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Abstract

We examine whether overlapping audit committee (AC) membership affects the forward-looking content of the chairman reports. We use content analysis to measure levels of forward-looking disclosure (FLD) for forty-eight bank-year observations from eight banks listed on Muscat Securities Market in Oman for the period 2014-2019. Our regression analysis shows that overlapping AC membership positively affects FLD. The evidence from this study suggests that a consideration of AC directors' attributes (e.g. overcommitted AC members) is needed to understand their role in the boardroom or in the subcommittees. An implication of the result is that the Omani corporate governance code should provide guidelines on the type and proportion of the overlapping AC membership. Furthermore, the code could encourage AC members to be overlapped across different committees as this could have a positive impact on corporate disclosure practice. Our study has demonstrated, for the first time, that overlapped AC members enhance the forward-looking content of chairman reports.

Keywords: Overlapping audit committee membership, Forward-looking disclosure, Chairman reports, Content analysis, Oman

1. Introduction

Overlapping audit committee (AC) membership - where an AC member sits on multiple board committees within the same company - is still not widely explored by researchers (Kalelkar, 2017; Alhossini et al., 2020). Whether overlapping membership has merit from a governance point of view, is open to question and need further investigation. It is probably safe to presume that overlapping board members have an authoritative – arguably with greater influence – status within the board, and are able to disclose higher levels of forward-looking disclosure (FLD) in comparison with those for whom there is little or no overlap committee membership due to the knowledge spillover resulted from this phenomena. There has been increased attention on financial reporting quality (FRQ) and corporate governance (CG), following the financial crisis occurred in the GCC and Oman, as these scandals added momentum to the call for stricter regulations, stronger CG practices and more transparent disclosure of financial and nonfinancial information for stakeholders (CMA, 2015).

Different stakeholders require FLD to help them in making investment decisions (Abad & Bravo, 2018). FLD plays an important role in improving the anticipation of future earnings by reducing information asymmetry between managers and investors (Hussainey et al., 2003; Schleicher et al., 2007; Hussainey & Walker, 2009). FLD refers to any information that reflects on current and future strategic plans disclosed by a firm to users, such as investors and shareholders, which allows them to assess the firm's performance and make appropriate decisions (Aljifri & Hussainey, 2007). This information is associated with corporate transparency, as it is valuable to investors and is expected to mitigate agency costs (Abad & Bravo, 2018).

There is considerable research on the impact of overlapping AC membership on the FRQ, proxied by earnings management (e.g. Chandar et al., 2012; Habib & Bhuiyan, 2016) and audit fees (e.g. Kalelkar, 2017). Some studies find a significant impact (Chang et al., 2011; Chandar et al., 2012; Liao & Hsu, 2013), while others do not find a significant impact (Kusnadi et al., 2016). These studies are conducted on developed countries, such as, USA, Germany and Singapore, where a very solid market structure with strong legal CG culture has been established compared to those of developing countries. The literature is limited on this research area in developing countries. Therefore, we investigate the impact of overlapping AC membership on FLD in Oman, as an example of a developing country.

Oman provides a unique context to conduct this study for a number of reasons. Firstly, Oman like many other Middle East and North Africa (MENA) countries witnesses varied challenges in relation to their CG practices compared to their developed counterparts specifically in poor levels of transparency and disclosure practices (Elamir & Mousa, 2019). Second, many MENA governments and regulatory

authorities (including Oman) have pursued a significant number of reforms in the area of CG, including the implementation of IFRS and Basel accords (e.g. I, II and III), which require financial companies to report more information about their business strategic management practices (Al-Hadi et al., 2016). Third, in Oman, a new CG code has been introduced in 2016 with new provisions for ACs. One of the unique reforms prevents AC chair from serving on different committees within a firm, while permitting AC members to overlap. This provision is relatively new and does not exist in other developed countries, which opens the door for more investigation. The code sets out a mandatory requirement for nomination and remuneration committees, which results in overlapping members (Annuar & Abdul Rashid, 2015). Fourth, a single country (Oman) has been used for the study to avoid the legal and regulatory differences between countries (Simpson & Kohers, 2002). Fifth, the Oman Vision 2040 strategy and Capital Market Authority (CMA) encourage financial companies to disclose forward-looking information in their annual reports to satisfy stakeholders' needs. Finally, the banking sector plays a vital role in the economic development of Oman by providing the required fund for projects diversification (Rajesh et al., 2017); in line with the focus of Oman Vision 2040, which encourages banks to disclose more strategic information to attract foreign investors to the country, which enhances the economic diversification. In addition, on one hand, the banking sector is heavily regulated by CMA and Central Bank of Oman (CBO) in several reforms such as, CG, and enforcement of IFRS and Basel accords, which leads banks to disclose more voluntary information to please the stakeholders (Al-Hadi et al., 2016). On the other hand, Omani banks are heavily characterised by family and government ownership concentration (Elamir & Mousa, 2019), which could result in constraining FLD for self-interest.

Our analysis shows that the existence of at least one overlapping AC member is positively associated with FLD in chairman's reports. This could be because overlapping AC members obtain in-depth and rich knowledge about business strategies and comprehensive information about all internal current and future plans undertaken by each committee. Moreover, this will assist overlapped AC members in advising the board on releasing more internal FLD as needed by other stakeholders to make accurate decisions when analysing the firm's situation, which will reduce the information asymmetry between insiders and outsiders and enhance firms' disclosure.

This study offers a number of contributions. First, we contribute to the CG literature by responding to a call by Alhossini et al. (2020) to fill a gap in the literature by examining an AC attribute, such as the overlap between a company's different committees, and how it improves disclosure practice. Using the content analysis method to measure FLD, and a unique hand-collected data of CG and firm characteristics, we provide new empirical evidence, to the best of our knowledge, on the effect of overlapping AC

membership on FLD. Second, we examine Omani banks for the period from 2014 to 2019. The chosen period enables to analyse the effect of the new CMA code, which has been inaugurated in 2016.

The remainder of the paper is organised as follows. Section 2 discusses the Omani context. Section 3 reviews the literature and develops the hypothesis. Section 4 discusses the methodology. Section 5 reports the findings and section 6 provides addition analysis. Section 7 concludes.

2. Institutional Background: The Omani Context

The Omani government has realised the capability of the country to become more developed and to get a huge improvement in the economic sector. The Sultanate is therefore endeavouring to develop the country and its expanding economy, and leveraging its profit (Oman Economy, 2019). For this reason, the late Sultan Qaboos bin Said specified that the "Oman 2040" future vision be comprehensively improved and firmly established within the broad community agreement, along with the contribution of various social associations (Oman Vision 2040, 2019). The Omani CMA has several strategies to ensure that Oman Vision 2040's mission is being achieved under the umbrella of the Capital Market Law (CMA, 2015; Oman Vision 2040, 2019). One of the strategies mentioned in CMA 2015 is to vigorously encourage firms' management to report future foresight plans to stakeholders. This includes delivering an effective, easy, and specific administration that balances the investment demands of the market contributors, and is aligned with the objectives of development in the country.

Banking business is a very crucial activity in any economy and banks have a very critical role to play. Depositors' trust is utmost importance for banking business, and this shall be retained through a systematic and transparent set of rules, laws and regulations. In Oman, there are established generally applicable laws like Oman Commercial Law and Commercial Companies Law (CBO, 2020). Specific laws like Banking Law and Capital Market Law form foundations for banking institutions and capital market related institutions. Both laws established the main regulatory bodies: CBO and CMA, which regulate the banking and financial services sector in the country (CBO, 2020; CMA, 2015). Bank related requirements are driven by needed prudence and capital market regulations focus on disclosure (CBO, 2020). Continuous update of the banking laws along with regulations and guidelines for new and evolving needs and standards is essential for contribution to large public interests including fair banking practices and consumer protection besides facilitating financial inclusion and stability and diversified growth (CBO, 2020).

The CG system in Oman is well-developed, underpinned by the Oman Centre for Governance and Sustainability, which was established in July 2015 with the aim of spreading the concept and culture of

governance among all institutions of various legal forms in Oman (Patel, 2016). The Omani government was quick to acknowledge the important role played by good CG in improving capital market sector competitiveness, and in persuading foreign investors to invest in the local market after massive financial crises in the country, such as the Oman National Investment Company Holding scandal (Baatwah et al., 2015).

In 2002, the Omani CMA issued the CG code – the first GCC country to have done so – and in 2004, listed companies in Oman had fully implemented the code. The code sets out appropriate procedures and processes relating to the composition and roles of board of directors (BODs), the AC, the appointment of external auditors, issues relating to internal control, related party transactions, CG reporting and executive management (CMA, 2002).

On 21st July 2016, a new CG code was introduced in Oman (Patel, 2016). The "Code of Corporate Governance for Publicly Listed Companies" implements 14 cores (high level) principles of CG, in which every single principle is reinforced by specific conditions designed for the success of the principle (Patel, 2016). The new code of CG encourages the corporations to disclose more future information in their annual reports, in order to satisfy the investors and to be in line with the "Oman Vision 2040".

The new code places importance on the issue of committee overlap by preventing the chairperson of an AC from being a member of any other committees within a company (CMA, 2015). The new Omani code also sets out requirements for nomination and remuneration committees, which result in overlapping members across these committees. It is worth noting that Oman is the only GCC country that is not a member of OPEC, hence does not fall under its control. This makes it easier for regulators in Oman to amend policy provisions at any time (Al-Matari et al., 2014).

From this point of view and in line with Oman's Vision 2040, the new code of CG rules issued by CMA in 2016 required corporations to ensure that FLD is disseminated in their annual reports. This is done through the brief description of a company's outlook related to the condition of industry, the economy in general, the international market and specifically the company's condition and business strategies in coming years (MSM, 2019). Corporations also need to report a comparative analysis between the target set and the actual results, and the expectations of the company for the coming years regarding revenue, profit/loss, capital structure, dividend policy and any non-financial information important to investors. For instance, as described by Oman United Insurance (2016) in its annual report, "The Company believes in transparency and legality in all its dealings and provides all necessary information and performance to the shareholders and to the Board of Directors on time". Remarkably, companies are undertaking the right steps in following His Majesty's "Oman 2040" future vision to disclose all important

FLD to stakeholders to enable them to make the right decisions, and to ensure lower levels of information asymmetry between insiders and outsiders.

The rapid rate of economic growth in Oman has necessitated the development of an environment that is aimed towards the protection of investors by strengthening FRQ. The protection of investors is undertaken through the strengthening of the governance domain, which forms part of Oman's strategic plan (2040). The Omani stock market is a significant attraction for foreign investment, as Oman is a major oil and gas exporter, coupled with an expanding economy since 2009, and further expansion in 2017, following its recovery from the financial crisis in 2014 (Oman Economy, 2019). The foreign investors that are drawn to Oman by such growth demand greater FLD (Oman Vision 2040, 2019).

The AC role has received increasing regulatory attention, due to high-profile scandals internationally, in the GCC region and in Oman, such as the Oman National Investment Company Holding SAOG, National Rice Mills SADGI and recently KPMG (Big 4 Audit Firms). CMA in Oman has suspended KPMG from taking any new auditing work for one year after finding major accounting and financial irregularities at some of the listed companies.

The Omani CG code also places importance on disclosure by requiring directors and management to exercise their diligence regarding the provision of information demanded by regulators, shareholders and investors promptly and in a manner that will enable them to make the right decisions (CMA, 2015). AC is seen as a pivotal tool in the establishment of corporate reporting policy, which must take ownership of practices relating to voluntary disclosure, contribute to the provision of higher FRQ and reduce information asymmetry (Bravo & Alcaide-Ruiz, 2019).

3. Literature Review, Theoretical Framework and Hypothesis Development

3.1 Literature Review

A significant volume of research argues that financial scandals can be attributed to the weak internal control (Agrawal & Chadha, 2005) and poor quality of CG in overseeing the practice of FRQ (Wang & Hussainey, 2013). Regulators respond to these events with the implementation of new rules designed to improve the quality of CG, which lead to an improvement in reporting practice (Byard et al., 2006). The empirical research shows that good CG is effective in reducing the degree of information asymmetry between owners and managers, and improving the levels of corporate disclosure in the GCC financial sector (Abdallah et al., 2015; Grassa et al., 2020).

The Concept and Literature Review of FLD

The Concept of FLD

Annual reports prepared by BODs contain a very important component – the narrative sections. The main purpose of this component is to address stakeholders' demand for information and assist them in evaluating future performance. There has been much regulatory focus on this form of reporting. The information contained in the narrative section – such as the chairman's report, management discussion and analysis (MD&A) – supplies nearly double the quoted information provided in the core financial statements (Rogers and Grant, 1997).

FLD is "the class of information that refers to current plans and future forecasts that enable investors and other users to assess a company's future financial performance" (Aljifri & Hussainey, 2007, p. 883). Aljifri and Hussainey (2007) also state that such disclosure involves financial forecasts: next year's earnings, expected revenue and predicted cash flow. They also argue that FLD consists of non-financial information, such as, risks and uncertainties that could significantly lead to the differences between actual results and projected ones.

There are a number of arguments regarding the benefits of including FLD in annual reports. Kieso and Weygandt (1995) argue that FLD will assist investors in making investment decisions. They also argue that if FLD is withhold, investors may rely on inaccurate information from alternative sources in their forecasting. In addition, they state that dynamicity of economy is too high to be relied on historical information only. Finally, they argue that FLD in the annual report is useful for reducing the information asymmetry between investors and managers, thereby leading to a reduction in the cost of external financing for a firm (as cited in Aljifri & Hussainey, 2007). Thus, greater the extent of FLD in a statement, the greater the usefulness of the statement (Hussainey et al., 2003; Gietzmann, 2006; Bozzolan et al., 2009).

Literature Review of FLD

A number of studies have examined FLD in developed countries (e.g., Hussainey et al., 2003; Hussainey & Walker, 2009; Hassanein & Hussainey, 2015). They find that FLD in narrative reports is value-relevant to investors and provides mechanisms through which information asymmetry and agency costs could be reduced. Therefore, FLD is positively linked with share price anticipation of earnings and firm performance.

As mentioned earlier, the Omani government is encouraging firms to disclose more FLD to reduce information asymmetry between shareholders and managers and to attract more foreign investment to the

country. The dearth of business strategic information in the annual reports indicates the need to examine the determinants of FLD in Oman.

Few studies have investigated the determinants of FLD in GCC (Aljifri & Hussainey, 2007; Aljifri et al., 2013; Elgammal et al., 2018; Mousa & Elamir, 2018a; Mousa & Elamir, 2018b) (UAE, Qatar and Bahrain, respectively). Mousa and Elamir (2018b) find that some firm characteristics, such as firm size and leverage are significantly affecting FLD. Elgammal et al. (2018) find that foreign ownership positively affects FLD, whereas Aljifri et al. (2013) find the block shareholding ownership has a negative impact on FLD. However, these studies did not examine AC characteristics as determinants of FLD. The current study differs from these studies in that it investigates the impact of overlapped AC members on FLD.

There are many sources that might provide investors with FLD relevant information in anticipating a firm's future performance, other than annual report. These sources consist of interim reports, press releases, conference calls, and direct communication with analysts (Aljifri & Hussainey, 2007). Following Smith & Taffler (2000), this paper focuses on FLD in the chairman reports section of annual reports as they are the main part of annual reports that releases FLD (CMA, 2015).

Audit Committee and Financial Reporting Quality

One of the most important sub-committees of the corporate board is the AC whose main responsibility is to oversee FRQ (Hoitash, Hoitash, & Bedard, 2009). The AC assists the BODs in fulfilling its legal duties related to the issues of accounting, auditing, internal control, and the main task is overseeing the financial reporting process. AC reviews and monitors all aspects of the annual reports such as the mandatory disclosure (financial statements) and voluntary disclosure (the narrative section of the annual report). It is responsible for contributing to the provision of higher FRQ and reducing information asymmetry (Bravo & Alcaide-Ruiz, 2019). In addition, its role in ensuring the highest quality in financial reporting has received greater scrutiny from regulators in recent times (Mangena & Tauringana, 2008) and is considered to be a focal point of CG regulation after a number of high-profile accounting scandals (Chandar et al., 2012). Regionally, the Middle East region has faced recent 'Big 4' audit firms' scandals – KPMG in Oman and Deloitte in Saudi Arabia –, which highlight the lack of the core responsibility of AC monitoring. Due to widespread regulatory changes resulting from the Sarbanes–Oxley Act and the adjustments made in 2015 by Oman's CMA in response to emerging market conditions, the paper provides new evidence on overlapping AC membership and FLD. In the Omani context, the majority of AC members (including AC chair) should be from the board's independent directors. One member of the AC, at least, must have finance and accounting expertise for the committee to be effective. Moreover, all AC

members should be non-executive members (CMA, 2015). Consistent with the literature, the regulations also confirm the critical role played by the AC in monitoring the activities of the BOD by enhancing disclosure quantity and by ensuring that the interests of shareholders are safeguarded (Blue Ribbon Report, 1999; Smith Report, 2003).

The role of ACs in the FRQ and of voluntarily disclosure has been widely examined in developed and emerging markets (Samaha et al., 2015). This is because ACs are pivotal in supporting BODs in providing accurate, relevant, timely and sufficient information to allow users of financial reporting to evaluate management and make informed decisions (Allegrini & Greco, 2013). Moreover, management should be alerted by the AC to the need to engage in an 'active' communication policy for shareholders that would help reduce existing information and value gaps (Kent & Stewart, 2008). Karamanou and Vafeas (2005), in testing the impact of AC characteristics on earnings forecasts quality, find that AC expertise is a significant factor in a firm's decision regarding the issuing of a forecast. Wang and Hussainey (2013) find no significant relationship between FLD and the proportion of AC members who have relevant financial experience. For AC directors' shareholding, Li et al. (2012) find a negative relation between AC share ownership and the disclosure level. This suggests that the independence of the AC is compromised by share ownership, leading to a reduction in motivation to diligently monitor the reporting processes. As Salehi and Shirazi (2016) suggest that AC should encourage the managers to disclose high quality financial information. The Blue Ribbon Report (1999) and the Smith Report (2003) also confirm that the AC plays a critical function in monitoring the activities of the board by improving the quality of disclosed information and ensuring the safeguarding of interests of shareholders through the issuing of price-sensitive information. Therefore, it is anticipated that AC effectiveness improves the corporate reporting policy (Samaha et al., 2015). In addition, Abad and Bravo (2018) find that the accounting expertise of AC members is associated with FLD. Bravo and Alcaide-Ruiz (2019) find an association between the presence of female AC members with financial expertise and FLD. However, the above-mentioned studies mainly focus on data from developed markets like the UK, US and emerging markets such as Malaysia, where the legal framework is strict and the system of disclosure and transparency is developed. It is worth examining such a relationship in a developing country such as Oman, where the CMA has updated the CG code and the Oman Vision 2040 strategy is encouraging firms to disclose more FLD (MSM, 2019).

Several studies have conducted on the impact of AC function on voluntary disclosure in GCC banks (e.g. Al-Shammari & Al-Sultan, 2010; Abdallah et al., 2015; Al-Maghzom et al., 2016; Neifar & Jarboui, 2018; Buallay & Al-Ajmi, 2019; Dalwai & Mohammadi, 2020; Harun et al., 2020). Al-Shammari and Al-Sultan (2010) investigate the impact of voluntary AC on voluntary disclosure in a Kuwaiti context.

They find that the existence of a voluntary AC is significantly and positively related to the extent of voluntary disclosure. Abdallah et al. (2015) investigate the determinants of voluntary CG disclosure practices of Islamic banks in the Southeast Asian and GCC regions. They find that AC effectiveness (comprised score) plays a major role in improving voluntary CG disclosure. Furthermore, Al-Maghzom et al. (2016) find that some attributes of AC, such as number of meetings, significantly affect the level of voluntary disclosure, however, they find AC independence and size to have an insignificant correlation with voluntary disclosure in Saudi listed banks. Buallay and Al-Ajmi (2019) find different impacts of AC attributes on voluntary sustainability reporting in GCC banks. The authors report a negative association between financial expertise and sustainability reporting, while AC member independence and meeting frequency play a positive role in determining the extent of disclosure. However, absence of studies investigated such relationship in Oman as a single country. In addition, none of the studies examined the effect of overlapping AC membership on voluntary disclosure. This variable recognises its importance from the new governance provision when it prohibits the AC chair to be overlapped. Moreover, no study examined the impact of AC on FLD in GCC. Oman market is considered to be unique to conduct this study on, as the country forcing the firms to affiliate with Oman Vision 2040 strategy, which results in disclosing more on business strategic plans information. Moreover, no study covers the period of the inauguration of the updated Omani CMA code, which offers a contextual insight to assess how new provisions on AC could enhance FLD in the banking sector.

Overlapping Audit Committee Membership and Financial Reporting Quality

Following the financial crisis, overlapping AC has become an established part of mainstream governance research, specifically in the area of overlapping AC and compensation committee membership (e.g. Chandar et al., 2012; Liao & Hsu, 2013; Kusnadi et al., 2016; Alhossini et al., 2020; Al-Qublani et al., 2020). Notwithstanding the existence of substantial empirical quantitative research on AC effectiveness, overlapping AC membership has received little attention.

A number of studies examine the effect of overlapping memberships on FRQ (Chang et al., 2011; Chandar et al., 2012; Liao & Hsu, 2013; Habib & Bhuiyan, 2016; Kusnadi et al., 2016; Fernandez-Mendez et al., 2017; Kalelkar, 2017; Velte, 2017). On the one hand, based on agency theory, overlapping memberships are associated with greater levels of expertise and knowledge spillover that can result in improved monitoring quality in the AC (Habib & Bhuiyan, 2016; Velte, 2017). On the other hand, being overcommitted is a risk for AC members who served on multiple committees and can reduce their effectiveness as monitors of reported earnings (Laux & Laux, 2009; Kalelkar, 2017). This has been

endorsed by the busyness hypothesis, which notes that the level of monitoring by ACs reduces when their members are busy (Tanyi & Smith, 2014).

Moreover, overlapping AC membership literature (e.g. Liao & Hsu, 2013; Habib & Bhuiyan, 2016; Kalelkar, 2017) has examined the impact of such variable on indirect measures of FRQ, such as, earning management and audit fees. For instance, Fernandez-Mendez et al. (2017) find a positive impact from overlapping AC membership on qualified audit opinion in Spain for the period of 2004-2011, indicating an increased FRQ. Kalelkar (2017) find a positive relationship between overlapping AC membership and FRQ proxied by audit fees in USA. Chang et al. (2011), Chandar et al. (2012), Liao and Hsu (2013) and Habib and Bhuiyan (2016) use discretionary accruals' models as proxy for FRQ. While Chandar et al. (2012) and Habib and Bhuiyan (2016) find a positive relationship between overlapping AC and FRQ in USA and Australia respectively, Chang et al. (2011) and Liao and Hsu (2013) state a negative relationship in USA.

The above-mentioned proxies of FRQ are historical values representing the accounting policies and procedures that have been chosen by the managers to maximise their benefit and firms' wealth. These proxies do not reflect the disclosure practices made by BODs to enhance the credibility of companies' annual reports. Omani financial institutions are moving toward achieving Oman vision 2040 strategy by broadly disclosing managements' business strategies, assisting investors and shareholders to understand them and make rationale investment decisions. Studying the variation in FLD practice reflects on how Omani banking sector tries to satisfy stakeholders' needs by disclosing more relevant information. Therefore, as previous literature lacks the investigation in the field of overlapping AC in relation with direct measures of FRQ, our study provides valuable contribution by being the first, to the best of our knowledge, to examine the impact of overlapping AC on direct measure of FRQ (e.g. FLD), especially when a new CG code has been introduced in Oman and raised a crucial issue for overlapping AC membership.

3.2 Theoretical Framework

Agency and busyness theories have been widely used in accounting literature to explain the impact of overlapping AC membership on FRQ (e.g. Chandar et al., 2012; Kalelkar, 2017; Velte, 2017). In their meta-analysis study, Sassen et al. (2018) argue that these are among the major theories to gain a deeper understanding of overlapping effects. Furthermore, agency theory, among a number of theoretical perspectives, is found to be applicable to CG and disclosure practices of firms in the developing economies including Asian firms (Ghazali & Weetman, 2006; Mustapha & Ahmad, 2011; Chu et al., 2013). The

secrecy culture embedded in family-owned firms in Asia requires more disclosures and tighter governance principles, seems to represent contrasting institutional and cultural settings (Haji, 2015). Moreover, agency theory has been found to be the most prominent economics-based theory used to explain ACs effectiveness (Bédard & Gendron, 2010). Busyness theory has also been found to be the most prominent theory used to explain board interlocks or over-commitments (Abdelbadie & Salama, 2019; Trinh et al, 2020).

Agency Theory: One of the most popular theories explaining the relationship between shareholders (principals) and managers (agents) is the agency theory. According to Jensen and Meckling (1976), an agency relationship is formed through "a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (p.308).

As the agent is responsible to conduct business transactions on behalf of the principal, it is expected that the agent should act in the best interest of the principal rather than self-interest (Jensen & Meckling, 1976). This difference in interests creates a source of conflict, which results in miscommunication and disagreement that lead to various problems in the company. The conflicts of interest between the two parties are brought about by the separation of ownership and diffusion in aspects of control, which is the norm in corporations and leads to an increase in agency cost (Fama, 1980). According to Spremann (1987), principals are finding it hard to monitor the activities of their agents and thus they will incur monitoring cost. Agency theory suggests that principal could better oversee agent's behaviours by executing monitoring costs and therefore prevent the agent to act in a way that would negatively affect firm value (Zalata et al., 2018). These monitoring costs consist of hiring qualified AC members to be effective in monitoring the agent behaviours and actions (Zalata et al., 2018).

Agency theory suggests that due to the separation of ownership and control, and managers exercising their control over firms' resources on behalf of the shareholders, information asymmetry would arise between these parties, leading to more agency problems and costs (Jensen & Meckling, 1976; Fama & Jensen, 1983). The only solution to solve these problems is by having an optimal agency contract between the agent and the principal (Fama, 1980), in which the principal is offering the agent with incentives, such as, satisfied wage rate and profit sharing scheme (Clarke & Darrough, 1983). Having such an arrangement provides the agent with the motivation to work in the best interest of the principal by continually sharing the outcomes of the actions and decisions (Fama, 1980; Fama & Jensen, 1983).

Agency theory suggests two ways to reduce information asymmetry between such parties. First, the theory advocates the appointment of independent AC directors as a crucial mechanism to monitor

management's behaviour (Mangena & Tauringana, 2008). This is undertaken to ensure actions are taken in the best interest of the stakeholders and that all relevant and useful information is conveyed on timely manner (Haji, 2015). Moreover, consistent with this theory, the presence of overlapped AC members on many committees leads to increased expertise and knowledge spillovers that can be utilised in better monitoring the management and increase firms' FRQ (Habib & Bhuiyan, 2016). The new CG code in Oman encourages the AC's function to assure that firm's internal control is monitored by the independent directors, the interest of shareholders are protected from potential misconduct by management, and FRQ is improved (Baatwah et al., 2015; CMA, 2015).

Secondly, to mitigate the agency problem and costs, AC directors tend to encourage the board members and the management team to act in an optimal way to increase voluntary disclosure (Samaha et al., 2015). This is based on the view that stakeholders require reliable and relevant information to evaluate if their interests and rights are being maximised by the agents (Wang & Hussainey, 2013; Baatwah et al., 2015). AC member with unique characteristics acts as a tool in enabling the stakeholders to receive timely, accurately, and high-quality information (Baatwah et al., 2015). The AC role as a monitoring instrument is supported by the agency theory as firms with high information asymmetry incur a significant percentage of agency costs (Baatwah et al., 2015). As a result, the ACs through substantial oversight of financial information will be required to reduce these costs.

From the agency perspective, overlapping creates information exchange channels between committees, which help firms to reduce uncertainties, share information about current and future situations, and act as a monitoring mechanism on behalf of shareholders (Chandar et al., 2012). Moreover, this assists overlapping AC members in enforcing the board's decision to release more high-value internal FLD to enable stakeholders to take accurate decisions when analysing the firm's performance, which is more likely to reduce the information asymmetry between insider and outsider parties and enhance FLD.

Busyness Theory: The busyness theory suggests that directors become less effective in monitoring management when they become overcommitted to a firm (Clements et al., 2015). Ferris et al. (2003) define busyness theory as "serving on multiple boards overcommits an individual. As a consequence, such individuals shirk their responsibilities as directors" (p. 1088). They also state that having overcommitted multiple board directorships would affect the effectiveness of the board role in overseeing the management and, hence, negatively affect the firm's market value.

Previous literature finds evidence that directors who serve on multiple boards would act as less effective in monitoring management, thus increasing CEO compensation and reduce firms' FRQ (Core et

al., 1999). Jiraporn et al. (2009) report that multiple directorship members sit on less number of board committees and reduces their potential of serving on AC and compensation committees. This is due to their ineffective ability in monitoring company management. Fich and Shivdasani (2006) also report that firms with busy directors are associated with weak CG measures (lower market-to-book ratios, weaker profitability, and lower sensitivity of CEO turnover to firm performance).

The theory states that the presence of AC members on multiple committees could result in them becoming overcommitted to non-accounting-related activities undertaken by other board committees (Chandar et al., 2012), which might adversely affect the quantity of FLD. Subsequently, this creates time constraints, thereby decreasing their ability to perform their tasks diligently and harming their effectiveness in monitoring FRQ (Laux & Laux, 2009; Kalelkar, 2017). Also, such over-commitment raises a concern about the ability of the members to meet their responsibilities effectively as each committee has its own monitoring objectives (Jiraporn et al., 2009), which will eventually result in reducing FRQ (Chang et al., 2011).

3.3 Hypothesis Development

To gain a deeper understanding of overlap effects, two major theories in governance and strategic management have been examined in previous studies (agency and busyness theories) (Sassen et al., 2018).

According to agency theory, overlapping AC members serving on other board committees within the same company such as nomination committee, remuneration committee and/or risk committee, will enable them to obtain in-depth and rich knowledge about business strategies and comprehensive information about all internal current and future plans undertaken by each committee (Chandar et al., 2012). This helps overlapped AC members to assure that the quantity of FLD in the annual reports is high, resulting in a reduction of information asymmetry between the insider and outsider parties. Moreover, due to overlapped AC members' richness knowledge and access to all future strategies of the committees, more likely they can release additional internal FLD needed by other stakeholders to take an accurate decision in analysing the firm's situation, which will enhance the disclosure practices. FLD appears to be meaningful to all stakeholders, comprising projections into the future – both financial and non-financial – and serving as a mechanism to decrease information asymmetry (Kılıç & Kuzey, 2018). Based on this theory, FLD lessens information asymmetry and lowers agency costs (Hassanein & Hussainey, 2015). In this regard, banks may disclose more FLD, which will allow for a better assessment of companies' future performance.

In addition, Faleye et al. (2011) suggest that overlapping directors can use additional information to gain a better understanding of the firm, and this can result in increased effectiveness in performing their oversight on the accounting and reporting process and safeguarding FRQ. Specifically, Zheng and Cullinan (2010) argue that compensation committees can benefit from supplementary ACs, as it allows for more in-depth comprehension of the effects of CEO compensation, which is based on incentives, discovers the motivation behind managers' reporting and assists in the design of remuneration packages that will minimise any incentives that managers might have to misstate. Furthermore, Hoitash and Hoitash (2009) find a negative relationship between overlapping and incentivised salary, which positively enhances the FRQ of the firm. Brandes et al. (2016) infer the existence of a negative relationship between overlapping and total executive remuneration, and a positive relationship in circumstances where a fixed rate of income is a portion of the overall remuneration package. In agreement with this, Zheng and Cullinan (2010) demonstrate a positive association between overlapping and the degree to which remuneration is based on company stock, which they regarded as less likely to induce distortion than remuneration that includes stock-based options. Moreover, Grathwohl and Feicha (2014) suggest the existence of a positive relation between overlapping and bonus payments in Germany, which enhances a firm's FRQ. Relating to this, Kalelkar (2017) find that a lower audit risk is present in firms with overlapping members, which leads to a decrease in auditor fees compared to firms without overlapping. Recently, Al-Dhamari et al. (2020) and Jiang (2020) find a positive association between overlapped AC members and high level of accounting information quality and lower level of operating risk. Therefore, it is expected that firms' disclosure level will be enhanced when the average number of overlapped AC members is higher[1].

However, Laux and Laux's (2009) theoretical model state that overlapping membership may also give rise to a negative impact on a firm's FRQ in circumstances where the behaviour of both managers and directors is out of synchronise. Because managers and directors behave in ways that affiliate to agency theory, conflicting of interests arise. However, the additional information and knowledge transfer from overlapping could be used in parties' personal interests but not in the firm's long-term interests. In addition, Carter and Lynch (2012) find that the consequences of overlapping include less emphasis on positive discretionary accruals by the committees. Moreover, Karim et al. (2016) find a negative association between committee overlapping and audit fees, which might create an impression that overlapping committees are linked to weak monitoring and CG efforts by the AC.

[1] The literature used many proxies for FRQ. For example, earnings management, earnings restatements, remuneration, audit opinion, non-audit fees, audit risk and incentive pay (e.g. Sassen et al., 2018).

Similarly, busyness theory states that board members that hold multiple committee memberships are too overloaded to undertake their roles diligently (Ferris et al., 2003). In turn, this damages the quality of monitoring of a company's performance and risk countermeasures. Similarly, Tanyi and Smith (2014) argue that AC monitoring is weakened when their members are overloaded. In this regard, Liao and Hsu (2013) find that the effectiveness of the monitoring role of directors could be negatively affected by overlapping, which is proxied by poorer earnings quality, mainly due to time pressure. They state that members might not be in a position to fully focus on their primary responsible if they are serving on multiple committees. Similarly, Chang et al. (2011) find that overlapping AC membership is positively associated with higher level of discretionary accruals, which reduce FRQ. It seems that there could be a negative impact on the firm's FRQ and on the quality of governance when directors are over-committed; leading to the opposite assumption that disclosure quantity should be negatively associated by the number of overlapping AC members. Regardless, Kusnadi et al. (2016) and Al-Qublani et al. (2020) indicate that their results show that overseeing FRQ is not affected by overlapping membership. Therefore, the evidence on this relationship is inconclusive. Hence, based on the agency and busyness theories, it could be hypothesised that: *Overlapping AC membership has an impact on FLD*.

4. Research Design and Methods

4.1 Data Collection

We analyse all Omani banks listed on the Muscat Securities Market (MSM) from 2014 to 2019 (48 firm-year observations from 8 banks). The selection of this period is chosen for the fact that the Omani CG code was amended in July 2016, which premises the comparability of the results pre and post the implementation of the new code. The sample ends by 2019 as it is the most recent year at the time of the analysis.

The banking sector is chosen due to its importance in the development of GCC economies (Dalwai et al., 2015). Dalwai et al. (2015) state that GCC banks have shown a solid resistance during the financial crises period and they were resilient in coping with the crisis which lead them to improve faster. Banks are the main elements for the development and prosperity of developing countries. They heavily contribute to the total stock market value in the GCC (Al-Hadi et al., 2016). Banks are exposed to variety of risks (e.g. financial, operational and business risks), and they possess complex characteristics, such as high level of leverage and strong CG, which differentiate them from non-financial sector and put them in an interesting position for research (Abdelbadie & Salama, 2019). Therefore, the banking sector provides an interesting sample to examine the effectiveness of CG provisions on FLD.

The data has been collected from two sources: CG variables have been manually collected from the annual reports downloaded from MSM's website, and the Bloomberg database has been utilised for financial (accounting) variables. A manual content analysis of chairman's reports has been conducted to measure the frequency of FLD. The research focuses on annual reports because they are considered legal document (Al-Yahyaee et al., 2011), and, in Oman, are heavily regulated by CMA and MSM. They are also mandatory documents with voluntary textual content, which all listed companies must report. The usage of these reports is increasing, indicating their relevance to investors (Beattie et al., 2004). Voluntary disclosure is an essential tool in decreasing information asymmetry between shareholders and management (Karamanou & Vafeas, 2005). Financial statements are excluded from our analysis as they are standardised and tend not to reveal FLD (Hussainey & Walker, 2009). Consequently, our study analyses the disclosed content in the chairman's reports due to the comprehensive amount of FLD provided for stakeholders (Smith & Taffler, 2000). Smith and Taffler (2000) also find that unaudited managerial disclosures provided in the chairman's statement contain important information associated with the firm's future position.

An OLS regression analysis is carried out to examine the impact of overlapping AC membership on FLD. The basic model is presented in equation (1) as follows:

$$FLD = \alpha + \beta1\ OvAC + \beta2\ ACMeet + \beta3\ ACSize + \beta4\ ACFem + \beta5\ ACMul + \beta6\ ACFin + \beta7\ ACSup + \beta8\ ACShr + \beta9\ Total\ Asset + \beta10\ LEV + \beta11\ ROE + e \quad (1)$$

Where,

FLD refers to the number of FLD in the chairman report; ***OvAC*** refers to the proportion of AC members who also sit on other committees at the same time within the same company; ***ACMeet*** refers to the number of meetings held by AC; ***ACSize*** refers to the number of members in the AC; ***ACFem*** refers to the proportion of female members within AC; ***ACMul*** refers to the average of AC members who also serve on other boards externally; ***ACFin*** and ***ACSup*** refer to the average of AC members who possess financial and supervisory expertise; ***ACShr*** refers to the percentage of AC members who hold or represent 5% or more from a firm's shares; ***Total Asset*** refers to the firm size; ***LEV*** refers to the leverage of the firm and ***ROE*** refers to firm profitability.

4.2 Variables: Measurement and Description

Dependent Variable: FLD Quantity Variable

The dependent variable 'FLD' is the number of statements in the chairman's reports which refer to future forecasts and current plans that assist stakeholders in evaluating a firm's future financial performance (Aljifri & Hussainey, 2007). A comprehensive four-dimensional framework (financial, tone, quantitative and time period orientations) has been used to conduct a manual content analysis by measuring the quantity of FLD (in total and for each dimension). The chairman's reports have been manually examined and all the forward-looking statements in each text unit have been highlighted and reviewed. A text unit is defined as a phrase containing a single item of information (Beattie et al., 2004). Each piece of FLD is classified to four type attributes based upon the following binary descriptors: financial/non-financial, good/bad news, quantitative/qualitative, and long/short term (Beattie et al., 2004).

The following steps have been undertaken to measure FLD score and the quantity scores of the four dimensions. First, we download the chairman's reports of the banking sector from the MSM website. Secondly, we manually read the chairman's reports and for each report we count the number of statements that are forward-looking in nature, following Hussainey et al. (2003) and Hassanein and Hussainey (2015). Thirdly, we classify each forward-looking statement into the relevant four dimensions (Table 1 gives an overview of the definitions of the four quantity attributes of FLD). Fourthly, the score of each dimension has been totalled and used in the regression analysis. In conclusion, we have generated two types of scores: (1) the numbers of forward-looking statements per bank (FLD Quantity), and (2) the number of forward-looking statements for each dimension per bank (FLD Quantity Attributes).

Samples of FLD and its four attributes have been illustrated in Table 2. For instance, in Sample 1, the chairman makes a strong statement about the declines in next year's government revenues. As government is one of the shareholders in this bank, the statement gives a pessimistic indication to the shareholders (Bad dimension). The statement is also considered relevant to the financial dimension as it discusses an element of financial statements (revenues). No numerical value has been reported in the statement, which makes it qualitative in nature. Finally, it is clearly stated that the consequences of this decrease in revenue will be presented in the short term.

Insert Tables 1 and 2 about here

Independent Variable

The independent variable of the study is the overlapping members between the audit committee and other board committees, such as, risk, remuneration, nomination and executive committees. Overlapping AC membership is measured by the number of AC members who also sit on other committees within the same company at the same time, divided by the size of the AC (OvAC) (Furqaan et al., 2019). The variable is manually extracted from banks' annual reports.

Control Variables

Following prior literature (e.g. Kusnadi et al., 2016; Habib & Bhuiyan, 2016), we control for AC variables that affect FRQ, such as the size of the AC, the number of AC meetings, the percentage of supervisory and financial expertise who sit on AC, the proportion of females on AC, percentage of AC multiple directorship and AC share ownership. We also control for audit quality based on whether the firm was audited by one of the big four audit firms (i.e., Price water house Coopers (PwC), Ernst and Young (EY), KPMG and Deloitte). However, we find that all Omani banks were audited by one of the big four audit firms during our chosen period. In addition, we control for other firm characteristics, such as firm profitability (Return on Equity [ROE]), firm leverage and firm size (total assets), as the literature shows that these variables drive FLD (e.g. Elgammal et al., 2018; Elberry & Hussainey 2020). Table 3 presents the variables definitions.

Insert Table 3 about here

4.3 Data Reliability and Validity

The inherent subjectivity of the classification procedures using content analysis is a common handicap with this type of measure; and therefore, such a procedure must be reliable in order to draw valid conclusions (Milne & Adler, 1999). This study thus uses both reproducibility and stability tests to check the reliability of FLD scores.

Regarding reproducibility, two highly experienced coders examine a sample of chairman reports to ensure the classification procedures for FLD scores to minimise ambiguity (Kilian & Hennigs, 2014). These coders are the second author of this research and an experienced individual who has excellent knowledge of the Omani context. Concerning stability, Krippendorff (2013) identifies it as one of the reliability tests, indicating the consistency of results over time. To address this issue, all the reports were read twice by the same coders in two different periods of the study. No mistakes or errors were found during the checking process.

The reliability of the four attributes of FLD has been validated through the internal consistency relying on Cronbach Alpha Test. The reliability coefficient is 91.3%, which is high when compared with the generally acceptable percentage in the literature (e.g. 70%) (Elshandidy et al., 2013).

5. Empirical Results

5.1 Descriptive Statistics

The descriptive statistics for all variables are reported in Table 4. The results show a significant variability in the FLD. On average, Omani banks release about 13 text units of FLD in their chairman's report annually. The maximum number of text units that found in one of the banks was 40, with a minimum of 5 text units. This is very low compared to other GCC states, such as UAE and Qatar, with an average of 27 and 46 respectively (Aljifri et al., 2013 & Elgammal et al., 2018). This shows that the Omani government is encouraging banks to disclose more of this relevant information to increase its attractiveness for more foreign investment. According to the attributes of FLD, it has been found that the chairman reports are dominated by non-financial, good, and qualitative information with a maximum of 21, 38 and 33 text units, respectively. This is consistent with the findings of Smith and Taffler (2000) and Beattie et al. (2004). On average, 60% of AC directors overlap on different committees, which is in the middle range of what has been found in the emerging East Asian markets; 50% in Singapore and 76% in Malaysia (Kusnadi et al., 2016, Furqaan et al., 2019).

Moving to the control variables, the mean of AC size is 3.35, ranging from 3 to 4. According to the CG code, at least three members must be appointed to an AC, which means that all Omani banks are following this rule. There should be at least four meeting per year; the number of meetings in Omani banks ranges between 4 to 10 and the mean is 5.54. This is slightly more than what have been found in GCC banks, in which the number of meetings ranges between 2 to 10. The AC female, AC multiple directorship and financial expertise averages are 2%, 56% and 87%, respectively. Finally, the average value of profitability and leverage are 7.06 and 10.23, respectively. This shows that Omani banks are doing relatively good among other neighbouring countries, such as Qatari financial firms (ROE mean of 5.35) (Elgammal et al., 2018) and Bahraini companies (ROE mean of 9.77) (Mousa & Elamir, 2018b).

Insert Table 4 about here

5.2 Correlation Analysis

Table 5 presents the Pearson's correlation coefficients. We find that FLD is positively correlated with all quantity attributes of FLD. Moreover, overlapping AC membership is positively and significantly

correlated with FLD. In addition, a significant positive correlation is found between FLD and AC multiple directorships. Furthermore, we indicate a negative correlation between FLD and AC share ownership. In addition, we examine the variance inflation factors (VIFs) among independent variables and find that the VIFs are small (<5), which is lower than the common rule of 10 as a sign of sever or serious multi-collinearity (Velte, 2017).

Insert Table 5 about here

5.3 Regression Analysis

The results of the regression analysis are presented in Table 6. The estimated coefficient of OvAC is positive and statistically significant with FLD (with $a = 4.966$, $p = 0.09$) at the confidence level of 90%, consistent with agency theory. Moreover, the coefficient of OvAC is significantly positive with some of FLD quantity attributes (financial, qualitative, bad and long-term attributes). Hence, our hypothesis is accepted. Theoretically, according to agency theory, these results indicate that having AC members serving on multiple committees and gaining thorough knowledge across the firm significantly will enhance the monitoring function of these members, leading to an improvement in the FLD's practice and relevance in the chairman's reports.

The finding is in line with agency theory and the results of previous studies (e.g. Chandar et al., 2012; Habib & Bhuiyan, 2016; Kalelkar, 2017; Velte, 2017), which find that overlapping membership improves FRQ. According to Laux and Laux's (2009) theoretical model, overlapping AC membership is linked to knowledge spillovers, which are useful for the AC's financial reporting monitoring. The results contradict with Chang et al. (2011) and Liao and Hsu (2013), however, who find that overlapping AC members negatively affect a director's monitoring quality, which reduces FRQ. The results offer practical implication to Omani regulators to exceedingly appoint these members on AC due to the unique resources they provide to the committee concerning making strategic decisions that could enhance voluntary disclosure of the Omani banks.

In relation to our CG control variables, we find that ACs with multiple directorships **(ACMul)** positively affect the FLD quantity level. This is consistent with Eulaiwi et al. (2016) who suggest that these members can assist the board in making the right decision about disclosing high levels of FLD. In addition, we find a negative and significant relationship between AC share ownership **(ACShr)** and FLD quantity level. This could be explained that an AC member with share ownership, who is informed about the most important events happening across different committees, may reduce the FLD level by colluding with management to protect their investment and satisfy their interest against stakeholders' interests

(Velte, 2017; Habib & Bhuiyan, 2018). This will lead to a reduction in a firm's share price and consequently a decrease in the company's market value, harming all shareholders. Moreover, a negative effect has been found of female AC members on FLD quantity. This could be due to the small number of women serving on ACs in Omani banks. Moreover, a negative effect has been found of female AC members **(ACFem)** on FLD quantity. This could be due to the small number of women serving on ACs in Omani banks, which lead them to be powerless in boards' discussions with no influential factor. As ACs play a major role in ensuring highest standards of governance and FRQ in Omani banks, they prefer to assign male on ACs and appoint female on less monitoring committees.

Insert Table 6 about here

6. Additional Analyses

6.1 Overlapping AC Members Membership with Compensation Committee

To further examine the role of overlapping AC and how effectively it provides oversight of the FRQ, we run a regression analysis to examine the impact of AC members who also sit on the compensation committee on FLD, following Habib and Bhuiyan (2016). An overlapping director can acquire knowledge and information that can facilitate coordination between AC and compensation committee (Kalelkar, 2017). It is conceivable, therefore, that AC members who are also on the compensation committee would be more informed about management's compensation-related incentives in taking certain accounting options (Velte, 2017).

We believe that by overlapping on other monitoring committees such as the compensation committee, AC members will broaden their understanding of the FRQ process and gain in-depth and rich knowledge about top manager incentives, which will enable them to release more FLD.

Table 7 illustrates the results of the regression analysis. The estimated coefficient (OvACCC) is negative and insignificant. This suggests that overlapped AC members with compensation committee does not affect FLD. This could be due to their excessive commitment to attend many meetings related to both of these committees, especially after the new Omani CG code requirement for the establishment of a compensation committee with its own independent presence, meetings and qualified members.

Insert Table 7 about here

6.2 Additional Analyses (Non-Parametric and One – Way ANOVA tests)

Additional non-parametric and ANOVA tests have been utilised to confirm the results of the study. First, we run a Quantile test to investigate further the impact of overlapping AC membership on FLD practice. Table 8 shows a significant and positive affect of overlapped AC membership on FLD. The results are in line with the previous arguments of the paper. Second, One - Way ANOVA test has been undertaken to re-assure the results. Table 9 illustrates a significant result, which indicates that overlapping AC membership does significantly influence on FLD.

Insert Tables 8 and 9 about here

6.3 Checking for Endogeneity

The results could be confounded by endogeneity problem. The influence of overlapping committees may become stronger in subsequent years because of learning effect and likelihood that overlapping committees could be formed any time during the year. To solve the endogeneity issue, we run a time-lagged regression analysis, following Habib and Bhuiyan (2016), to examine the impact of overlapping committees on the FLD of subsequent years. Table 10 shows the results of the regression analysis. Overlapping AC membership is found to have a significant and positive impact on FLD in subsequent years. It is plausible that firms, which tend to voluntarily disclose more information, have more overlapping members.

Insert Table 10 about here

7. Conclusion

This paper extends the literature on CG by providing new empirical evidence of the impact of overlapping AC membership on FLD. We analyse all Omani banks listed on the MSM for the years 2014–2019. We find a positive association between the proportion of overlapping AC members and FLD. This indicates that overlapping AC membership results in knowledge spillovers, which are helpful to the AC's monitoring role in relation to the FRQ. Moreover, predicting the future with a high level of accuracy is very difficult task and cannot be done without some internal and confidential knowledge of activities and strategies occurring in the different committees. AC members need to serve on different committees to enable them to obtain a thorough knowledge about the main activities in the different committees, which will provide them with an excellent position to predict the future of the firm more accurately.

We contribute to governance-disclosure literature in two important ways. First, the association between the overlapping AC members and FLD is specifically considered. Second, the design of a specific

FLD framework adds to the literature by considering four attributes (financial orientation, disclosure tone orientation, time and quantitative orientations) in the measurement of FLD, using Beattie et al. (2004)'s disclosure framework. Overlapping AC membership literature has been conducted in developed countries; however, our study has extended the issue into a developing country where regulations and market structure differ. Future research could expand and recontextualise the issues of overlapping AC membership and its impact on FLD in different countries.

Our findings suggest that Omani standard setters should be aware of increased AC effectiveness by being overlapped. The findings have potential implications for Omani regulators (and corporate managers) as they show the benefits of overlapping AC membership for a firm and its stakeholders. The findings also offer value relevant information to regulators as they help in rethinking about the roles or AC members on corporate boards. In this regard, the Omani CG code should provide recommendations regarding overlapping AC membership by setting guidelines on the type and proportion of overlapping. Our findings suggest that Omani banks need to encourage overlapped AC members as this leads to a comprehensive knowledge being shared among different committees, which enhances FLD.

A limitation of this study is that the number of bank-year observations was relatively small. Our study is limited to the banking sector in Oman. Further research could examine other financial institutions as well as non-financial institution. Another limitation is that the study was constrained by its narrow analysis of AC effectiveness. We acknowledge that other board characteristics may also have an effect on voluntary disclosure. Furthermore, we concentrated on the Omani context, which limits the generalisability of the results. Further research could examine different institutional contexts and could use, in addition to archival research, other empirical research methods, such as experiments and interviews. Further research could also use resource dependency theory to investigate overlapped AC membership-disclosure relationship, as resource dependency theory may highlight contributions made by directors other than monitoring. Further research could also examine the impact of overlapping AC membership on different types of voluntary disclosures such as risk or key performance indicators or corporate social responsibility disclosures.

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Table 1: Definitions of the Four Quantity Attributes of FLD

Forward-looking measurement	**Definition**
Forward-looking Disclosure (FLD)	No. of forward-looking statements in the chairman's report.
Forward-looking Disclosure: Financial (FIN)/Non-Financial (Non-FIN)	**Financial FLD**: No. of statements related to future financial information in the chairman's report. **Non-Financial FLD**: No. of statements related to future non-financial information in the chairman's report.
Forward-looking Disclosure: Good/Bad	**Good FLD**: No. of good news future statements in the chairman's report. **Bad FLD**: No. of bad news future statements in the chairman's report.
Forward-looking Disclosure: Quantitative/Qualitative	**Quantitative FLD**: No. of quantitative future statements in the chairman's report. **Qualitative FLD**: No. of qualitative future statements in the chairman's report
Forward-looking Disclosure: Long/Short-term	**Long-term FLD**: No. of long-term forecasted statements in the chairman's report. **Short-term FLD**: No. of short-term forecasted statements in the chairman's report.

Table 2: Samples of Forward-Looking Statements

Sample 1	
With an expected decline in government revenues and reduce government spending, the banking sector may need to contend with challenges in the short to medium term.	➢ Financial ➢ Bad news ➢ Qualitative ➢ Short-term
Sample 2	
The bank enjoys a high Omanisation ratio of 89.6% and we endeavour to increase it further.	➢ Non-Financial ➢ Good news ➢ Quantitative ➢ Short-term
Sample 3	
As part of the 2017 budget, the government announced a number of initiatives to enhance revenue and rationalize costs.	➢ Financial ➢ Good news ➢ Qualitative ➢ Short-term

Table 3: Variables Definitions

Variables	**Definition**
Overlap AC members (OvAC)	Board members who serve on AC and other committees at the same time within the same company divided by AC size.
AC Size (ACSize)	No. of members serving on the AC
AC Meeting frequency (ACMeet)	No. of AC meetings held during the year.
AC Female (ACFem)	The percentage of female members on the AC
AC Multiple-directorship (ACMul)	The percentage of AC members serving on external firms' boards
AC Financial Expertise (ACFin)	The percentage of accounting financial experts serving on the AC whose bios indicate at least one of the following qualifications: CPA, CFO, VP of finance, financial controller, CMA, CFA, principal financial officer, auditor or chief accounting officer.
AC Supervisory Expertise (ACSup)	The percentage of supervisory experts serving on the AC whose bios indicate at least one of the following qualifications: CEO, COO, chairman of a board of directors, or has an experience of more than 20 years in the industry.
AC Share Ownership (ACShr)	The percentage of AC members that own/represent shares in the company
Firm Size (Total Asset)	The natural log of Total Assets
Firm Leverage (LEV)	Total Debts over Total Assets
Firm Profitability	Return On Equity

Table 4: Descriptive Statistics

Variable	*Mean*	*Max*	*Min*	*Std. Dev.*
Total No. of FLD	13.35	40	5	7.54
FINANCIAL FLD	5.19	19	0	4.05
NON-FINANCIAL FLD	8.17	21	1	5.10
GOOD FLD	12.08	38	4	6.72
BAD FLD	1.27	6	0	1.71
SHORT FLD	5.02	15	0	3.20
LONG FLD	8.33	32	1	5.98
QUANTITATIVE FLD	2.48	10	0	2.32
QUALITATIVE FLD	10.88	33	2	6.99

See Table 1 for the variable definitions.

Variable	*Mean*	*Max*	*Min*	*Std. Dev.*
Total No. of FLD	*13.35*	*40*	*5*	*7.54*
Overlapping AC Members	0.60	1	0	0.33
AC Meetings	5.54	10	4	1.77
AC Size	3.35	4	3	0.48
Female AC Members	0.02	0	0	0.06
Multiple Directorship - AC Members	0.56	1	0	0.28
Financial Experts - AC Members	0.87	1	1	0.17
Supervisory Experts - AC Members	0.69	1	0	0.28
Share Ownership - AC Members	0.68	1	0	0.32
Log Asset	3.32	4.10	2.08	0.46
ROE%	7.06	16.45	-6.04	5.74
LEV (TD/TA)	10.23	26.99	0.01	7.89

See Table 3 for the variable definitions.

Table 5: Correlation Analysis

	FLD	FIN FLD	Non-FIN FLD	GOOD FLD	BAD FLD	SHORT FLD	LONG FLD	QTY FLD	QLY FLD	OvAC (%)	ACMeet	ACSize	ACFem(%)	ACMul(%)	ACFin(%)	ACSup(%)	ACShr(%)	LogAsset	ROE%	LEV (TD/TA)
FLD	1																			
FIN FLD	.774**	1																		
Non-FIN FLD	.864**	.349*	1																	
GOOD FLD	.978**	.699**	.890**	1																
BAD FLD	.567**	.662**	.312*	.381**	1															
SHORT FLD	.649**	.719**	.389**	.590**	.543**	1														
LONG FLD	.913**	.591**	.881**	.917**	.424**	0.283	1													
QTY FLD	.383**	.673**	0.031	.334*	.375**	.610**	0.156	1												
QLY FLD	.952**	.611**	.922**	.944**	.487**	.498**	.934**	0.081	1											
OvAC (%)	.381**	.360*	0.278	.308*	.471**	0.160	.395**	0.041	.398**	1										
ACMeet	-0.070	0.252	-.304*	-0.152	.287*	0.140	-0.164	.345*	-0.190	0.223	1									
ACSize	-0.152	-0.024	-0.206	-0.108	-0.247	-0.019	-0.182	0.016	-0.169	-0.071	.392**	1								
ACFem(%)	-0.001	-0.055	0.043	0.023	-0.092	-0.165	0.087	-0.167	0.054	0.252	0.214	.349*	1							
ACMul(%)	.294*	.469**	0.063	0.265	0.256	.302*	0.209	.378**	0.192	0.008	0.205	-0.070	0.026	1						
ACFin(%)	-0.027	-0.219	0.134	0.049	-.312*	-0.144	0.043	-.378**	0.096	-0.151	-0.172	.327*	0.206	-.607**	1					
ACSup(%)	-0.148	0.118	-.313*	-0.160	-0.022	-0.031	-0.170	-0.033	-0.149	0.139	.383**	-0.039	0.135	-0.102	0.004	1				
ACShr(%)	-.652**	-.422**	-.629**	-.655**	-.300*	-0.276	-.675**	0.068	-.726**	-.451**	0.008	-0.079	-.353*	-0.222	-0.087	-0.002	1			
LogAsset	-0.213	0.037	-.345*	-0.227	-0.048	-0.035	-0.250	0.237	-.309*	-0.260	.474**	.549**	0.105	0.261	0.007	-0.110	0.252	1		
ROE%	-0.030	0.064	-0.094	-0.056	0.088	0.004	-0.039	0.116	-0.071	-0.130	.294*	.368*	0.269	.395**	-0.170	-0.204	0.017	.784**	1	
LEV (TD/TA)	0.130	0.164	0.061	0.114	0.123	0.031	0.147	0.240	0.060	0.037	.287*	0.171	0.093	.620**	-.466**	-.395**	-0.116	.523**	.563**	1

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

See Tables 1 and 3 for the variables definitions

Table 6: Regression Analysis

Variables	Total FLD	Financial FLD	Non-Financial FLD	Quantitative FLD	Qualitative FLD	Good FLD	Bad FLD	Long-term FLD	Short-term FLD
	β	β	β	β	β	β	β	β	β
OvAC	4.966*	3.809**	1.157	0.151	4.815*	3.307	1.659**	4.084*	0.882
ACMeet	0.335	0.303	0.033	0.436*	-0.101	-0.173	0.508***	-0.199	0.534
ACSize	-2.712	-0.299	-2.413	-0.324	-2.387	-1.214	-1.497***	-2.959*	0.247
ACFem	-32.507*	-18.676*	-13.832	-2.513	-29.994**	-26.417*	-6.089*	-15.654	-16.853*
ACMul	8.118*	8.0264***	0.092	2.231	5.886*	7.721*	0.397	3.315	4.803*
ACFin	11.495	1.736	9.758*	-5.182*	16.677**	12.960*	-1.466	11.476*	0.018
ACSup	-4.480	0.167	-4.646*	-2.509*	-1.970	-2.238	-2.241**	-1.694	-2.786
ACShr	-13.297***	-4.562**	-8.734***	-0.778	-12.519***	-11.386***	-1.910**	-10.181***	-3.116
Log Assets	-1.289	2.487	-3.776	2.797*	-4.087	-1.796	0.507	-1.357	0.067
ROE%	0.144	-0.073	0.218	-0.156*	0.301	0.084	0.060	0.123	0.022
LEV (TD/TA)	-0.063	-0.150	0.088	-0.113*	0.051	0.029	-0.091**	0.121	-0.183*
Adj R square	0.455	0.368	0.512	0.175	0.594	0.425	0.430	0.478	0.105
F	4.570	3.490	5.490	1.900	7.260	4.160	4.220	4.910	1.500
Sig	0.0002	0.0022	0.0000	0.0721	0.0000	0.0006	0.0005	0.0001	0.1000
N	48	48	48	48	48	48	48	48	48

*** Coefficient is significant at the 0.01
** Coefficient is significant at the 0.05
* Coefficient is significant at the 0.1
See Tables 1 and 3 for the variables definitions

Table 7: Additional Analysis (Overlapping AC Members with Compensation Committee)

Variables	Total FLD β
OvACCC	-0.531
ACMeet	0.681
ACSize	-3.320
ACFem	-28.096*
ACMul	5.806
ACFin	7.996
ACSup	-5.041
ACShr	-15.961***
LogAsset	-1.520
ROE	0.121
LEV (TD/TA)	-0.059
Adj R square	0.419
F	4.08
Sig	0.0006
N	48

*** Coefficient is significant at the 0.01
** Coefficient is significant at the 0.05
* Coefficient is significant at the 0.1
See Tables 1 and 3 for the variables' definitions

Table 8: Additional Analysis (Quantile Regression)

Variables	Total FLD β
OvAC	4.939*
ACMeet	0.226
ACSize	-3.072
ACFem	-9.116
ACMul	7.939*
ACFin	7.843
ACSup	-8.706*
ACShr	-12.150***
LogAsset	1.805
ROE	-0.143
LEV (TD/TA)	-0.104
Pseudo R2	0.395
N	48

See Tables 1 and 3 for the variables definitions

Table 9: Additional Analysis (One-Way ANOVA)

ANOVA

FLD	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	577.653	5	115.531	2.320	0.060
Within Groups	2091.326	42	49.793		
Total	2668.979	47			

Robust Tests of Equality of Means

FLD	Statistic	df1	df2	Sig.
Welch	10.184	5	15.305	0.000
Brown-Forsythe	3.987	5	31.293	0.007

Table 10: Additional Analysis (Time-Lagged Effect)

Variables	Total FLD β
OvAC(TL)	4.323*
ACMeet	0.296
ACSize	-2.909
ACFem	-32.902*
ACMul	8.845*
ACFin	12.761
ACSup	-3.738
ACShr	-13.822***
LogAsset	-0.992
ROE	0.099
LEV (TD/TA)	-0.051
Adj R square	0.458
F	4.61
Sig	0.0002
N	48

*** Coefficient is significant at the 0.01
** Coefficient is significant at the 0.05
* Coefficient is significant at the 0.1
See Tables 1 and 3 for the variables definitions