contributes to the sustained good performance and long-term value creation of listed firms (Bhagat and Bolton, 2008; Brown and Caylor, 2004; Khan et al., 2025), and management's expected compensation is closely related to listed firms' performance (Zhu et al., 2022). As a factor affecting corporate performance, corporate governance inevitably affects manager compensation (Conyon and He, 2012; Core et al., 2004). Rooted in optimal contracting theory (Jensen and Meckling, 2019), a primary solution to align managerial interests with those of shareholders is to tie executive wealth to firm performance. However, designing such performance-sensitive contracts requires accurate information to evaluate managerial contribution. Voluntary governance disclosure reduces the information asymmetry between management and the board/shareholders, providing a clearer picture of governance quality and managerial effectiveness (Cheng et al., 2013b). This allows for a more precise assessment of whether strong performance is due to managerial skill or mere luck and whether weak performance stems from external factors or poor governance.

Consequently, we argue that firms with more transparent governance disclosures are better positioned to implement efficient compensation contracts that exhibit high pay–performance sensitivity. In these firms, higher levels of executive compensation are more likely to reflect merit-based rewards for value creation than agency-driven excess or managerial entrenchment. This distinction is critical: the former is a tool to resolve agency problems, while the latter is a manifestation of agency problems. This mechanism is expected to be more pronounced in China's private enterprises. Unlike in state-owned enterprises (SOEs), where executive pay may be subject to administrative constraints and noneconomic goals, compensation in private firms is more market oriented and closely linked to financial performance (Bai et al., 2021; Li et al., 2025). Therefore, an increase in compensation in private firms following governance disclosures is a stronger signal of efficient contracting and a genuine alleviation of agency issues.

Therefore, we hypothesize that voluntary corporate governance disclosure is associated with the establishment of more efficient incentive schemes, which are reflected in higher, but justified, executive compensation. Thus, we propose hypothesis 2.

H2. Disclosing corporate governance information in a voluntary disclosure predicts management expenses in the next term.

Given the distinctive characteristics inherent in China's economic system, which is marked by a significant presence of state influence and a unique blend of public and private sector elements, a notable subset of Chinese listed firms are SOEs. This categorization stems from the fact that these enterprises are either wholly or partially owned by the state, reflecting the government's strategic interest in maintaining control over key sectors of the economy. Consequently, Chinese government agencies, in terms of their capacity as representatives of state interests, have the potential to assume the role of shareholders in these listed firms, thereby exerting a degree of influence over corporate decisions and strategies (Tang et al., 2025; Tian and Estrin, 2008). However, this intricate relationship between the state and listed firms, particularly for those with substantial state ownership, introduces a layer of complexity regarding corporate governance and transparency. Due to the sensitive nature of their operations, strategic importance, and sometimes even national security considerations, certain listed firms, especially those under significant state control, are reluctant to voluntarily disclose comprehensive corporate governance information. This hesitancy can be attributed to a multitude of factors, including, but not limited to, concerns over protecting proprietary information, maintaining competitive advantages, adhering to regulatory requirements that may not mandate full disclosure, and navigating a delicate balance between state directives and market expectations. Thus, the particularity of these firms, shaped by their state-owned status and the broader economic context in which they operate, creates a unique dynamic that influences their approach to corporate governance disclosure (Ferguson et al., 2002). However, this is not the case for non-state-owned enterprises (non-SOEs).

In SOEs, compared with privately owned enterprises, management compensation tends to be less directly influenced or contingent upon corporate performance metrics (Adams and Mehran, 2005; Hung, 2008; Zhu et al., 2022) because such enterprises have insufficient incentives in their compensation management system. Even if SOEs disclose corporate governance information through voluntary disclosure, leading to good performance, doing so has little effect on the compensation of management. Intuitively, the corporate governance information disclosed by SOEs can hardly predict management expenses. The corporate governance information of SOEs can improve or conceal agency issues, which cannot be explained by the predictive results of changes in management expenses. In contrast, the management compensation of non-SOEs is closely related to firm performance (Zhu et al., 2022). The disclosure of corporate governance information results in effective corporate governance and good performance: the more corporate governance information that is disclosed, the greater the management expenses of non-SOEs are. The above arguments lead to the following hypotheses.

H3a. The effect of ownership concentration on disclosing corporate governance is more evident among nonstate-owned listed firms.

H3b. The ability of the disclosure of corporate governance information to predict management expenses is more evident among nonstate-owned listed firms.

3. Sample and Methodology

3.1 Sample Selection

Site visit information disclosure by Chinese listed firms is regarded as one type of voluntary disclosure and is the research object of this paper. Our sample includes site visit information disclosure data and the firm characteristics of firms listed in the Chinese A-shares market from 2012 to 2021. We acquire disclosure information from the Choice data terminal (Choice data terminal is supported by Eastmoney), and all other data are obtained from the China Stock Market & Accounting Research (CSMAR). The sample starts in 2012 because 2012 was the year in which both the SZSE and SHSE mandated that listed firms disclose site visit information on a certain website, such as 'e Hudong' or 'Hudongyi'. Therefore, the sample ends in 2021 to allow the observation of site visit disclosure behavior. We exclude firms with B-shares, financial firms and those with missing values or invalid values for the variables in the multivariate analyses. The final sample consists of 9632 firm-year observations. To mitigate the effects of outliers, we winsorize all the continuous variables at the 1% to 99% levels.

3.2 Variable Definitions

3.2.1 Measurement of Key Variables

In this study, we artificially extract key phrases from site visit disclosure text. Referring to Dong et al. (2020), we classify the key phrases as financial-related information, corporate governance-related information and capital-operation-related information. Specifically, the Jieba installation package is imported into Python software 3.11 (https://www.python.org/) to process the site visit text through phrase classification in Chinese. To ensure the objectivity of the lexicon, three researchers specializing in corporate governance manually process the aforementioned cleaned corporate governance words (phrases). Their primary task is to extract words (phrases) related to corporate governance, capital operations, and positive or negative connotations, among others. They analyze the text information in the site visit summary reports of listed companies one by one and manually classify the words (phrases) in the text on the basis of their expertise and experience in corporate finance. If they identify a word (phrase) that they believe reflects the intrinsic value and financial growth of listed firms, they place it in the financial-related word bag. Conversely, if they identify a word (phrase) that they believe highlights agency costs and governance structures, they place it in the corporate governance-related word bag. The same methodology is employed to classify other categorized words (phrases). Moreover, we utilize the same words (phrases) extracted by the three researchers within the same category as keywords to retrieve related information.

Afterward, we employ Natural Language Toolkit (NLTK) in Python to calculate the frequency of key phrases, utilizing the frequency of corporate governance-related terms in site visit information disclosure as a proxy for corporate governance information disclosure.

$$\text{CorpGov\_inf}_t = \frac{C_{i,t}}{N_{i,t}} \tag{1}$$

where $CorpGov\_inf_t$ is the average frequency of corporate governance terms from site visit disclosures in year t, $C_{i,t}$ denotes total corporate governance-related terms in site visit disclosures of firm i in year t, and $N_{i,t}$ is the number of site visit disclosures. The top 30% most frequent terms related to corporate governance within site visit information disclosures are presented in Appendix Table 10.

We measure the ownership concentration on the basis of the sum of shareholdings by the top ten shareholders. We employ the logarithm of management expenses from income statements as a variable for management expenses (*Mange_expe*).

3.2.2 Control Variables

In accordance with Baginski et al. (2004) and Cheng et al. (2013a), we include a series of control variables that could impact listed firms' voluntary disclosure information in our regressions: *Size*, the natural logarithm of firms' market value in a given calendar year; *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. We also include industry and year dummies to control for industry and year fixed effects, respectively.

3.3 Empirical Design

Our hypotheses concern the factors affecting disclosure preference for disclosing corporate governance information in voluntary disclosures and the prediction of disclosing corporate governance information to management expenses.

To test the hypotheses, we use Eqn. 2 and Eqn. 3 as follows:

$$\begin{aligned} CorpGov\_inf_{i,t+1} &= \beta_0 \\ &+\beta_1 \text{Concentrate}_{i,t} + \beta_2 \text{Controls}_{i,t} \\ &+\varepsilon_{i,t} \end{aligned} \tag{2}$$

Table 1. Descriptive statistics for sample data.

	Count	Mean	Std Dev	Min	50%	Max
Table 1A: Descriptive statistics for full sample						
CorpGov_inf	9632	12.171	1.313	0.000	12.197	16.649
Mange_expe	9632	18.801	1.006	14.903	18.701	23.417
Size	9632	22.727	1.037	19.993	22.625	27.758
Concentrate	9632	58.606	13.819	9.150	59.730	95.990
Volatility	9632	0.038	0.554	0.001	0.020	0.630
ROA	9632	0.043	0.072	–1.193	0.043	0.590
ROE	9632	0.055	0.540	–41.502	0.072	1.117
Lev	9632	0.385	0.193	0.008	0.373	0.994
TobinQ	9632	2.248	3.053	0.706	1.776	259.146
BM	9632	0.573	0.236	0.004	0.563	1.4161
Table 1B: Descriptive statistics for sub-sample of SOEs						
CorpGov_inf	2062	2.168	1.354	0.000	2.197	6.107
Mange_expe	2062	19.302	1.110	16.177	19.255	22.9895
Size	2062	23.266	1.056	20.753	23.140	27.758
Concentrate	2062	57.163	14.754	12.720	56.715	95.070
Volatility	2062	0.025	0.038	0.001	0.015	0.630
ROA	2062	0.039	0.054	–0.382	0.034	0.366
ROE	2062	0.047	0.922	–41.502	0.068	0.846
Lev	2062	0.469	0.198	0.010	0.473	0.994
TobinQ	2062	1.980	1.464	0.706	1.505	26.818
BM	2062	0.655	0.268	0.037	0.665	1.410
Table 1C: Descriptive statistics for sub-sample of non-SOEs						
CorpGov_inf	7570	2.172	1.304	0.000	2.197	6.649
Mange_expe	7570	18.665	0.938	14.900	18.590	23.417
Size	7570	22.580	0.982	19.993	22.450	27.540
Concentrate	7570	58.999	13.528	9.150	60.370	95.900
Volatility	7570	0.042	0.624	0.001	0.021	0.542
ROA	7570	0.045	0.076	–1.193	0.046	0.590
ROE	7570	0.057	0.374	–27.594	0.073	1.117
Lev	7570	0.361	0.185	0.008	0.346	0.976
TobinQ	7570	2.321	3.355	0.769	1.847	259.1465
BM	7570	0.551	0.221	0.004	0.541	1.2993

Note: *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. This table presents the descriptive statistics of the variables used in our analyses. The sample period is from 2012 to 2021. The full sample descriptive statistics in Table 1A include 9632 observations. Table 1B and Table 1C of this table list descriptive statistics for subsamples for SOEs and non-SOEs. The mean, standard deviation, minimum, maximum and median of *CorpGov-inf* are expressed as percentages (%), and the same applies hereinafter. All the variables are defined in Appendix Table 11.

$$\begin{aligned} \text{Mange\_}expe_{i,t+1} &= \alpha_0 \\ &+\alpha_1 CorpGov\_inf_{i,t} + \alpha_2 \text{Controls}_{i,t} \\ &+\varepsilon_{i,t} \end{aligned} \tag{3}$$

where i represents the firm and t represents time. β_0 and α_0 are constants, β_j and α_j are regression coefficients, and $\varepsilon_{i,t}$ is a residual. To correct for the potential endogeneity problem of corporate governance information disclosure, we add *Concentrate* from Eqn. 2 as one of the control variables in Eqn. 3.

To test H3, we divide the sample into SOEs and non-SOEs. We employ Eqn. 2 and Eqn. 3 in the SOE and non-SOE subsamples to determine whether the effect of ownership concentration on disclosing corporate governance and corporate governance information disclosure predicting management expenses is more evident among non-SOEs.

Table 2. Pearson correlation between variables.

	1	2	3	4	5	6	7	8	9	10	11
Mange_expe	1										
CorpGov_inf	**0.131**	1									
SOE	**0.260**	–0.001	1								
Concentrate	**–0.037**	**–0.005**	**–0.054**	1							
Volatility	–0.013	0.002	–0.012	–0.001	1						
ROA	0.007	**0.086**	**–0.035**	**0.192**	**–0.027**	1					
ROE	**0.016**	**0.019**	–0.007	**0.053**	–0.013	**0.351**	1				
Lev	**0.426**	**0.023**	**0.230**	**–0.104**	0.008	**–0.298**	**–0.091**	1			
TobinQ	**–0.118**	**0.021**	**–0.046**	**–0.041**	**0.026**	**0.068**	0.005	**–0.152**	1		
Size	**0.801**	**0.148**	**0.271**	**–0.033**	–0.007	**0.081**	**0.043**	**0.432**	**0.032**	1	
BM	**0.268**	**–0.071**	**0.182**	**0.049**	–0.004	**–0.221**	**–0.030**	**0.394**	**–0.400**	**0.070**	1

Note: *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. This table presents the Pearson correlations between the variables. All the variables are defined in Appendix Table 11. The sample consists of firms listed on the A-share market from 2012 to 2021. The bold values indicate statistical significance at the 10% level or lower.

Table 3. Regression results of the factors affecting corporate governance information disclosure in the context of voluntary disclosure.

Variables	Dep. Var. = *CorpGov_inf*		
	(1)	(2)	(3)
	Full sample	Non-SOEs	SOEs
Concentrate	–0.001*	–0.002*	0.001
	(0.096)	(0.090)	(0.779)
Size	0.186***	0.182***	0.313***
	(0.000)	(0.000)	(0.000)
Volatility	0.011	–0.001	0.983
	(0.626)	(0.992)	(0.224)
ROA	1.199***	1.170***	1.997***
	(0.000)	(0.000)	(0.002)
ROE	–0.027	–0.052	–0.024
	(0.298)	(0.255)	(0.460)
Lev	0.026	–0.041	0.037
	(0.767)	(0.696)	(0.860)
TobinQ	–0.008*	–0.005	–0.103***
	(0.085)	(0.280)	(0.003)
BM	–0.425***	–0.391	–0.652***
	(0.000)	(0.000)	(0.002)
Year/Industry	YES	YES	YES
Constant	–1.810***	–1.643***	–4.644***
	(0.000)	(0.000)	(0.000)
Observations	9632	7570	2062
Adj-R^2	0.032	0.030	0.052

Note: SOEs, state-owned enterprises; *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. This table presents the ordinary least squares (OLS) regression results of Eqn. 2. Column (1) presents the results of the full sample, and columns (2) and (3) of this table present the results based on samples of partitioned SOEs and non-SOEs. All the variables are defined in Appendix Table 11, and the values in parentheses are *p* values. The symbols *** and * denote that the coefficient is significant at the 1% and 10% levels, respectively.

Table 4. Regression results for corporate governance information disclosure and management expenses.

Variables	Dep.var = *Mange_expe*		
	(1)	(2)	(3)
	Full sample	Non-SOEs	SOEs
CorpGov_inf	0.023*** (0.000)	0.033***(0.000)	0.010 (0.292)
Concentrate	–0.002*** (0.001)	–0.001**(0.028)	0.001 (0.177)
Size	0.764*** (0.000)	0.783***(0.000)	0.768*** (0.000)
Volatility	–0.009 (0.398)	–0.002(0.855)	–1.496*** (0.000)
ROA	–0.105 (0.258)	–0.067(0.484)	0.226 (0.394)
ROE	–0.015 (0.174)	–0.006(0.740)	–0.010 (0.449)
Lev	0.176*** (0.002)	0.158***(0.000)	0.252*** (0.003)
TobinQ	–0.023*** (0.000)	–0.021***(0.000)	–0.130*** (0.000)
BM	0.805*** (0.000)	1.022***(0.000)	0.630*** (0.000)
Year/Industry	YES	YES	YES
Constant	1.088*** (0.000)	0.399***(0.000)	1.104*** (0.000)
Observation	9632	7570	2062
Adj-R^2	0.692	0.676	0.637

Note: SOEs, state-owned enterprises; *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. This table presents the ordinary least squares (OLS) regression results of Eqn. 3. Column (1) presents the results for the full sample, and columns (2) and (3) of this table present the results for samples of partitioned SOEs and non-SOEs. All the variables are defined in Appendix Table 11, and the values in parentheses are *p* values. The symbols *** and **denote that the coefficient is significant at the 1% and 5% levels, respectively.

We provide details of these variables in Appendix Table 11.

4. Empirical Results and Discussions

4.1 Descriptive Statistics and Correlation Analysis

Table 1A reports the summary statistics of the full sample. The mean of *CorpGov_inf* is 12.171, indicating that the listed firms disclose approximately 2 terms related to corporate governance information in site visit disclosures. The mean of *Mange_expe* is 18.801, and the mean of *Concentrate* is 58.606. Table 1B and Table 1C of Table 1 list descriptive statistics for subsamples of SOEs and non-SOEs, respectively. The number of SOEs is 2062, which is 21.41% of the full sample, and the number of non-SOEs is 7570, which is 78.59% of all listed firms. Compared with non-SOEs, SOEs have a larger size, lower debt and higher ownership concentration. Moreover, the management expenses of SOEs tend to be higher than those of non-SOEs.

In Table 2, we present the Pearson correlation matrix of all the variables. We can see that the Pearson correlation between corporate governance information (*CorpGov-inf*) and *Concentrate* is –0.005, which is significant at the 5% level, and the Pearson correlation between management expenses (*Mange_expe*) and corporate governance information (*CorpGov_inf*) is 0.131, which is significant at the 5% level.

4.2 Regression Results

Table 3 reports the results of Eqn. 2 presents the results of the full sample. The coefficient of *Concentrate* is negatively significant, implying that concentrated ownership leads listed firms to disclose less corporate gov-

Table 5. Additional analysis.

Variables	*Mange_expe*		
	(1)	(2)	(3)
	Full sample	Non-SOEs	SOEs
Table 5A: Regression results of corporate governance information and management expenses			
CorpGov_inf	0.023*** (0.000)	0.033***(0.000)	0.010 (0.289)
Controls	YES	YES	YES
Year/Industry	YES	YES	YES
Constant	0.991*** (0.000)	0.320**(0.040)	1.149*** (0.000)
Observations	9632	7570	2062
Adj-R^2	0.693	0.676	0.638
Table 5B: Regression results of ownership concentration and management expenses			
Concentrate	–0.002*** (0.000)	–0.001**(0.020)	0.001 (0.1753)
Controls	YES	YES	YES
Year/Industry	YES	YES	YES
Constant	1.046*** (0.000)	0.346***(0.000)	1.059*** (0.00)
Observations	9632	7570	2062
Adj-R^2	0.692	0.675	0.637

Note: SOEs, state-owned enterprises; This table presents the ordinary least squares (OLS) regression results of Eqn. 4 and Eqn. 5. The results of Eqn. 4 are presented in Table 5A. The results of Eqn. 5 are presented in Table 5B. All the variables are defined in Appendix Table 11, and the values in parentheses are *p* values. The symbols ***and ** denote that the coefficient is significant at the 1% and 5% levels, respectively.

Table 6. Comparison of likelihood, AIC, and BIC.

Eqn	Log Likelihood	AIC	BIC
(3)	–8048	16,110	16,180
(4)	–8040	16,130	16,190
(5)	–8054	16,100	16,170

Note: AIC, Akaike Information Criterion; BIC, Bayesian Information Criterion.

ernance information in their voluntary disclosures. Conversely, firms with ownership diffusion may be more likely to voluntarily disclose corporate governance information, which confirms hypothesis 1. Columns (2) and (3) of Table 3 present the results for samples of partitioned SOEs and non-SOEs. The coefficient of *Concentrate* in the non-SOE subsample is also significant but is not significant in the SOE subsample, which is consistent with our intuition that the effect of ownership concentration on disclosing corporate governance information is more evident in nonstate-owned listed firms. Therefore, both H1 and H3a are confirmed.

Table 4 reports the regression results of Eqn. 3 Column (1) in Table 4 shows the results of the full sample. The coefficients of *CorpGov_inf* and *Mange_expe* are positively significant at the 1% level, which indicates that listed firms disclosing corporate governance information in site visit information disclosures can predict management expenses in the next term. This implies that the agency problem is mitigated and that corporate governance is working, leading to better performance. Top management desires an increase in salaries on the basis of better performance (Lyu et al., 2018; Wang et al., 2020), meaning that corporate governance information disclosure improves agency issues, which can be explained by the increase in management expenses.

From columns (2) and (3) in Table 4, we report analyses for the non-SOE subsample and the SOE subsample. The coefficient of *CorpGov_inf* in column (2) is significantly positive, whereas the coefficient of *CorpGov_inf* in column (3) is positive but not significant, suggesting that disclosing corporate governance information in a voluntary disclosure can predict management expenses in a manner that is more evident in nonstate-owned listed firms because of the presence of a sufficient incentive system (Brandt and Li, 2003). This has not only statistical significance but also substantial economic importance. For instance, the coefficient of CorpGov_inf in Column (1) is 0.023, implying that an increase by one standard deviation in CorpGov_inf leads to a 3.654% (= 0.023 × 1.313/1.006) increase in management expense in the following year if all the other variables are controlled. A change in one standard deviation of CorpGov_inf will cause significant fluctuations in the man-

Table 7. Robustness check 1.

	Dep.var. = *Mange_expe*	
	(1)	(2)
	Coefficient	*p*-value
PCorpGov_inf	0.123***	(0.002)
Concentrate	–0.002***	(0.000)
Size	0.767***	(0.000)
Volatility	–0.009	(0.401)
ROA	–0.091	(0.329)
ROE	–0.016	(0.167)
Lev	0.173***	(0.000)
TobinQ	–0.002***	(0.000)
BM	0.799***	(0.00)
Year	YES	
Industry	YES	
Constant	1.051***	(0.000)
Observation	9632	
Adj-R^2	0.692	

Note: *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. This table presents the robustness checks for the impact of corporate governance information in site visit disclosure on management expenses. They are the Ordinary Least Squares (OLS) regression results of Eqn. 3. We employ the percentage of corporate governance information in the whole disclosure to denote corporate governance information disclosure, which is calculated as $\frac{CorpGov-inf_{i,t}}{length_{i,t}}$. All the variables are defined in Appendix Table 11. The symbol *** indicates that the coefficient is significant at the 1% significance levels.

agement expense of listed companies. Hence, the results in Table 4 support H2 and H3b (In emerging markets, even a relatively small improvement in corporate governance can trigger the regulatory threshold (Gerged et al., 2023)).

For the control variables, the coefficients of *Lev* are significant, which implies that listed firms with higher debt could have an increase in management expense.

4.3 Additional Analysis

The results of the above analysis reveal that ownership concentration affects corporate governance information disclosure and that corporate governance information disclosure can predict management expenses. We cannot help but raise the question of whether ownership concentration can predict management expenses. If so, which indicator can better predict management expenses?

We next perform tests on Eqn. 4 and Eqn. 5 to discover how ownership concentration predicts management expenses under no corporate governance information disclosure constraints and how corporate governance information disclosure predicts management expenses under no ownership concentration constraints. The results of Eqn. 4 and Eqn. 5 are shown in Table 5A and Table 5B, respectively, of Table 5, indicating that *Concentrate* and *CorpGov_inf* are significantly associated with management expenses.

$$\begin{aligned} \text{Mange\_}expe_{i,t+1} &= \gamma_0 \\ &+\gamma_1 CorpGov\_inf_{i,t} + \gamma_2 \text{Controls}_{i,t} \\ &+\varepsilon_{i,t} \end{aligned} \tag{4}$$

$$\begin{aligned} \text{Mange\_}expe_{i,t+1} &= \lambda_0 \\ &+\lambda_1 \text{Concentrate}_{i,t} \\ &+\lambda_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \end{aligned} \tag{5}$$

The variable definitions and control variables are the same as those in Eqn. 2.

Motivated by Akaike (1974), we next conduct a second analysis to compare the goodness of fit of the models. Table 6 reports the likelihood comparisons of Eqn. 4 and Eqn. 5. We find that the likelihood of Eqn. 4 is greater than that of Eqn. 5, and the Akaike Information Criterion (AIC) of Eqn. 4 is also greater than that of Eqn. 5. It can be concluded that Eqn. 4 is better than Eqn. 5. Corporate governance information disclosure thus has better potential power to predict management expenses than ownership concentration does.

Furthermore, we separately observe the results of Eqn. 3, Eqn. 4 and Eqn. 5 and note that the likelihood and AIC of Eqn. 3 are greater than those of Eqn. 5, as reported in Table 6. Therefore, the model with corporate governance information is better, meaning that corporate governance information is valuable. The results suggest that corporate governance information contains incremental information that ownership concentration does not contain.

4.4 Robustness Checks

In this section, we perform several robustness checks.

4.4.1 Alternative Corporate Governance Information Measure

To alleviate concerns about the measurement error of corporate governance information in site visit information disclosure, we reestimate Eqn. 3 by using the percentage of corporate governance information in site visit disclosures to denote corporate governance information. It is calculated as follows:

$$PCorpGov\_inf_{i,t} = \frac{CorpGov\_inf_{i,t}}{\text{Length}_{i,t}} \tag{6}$$

Table 8. Robustness check 2.

Table 8A 2SLS

	Stage 1 Dep.var. = *CorpGov_inf*		Stage 2 Dep.var. = *Mange_expe*	
	(1) Coefficient	(2) *p*-value	(3) Coefficient	(4) *p*-value
CorpGov_inf			1.134***	(0.000)
SV	0.040***	(0.000)		
Concentrate	–0.001	(0.590)	–0.001	(0.761)
SOE	–0.014**	(0.713)	0.086***	(0.000)
Size	0.159***	(0.000)	0.597***	(0.000)
Volatility	0.009	(0.707)	–0.021**	(0.034)
ROA	1.467***	(0.000)	–1.660***	(0.000)
ROE	–0.056	(0.247)	0.049**	(0.022)
Lev	0.161	(0.121)	–0.224***	(0.000)
TobinQ	–0.034**	(0.018)	–0.077***	(0.000)
BM	–0.392***	(0.000)	0.844***	(0.000)
Year	YES		YES	
Industry	YES		YES	
Constant	–1.350***	(0.000)	2.541***	(0.000)
Observation	9632		9632	
Wald F-stat	12.496			
Adj-R^2	0.025		0.705	

Table 8B Additional test

	(1) Coefficient	(2) *p*-value	(3) Coefficient	(4) *p*-value
SV	–0.013	(0.671)	–0.011	(0.768)
Controls	YES	YES	YES	YES
Constant	2.502***	(0.000)	2.342***	(0.000)
Observation	9632		9632	
Adj-R^2	0.491		0.009	

Note: SOE, state-owned enterprises; *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio; SV, the frequency of institutional site visits by other companies in the same industry each year.

Table 8A presents the two-stage least-square (2SLS) regression results of Eqn. 3 by employing an instrumental variable (IV). The results of the first stage are demonstrated in Columns (1) and (2). The results of the second stage are shown in Columns (3) and (4). Panel B of this table demonstrates the whether *SV* is significantly correlated with the future performance of the target company. All the variables are defined in Appendix Table 11. The symbols *** and ** denote that the coefficient is significant at the 1% and 5% levels, respectively.

where *PCorpGov_inf* is the percentage of corporate governance information in site visit disclosures, $CorpGov\_inf_{i,t}$ is all the corporate governance-related terms of listed firm *i* and $Length_{i,t}$ is all the words in site visit information disclosures of listed firm *i*. Table 7 presents the results. This estimation is similar to the results reported in Table 4, which means that our results are robust.

4.4.2 Endogeneity

We perform two-stage least squares (2SLS) to correct the potential endogeneity problems between corporate governance information and management expenses. As an instrumental variable (IV) that is expected to be related to corporate governance, we adopt the frequency of institutional site visits by other companies in the same industry each year (*SV*). Motivated by Campbell et al. (2014), we believe that companies in the same industry have similar industrial char-

Table 9. Robustness check 3.

	Dep.var. = *Mange_expe*	
	(1)	(2)
	Coefficient	*p*-value
CorpGov_inf	0.007***	(0.008)
Concentrate	0.001***	(0.000)
Size	0.166***	(0.000)
Volatility	0.001	(0.924)
ROA	0.153***	(0.003)
ROE	0.001	(0.969)
Lev	0.095***	(0.000)
TobinQ	–0.006***	(0.000)
BM	0.042**	(0.012)
Mange_expe1	0.788***	(0.000)
Year	YES	
Industry	YES	
Constant	0.141*	(0.061)
Observation	9632	
Adj-R²	0.900	

Note: SOE, state-owned enterprises; *ROA*, return on total assets; *ROE*, rate of return on common stockholder equity; *Lev*, asset–liability ratio; *TobinQ*, growth opportunities; and *BM*, book-to-market ratio. This table presents the ordinary least squares (OLS) regression results of Eqn. 3, controlling for the management expenses of the corresponding period to alleviate the effect of autocorrelation. All the variables are defined in Appendix Table 11. The symbols ***, ** and * denote that the coefficient is significant at the 1%, 5% and 10% levels, respectively.

acteristics and face similar external environments (Angrist et al., 1996; Heckman and Vytlacil, 2001; Mogstad et al., 2021; Wali Ullah et al., 2024). The greater the frequency of institutional site visits by other companies in the same industry each year, the greater the probability that a company will be visited. Companies in the same industry face similar regulatory and market pressures, and institutional investors may adjust their site visit behaviors simultaneously; thus, *CorpGov_inf* is also higher. However, site visits conducted by other companies do not directly affect the management expenses of the target company. Therefore, the selection of *SV* as an instrumental variable satisfies the exogeneity condition.

The results of 2SLS are presented in Table 8. Columns (1) and (2) are the results of stage 1, in which we estimate the *SV* (IV) and other control variables. The results indicate that the variable *tool* is significantly related to corporate governance information disclosure, with an F statistic of 12.496, which is greater than the weak instrument value of 10 suggested by Staiger and Stock (1997) and Stock and Yogo (2002). Therefore, *SV* passes the weak instrument test and can be regarded as a valid instrumental variable. In the second-stage regression, the coefficient for corporate governance information (instrumented by analyst coverage) is significantly positive, which is consistent with the results in Table 4. Hence, we conclude that corporate governance information disclosure is significantly related to management expenses after any possible endogeneity problems are addressed.

While we argue that *SV* is a plausible instrument, we acknowledge the potential threats to the exclusion restriction. The most significant concern is that the frequency of site visits to other firms in the same industry might capture unobserved industry-wide shocks (e.g., positive industry outlook, regulatory changes, or technological breakthroughs) that could directly influence both executive compensation and our firm's disclosure practices. For instance, a favorable industry shock might simultaneously lead to more site visits for peers, higher profitability for all firms, enabling them to pay higher salaries, and a greater propensity to disclose information. However, we contend that our IV strategy remains robust for the following reasons. We conduct additional tests to examine whether *SV* is significantly correlated with the future performance of the target company, which could affect compensation. The results shown in Table 8B indicate that the coefficients of *SV* are not significant, which provides supporting evidence that the effect of *SV* is not driven by spurious correlations.

4.4.3 Controlling for Management Expense of Corresponding Period

Although we control for a set of firm-level control variables in the previous analysis, we also control for the management expenses of the corresponding period to alleviate the effect of autocorrelation. Table 9 reports the results. The coefficient of *CorpGov_inf* is still significantly associated with *Mange_expe*. Therefore, the results in Table 9 suggest that the relation to corporate governance information disclosure still holds even when the management expenses in the corresponding period are controlled.

5. Conclusions

Using content analysis, this study explores whether listed firms that disclose corporate governance information in voluntary disclosures can predict management expenses in the next term. Using all the site visit information disclosure data of firms listed in the Chines A-shares market from 2012 to 2021, we find that the ownership concentration of listed firms is the main factor affecting corporate governance information disclosure and that corporate governance information is an indicator for predicting management expenses, suggesting that the disclosure of such information can mitigate agency problems, which can be explained by the predictive results of changes in management expenses. We also find that corporate governance information comprises incremental information that ownership concentration does not contain, making corporate governance infor-

Table 10. List of terms related to corporate governance in site visit information disclosure.

Terms related to corporate governance
Management, Investors, Shareholders, Information Disclosure
Board of directors, Govern, General meeting of shareholders Firms' announcement, Chairman, Secretary of the board
Senior executive, Director Management system
Administrator Management mode, Management level
General manger, Vice-general manger, Incentive mechanism
Ownership structure, Board of supervision, Meeting summary
Summary of conversation, Corporate juridical person
Senior leadership, Stock price, Managerial work, CEO, Agency cost

The terms in above table are the top 30% for frequency of terms corporate governance within site visit information disclosure. These terms also exist in lexicon of corporate governance terms. The English translation of related Chinese phrases in site visit disclosures.

Table 11. Definition of variables.

Variable	Definition
CorpGov_inf	Corporate governance information disclosure of listed firms is derived from word frequency statistics and is measured based on corporate governance-related terms in the disclosure report.
Mange_expe	The logarithm of Management expenses
Size	The natural logarithm of firms' market value during a given calendar year
Concentrate	The sum of top ten shareholding
Volatility	Performance volatility of listed firms
ROA	Return on total assets
ROE	Rate of return on common stockholder equity
Lev	Asset-liability ratio
TobinQ	Growth opportunities
BM	Book-to-market ratio
Institution	The proportion of shares held by institutional investors
Year	Disclosure year, year dummy
Industry	The industry that listed firms are in, industry dummy. The industry is derived from the global industry classification standard (GICS1).

mation valuable and assisting investors in making proper investment decisions. There is a difference between SOEs and non-SOEs.

There are several limitations in our research. The first limitation is that the generalizability of our results is limited by the data. We rely on site visit information that is disclosed by firms listed in the A-share market and do not replicate the results using data from firms listed in different countries because we focus on certain information on site visit information in China. Second, the terms related to corporate governance can have varied interpretations: There is subjectivity in the lexicon. Hence, in future studies, we will optimize the expression of the lexicon and replicate the results in other countries with institutional and reporting settings similar to those used in China.

Availability of Data and Materials

All data reported in this paper will be shared by the corresponding author upon reasonable request.

Author Contributions

SY, JY and DD designed the research study. JY analyzed the data. SY wrote the manuscript. All authors contributed to editorial changes in the manuscript. All authors read and approved the final manuscript. All authors have participated sufficiently in the work and agreed to be accountable for all aspects of the work.

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Conflicts of Interest

The authors declare no conflicts of interest.

Appendix

See Tables 10,11.

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