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The Issuer Recognition program at the Colombian Stock Exchange: An unknown corporate governance hybrid model of hard and soft law.

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Abstract

Research Question/Issue: What is the Issuer Recognition (IR) program, and what has been its impact as a new and replicable corporate governance hybrid form used in the Colombian Stock Exchange (CSE)?

Research Findings/Insights: We find that the IR Program has significantly increased the information disclosure level of the adopting firms. These set of firms that were among the opaquest firms in the region in 2010 ranked at the top in terms of disclosure in 2017. In addition, using as a benchmark the rate of implementation of the Colombian Country Code (soft law), we were able to show that the IR program serves as a strong signaling mechanism in the Colombian capital market.

Theoretical/Academic Implications: The literature is not conclusive on the effectiveness of hard and soft law regulations in the emerging markets. In this paper, we show that hybrid models, such as the innovative Colombian's IR, might serve as a solution for the effective implementation of good corporate governance practices at the country level.

Practitioner/Policy Implications: The advantages and impacts of hybrid models are relatively unknown for policymakers, stock exchanges promoters, and agency surveillance bodies, given the lack of empirical evidence of their application's effects. This paper seeks to increase the awareness of these models and call for their development and implementation, especially in the emerging markets.

Keywords: Governance, sentiment analysis, IPO underpricing, family firms, Latin America

Introduction

The best way to adopt good corporate governance practices is a highly studied topic in the current corporate governance literature (Cuomo et al., 2016; Aguilera and Cuervo-Cazurra, 2009). One of the strands of the debate is centered on how hard and soft law deals with the implementation issues, especially in countries with low levels of investor protection.

Hard law (e.g., Sarbanes- Oxley Act - SOX, Countries' Security Laws) have the benefits that, given its coercive power, can be highly effective. However, on the one hand, this approach, especially in developing countries, needs to go through the difficult path of political reforms (La Porta et al. 2008), where influential controlling shareholders have the power and the aims to block initiatives to improve the corporate governance environment and transparency (Pietrancosta, 2011). Gilson et al. (2011), Bebchuck and Roe (1999), among others, argue that any initiative promoting reforms with value decreasing consequences for controlling shareholders (e.g., self-dealing), or strengthening competitors due to better access to financing, will find strong opposition from the established rent-seeking groups.

On the other hand, even if reforms find their way through this difficult path, other issues must be addressed, such as the "one-size-fits-all" problem. There is evidence that after SOX the number of de-listings increased, and the number of IPOs fell given the higher compliance costs for certain firms (Bessler et al., 2012). Small firms took the biggest hit, and many decided to leave the capital markets to other less liquid and more expensive sources of financing (Block, 2004; Engel, Hayes, and Wang, 2007).

The soft law approach, commonly known as "comply or explain" seems to be a more realistic model for developing markets. This approach recognizes the "one-size-fits-all" problems and allows firms to adopt the best suited governance practice to their specific needs and characteristics. This model collects a particular set of recommendations from experts, and then technical bodies advocate these good practices highlighting the potential benefits without the need of regulatory agencies approval (e.g., Cadbury code, OECD corporate governance principles, CAF Developing Bank for Latin America corporate governance guidelines, several country codes on corporate governance, among others).

Although the soft law deals efficiently with the "one-size-fits-all" problem, it fails to address the rent-seeking behavior of some market participants. Another criticism is that it is so flexible that it would be difficult for investors to genuinely assess the quality of corporate governance for a given firm. Even in the cases where firms seem to adopt the recommended practices, there is no way to truly assess their compliance. In fact, for some firms, there is evidence showing that the "comply-or-explain" framework is more "form" than "substance" (Krenn, 2014; Pietrancosta, 2011).

Therefore, although these codes could promote and set up higher corporate governance standards for some firms, they are not enough to truly promote the universal compliance of these good practices (Haxhi and Aguilera, 2014). Moreover, some researchers argue that soft regulations should only be used as a complement to hard law models (Hop, 2011). A recent development, much less studied, is the regulatory dualism (Gilson et al., 2011) in which hard and soft law coexist, through hybrid corporate governance models (Cuomo et al., 2016; Aguilera and Cuervo-Cazurra, 2009).

The most studied example is the Brazilian Novo Mercado (Carvalho and Pennacchi, 2012; Chavez and Silva, 2009) that although it is not the only "hybrid" corporate governance model[1], it is the one that has captured most of the attention not only from academics but also from investors and market regulators.

In general terms, the Novo Mercado exists within the Sao Paulo Stock Exchange in Brazil, and all listed firms could voluntarily adopt higher corporate governance standards (e.g., one-share one-vote rule) and trade their stock in the Novo Mercado. Carvalho and Pennacchi (2012) and Chaves and Silva (2011) show significant positive abnormal returns to the shareholders of the adopting firms. They also show evidence of increasing trading volume and more seasoned equity offerings. These evidences of increased market dynamism were possible for the Brazilian Stock Exchange after the launch of Novo Mercado in 2001, which contrast with the hard law reforms that started taking place in Brazil since 1976 without noticeable improvements (Gilson et al. 2011).

Surprisingly, other examples such as Novo Mercado has not been reported in the academic literature. Review papers on the subject have called for more research on these hybrid models (Cuomo et al., 2016; Aguilera et al. 2013; Aguilera and Cuervo-Cazurra, 2009). In this paper, we describe another hybrid model in the Colombia Stock Exchange called the Issuer Recognition (IR) program, in which all listed firms in the market can decide to adhere to a certain set of corporate disclosure practices. As in the Novo Mercado, the IR is not mandatory, but once the firm adheres to the program,

1 According to (Gilson et al., 2011), the Frankfurt Stock Exchange in Germany and the Milan Stock Exchange in Italy also have certain hybrid model features where different corporate governance standards are applied to different types of firms (e.g., small firms; high-tech firms). Also, the cross-listing (Coffee 1999; Stulz, 1999) and the US and the European Union's right to choose the jurisdiction of incorporation with different corporate governance standards, could be argued as other forms of regulatory dualism.

the stock exchange supervises the full compliance and grants an annual recognition, with a heavy reputational cost if the firms fail to follow the IR rules.

We find that the IR Program has significantly increased the level of information disclosure of the participant firms that have adopted the program introduced in 2012, with the first annual recognitions granted in 2013. Before the introduction of the program and using the González et al. (2020)'s Information Disclosure Index (IDI), that ranks firms' disclosure from a minimum of 0% (opaquest) to 100% (full disclosure), Colombian firms were the opaquest firm in Latin America with an average IDI of 46.8%. At the time, the top-ranked firms in the region were Brazilian listed in the Novo Mercado, with an IDI of 66.7%. The average IDI in 2010 for the 454 firms studied in eight different markets was 55.1%. In contrast, in 2017, the Colombian firms that adopted the IR program, rank first in terms of IDI with a score of 83.7%, substantially higher than the firms listed in the Novo Mercado, which scored 74.5%. The average IDI in 2017 (426 firms) was 65.1%. We argue in this paper that the remarkable increase of 38.3 percentage points is, in fact, due to the IR. The set of listed Colombian firms that did not adhere to the IR program remained as the opaquest firms in the region with an IDI score of 56.4% in 2017. We also support our claim that the IR program substantially improved the level of information disclosure for Colombian listed firms using a panel data regression analysis.

In this paper, we also show, using as a benchmark the implementation of the Colombian Country Code recommendations (soft law), that the IR participant adheres to 83.4% to the code´s corporate governance suggestions in 2014. For the rest of Colombian issuers, not included in the IR program, the implementation was 23.4 percentage points lower (60%). The Colombian Country Code was updated and has become more demanding since2015. However, the IR program participants' firms still show a substantially higher fraction of adherence of the code's recommendations than non-IR firms. By 2017, IR firms achieved a level of implementation of this revised version of the country code of 78.5%, while the rest of the issuers demonstrated only a 56.7% adherence. This difference of 21.4 percentual points close to the previous version of the code, lets us argue that this persistent difference, that goes as far back as 2007 for the adopting firms, could use the IR program created in 2012 now as a reliable and credible signaling mechanism, and that given the substantially high disclosure cost for the set of opaque firms, allow a clear separating equilibrium for the Colombian capital market.

We contribute to the corporate governance literature by analyzing the Colombian IR program as a successful example, but mostly unknown, of a hybrid model where soft, and hard law coexist. In this paper, we present how a hybrid model, such as the Colombian's IR program, might be a partial solution to the effective implementation of good corporate governance practices. These type of models, although not new, are currently called for academics, policymakers, and market promotors aiming to get a better understanding of the impact, and more importantly, the feasibility of its implementation especially in the emerging markets (Cuomo et al., 2016; Aguilera et al. 2013; Aguilera and Cuervo-Cazurra, 2009). This paper is a step forward in this direction.

In what follows, we will review the literature and develop our hypothesis. We present the data and explain the variables employed to test our hypotheses, discuss our main results, and conclude and discuss the implications of our findings.

Theoretical framework and hypotheses development

The Sarbanes-Oxley Act (SOX) approved in the U.S. in 2002 set a new corporate governance standard. Gordon and Roe (2004) argued that the globalization and the integration of financial markets create pressure on legislators and market regulators to design better corporate governance models. However, these corporate governance systems did not deter scandals from happening, questioning their effectiveness.

The commonly known hard-law approach to corporate governance is challenging to design, not only for the complex interlinks and coordination problems that have to be dealt with, that depends on the legal traditions of the country, for example, French civil law versus common law (La Porta, Lopez-de-Silanes, Shleifer and Vishny, 1997, 1998; La Porta, Lopez-de-Silanes and Shleifer, 1999), but also because these reforms activate powerful interest groups and lobbyists that deter any effort to improve the corporate governance environment (Pietrancosta, 2011; Zattoni and Cuomo, 2008).

There is also evidence that the compliance of this hard law is costly, and in some cases, these costs are higher than the benefits of being a public firm. For example, Block (2004) and Engel, Hayes and Wang (2007), Leuz, Triantis and Wang (2008) and Bartlett (2009) studying the going-private decisions, show strong empirical evidence that for an important fraction of the smallest listed firms in the US, the cost of compliance after SOX was too high to remain listed.

A way out to the complicated process

of designing and implementing new laws that improve the corporate governance of a country and the cost that firms have to incur in its implementation, “country codes” have proliferated. These codes, which are a set of non-binding corporate governance best practices without formal law status, aim to address the disadvantages of the hard law approach. This soft law approach could have the added advantage of the “comply-or-explain” principle; that is, firms that do not adhere to particular code’s recommendations can provide reasons to investors when they fail to meet certain provisions. Although this “soft-law” approach tackles the “one-size-fits-all” problem, they generate legal concerns (e.g., how can the level of non-compliance justification be measured). There are also practical concerns such as how reliable the assumption is that market pressure would force compliance (Andres and Theissen 2008; Nowak et al. 2004).

The Cadbury Code (1992) is generally considered the first corporate governance code of good practices. Since the issuance of the Cadbury Code, there are more than 80 issues of country codes worldwide (Haxhi and Aguilera, 2014). However, Zattoni and Cuomo (2008) show that the issuance of country codes and their effectiveness depends mostly on the legal origin (civil versus common law). Also, there is the controversial point of view regarding the distance between firms’ formal policies and their actual behavior (Krenn, 2014). In this vein, Haxhi and Aguilera (2012) argued that although the codes aim to increase the level of corporate governance within a country, the reality is that given the lack of mandatory enforcement characterized by hard law, basically what soft law does is to reduce the worst corporate behavior of the adopting firms. From the legal side of the discussion, Pietrancosta (2014) questioned the legal backing of these “codes,” a name coined from his view to give a legal “aura” borrows from the legal tradition. However, for Pietrancosta (2014), these codes are a mostly private arrangement of desired corporate behavior.

Beyond the theoretical debate of the codes, there is evidence that they have, in fact, real impact. For example, there is empirical evidence that shows country codes have impacted the structure of corporate governance in some regions in terms of independent director presence (Alves and Mendez, 2004), agency costs between management and shareholders (Dedman, 2000, 2002), and favorable market reactions to a firms' adherence of country codes (Chizema, 2008).

Although there is some evidence that codes generate a global convergence towards the Anglo-American corporate governance model (see a review of the literature Aguilera, Cuervo-Cazurra, and Kim,2009), this convergence view is not universal. For example, Haxhi and Aguilera (2012) argued that there is no substantive evidence of the global convergence of corporate governance practices. They argue that institutional development and the politics inside each country restrict the convergence of good practices in corporate governance. Haxhi and van Ees (2010) show that even after the controlling of the legal origin and development of economic institutions, a countries' culture is still a significant factor that affects the country's corporate governance quality and development. These country differences, along with the discussed weaknesses of the hard law and the soft law approaches, are important factors motivating the appearance of hybrid models (Haxhi and van Ees, 2010; Yoshikawa and Rasheed, 2009).

On the one hand, although the legal enforcement of corporate governance rules is still at the center of the legal scholars' debate (e.g., Pietrancosta, 2011), it is clear as we mentioned before, that over-regulation could have a negative effect on the development of capital markets and incentivize firms to remain private or de-list, especially those in the lowest capitalization percentile composed of high growth companies. These sets of firms are the ones that market promoters aim to go public. On the other hand, the lack of legal backing for the soft law approach leads to a slow rate of adoption that, in addition, could be more in form than in substance. In this environment, the co-existence of hard and soft law seems to be the most appropriate model.

Pietrancosta (2011) argues from the legal literature that corporate regulations from the hard-law perspective are fundamentally out of the "agenda." However, as discussed before, the implementation issue from the soft-law is not converging as expected due to differences in legal tradition, market development, and culture. Therefore, hybrid models keep developing, for instance, tax benefits for the adopting firms and others, such as special segments in the stock markets.

A well-studied example of a stock market special segment is the Novo Mercado that exists in the Sao Paulo Stock Exchange in Brazil. In there, all listed firms could voluntarily adopt higher corporate governance standards (Gilson et al. 2011). Once a firm decides to adopt the standards required to belong to this segment (soft law), the Brazilian Stock Exchange will supervise the compliance to keep the stock trading in the Novo Mercado (hard law). There is substantial empirical evidence of the benefits of participating in the Novo Mercado in terms of returns, volume, and seasoned equity offerings, suggesting the value created by this hybrid model (Carvalho and Pennacchi, 2012; Chaves and Silva, 2011).

The hybrid model we want to study in this paper is the Issuer Recognition (IR) program at the Colombian Stock Exchange. In the Colombian capital markets, there coexist the hard and soft law. For example, all the listed firms in Colombia have to comply with the Law # 222 of 1995 in the Commercial Code, the Law # 964 of 2005 of the Security Market Law, and the "Circular Única" of 2001 issued by the Colombian Stock Exchange (hard law). Together with this regulatory environment, public firms are required to "comply or explain" with the Colombian's Corporate Governance Country Code, in particular with "Circular" 028 of 2014 (soft law). However, the existence of the IR program (2012) allows testing the real effect of a hybrid model, as stated in the following hypothesis.

Hypothesis 1

The introduction of the IR program had a real and significant impact in the disclosure level for adopting firms in the Colombian Stock Exchange.

Finance and management scholars have long used signaling theory to explain situations such as top management share ownership, IPO firms stacking their boards with prestigious directors, and the quality of the financial information (see Connelly et al., 2010 for a review of the signaling literature). The crucial issue in signaling theory is that the cost of the signal is less for the "good" firms than for the "bad" (Spence, 1973). When the cost of the signal depends on the "type" of the firm, the separating equilibria follows (Bhattacharya and Dittmar, 2001; Spence, 1973).

Bhattacharya and Ritter (1983) present a "feedback effect equilibrium" in which firms reveals information to the market but through channels that also convey information to other competing firms. An interesting character in this context is that firms that decide to disclose information generate benefits that outweigh the disclosure cost. Only the "good type" could afford to signal quality through the disclosure of corporate information.

Another characteristic of action of this sort to be considered a signal is that it must be intended. Heil and Robertson (1991) argue that, for example, an action that is accidentally revealed, or a signal sent but not "read" by the market are a failed signaling endeavor. In our context, the quality of the firm's disclosure as a signal must be intended by the firm that is sending the signal. This possibility of a given firm to send credible signals to the market is an important aim for market promoters. However, at the same time, it becomes a significant challenge if the market fails to read the signals appropriately. Hence, the positive effect of sending credible signals to the markets does not always generate a "good" equilibrium. Caldieraro et al. (2011) show in the context of information disclosure (of product quality) that generate intense price competition among market participant, where not only the "good" firms but also the "bad" firm decide to disclose information in order to alleviate the intense price competitions.

Firms use signaling mechanisms to show the market their financial performance. Lys et al. (2015) show, when examining firms included in the Russell 1000 index, a positive causal association between corporate social responsibility (CSR) expenditures and a firm's future performance. They argue that CSR expenditures signal strong future financial results. In other contexts, Garay et al. (2007) also reveals that outside directors send credible signals to the market in terms of default risk in the context of the Venezuelan banking crisis. Hamrouni et al. (2015) examine the link between voluntary disclosure and a firm's performance. They use a disclosure index for a set of firms listed in the Paris Stock Exchange in which they perform a non-parametric DEA (Data Envelopment Analysis) and found a positive and significant relationship between a disclosure index and Tobin's Q (and ROE) measures. Interestingly, this signaling relationship depends on the nature of the voluntary disclosure; strategic, financial, or corporate governance.

Firms may also use different signal mechanisms to reveal to the market their commitment to good governance practices. For example, Bae et al. (2018) have shown, for a set of South Asian firms, that sustainability commitment disclosure as a signal, was positively related with good corporate governance practices such as a higher fraction of foreign and institutional ownership, and bigger and more independent boards. In this paper, we posit that firms adhere to the IR program to send a credible signal to the market regarding their commitment to good governance practices.

Since 2007 the listed Colombian firms have been advised to implement the country's code of good corporate governance practices (Guzmán and Trujillo, 2017). They adopt these recommendations with a differentiated degree of implementation, given the non-mandatory feature of the code (soft law). The design and launch of the IR program in 2012, established higher revelation standards of company information and investor relation good practices, that are mandatory for the firms that voluntarily decided to be included into the program (hybrid model). Hence, firms with better corporate governance practices now have an opportunity to differentiate themselves using IR recognition as a credible signal to the market.

The implicit cost of the mandatory revelation levels required in the IR program is lower for those firms with better governance practices in general. Therefore, the IR recognition should serve to separate the firms with better corporate governance practices from those with less developed corporate governance practices for which the cost in terms of the mandatory compliance of the IR program will be prohibitively high. This argument leads to the following hypothesis:

Hypothesis 2

The Colombian firms with better corporate governance practices use the IR Recognition Program as a signal to the market.

Data and variables

In this section, we describe the Issuer Recognition (IR) program, the sample, and the variables we have to test our hypotheses.

3.1. IR Program

The motivation behind the IR initiative was mainly due to the results of the JP Morgan report in 2011; this was that, through direct interviews with 40 institutional investors in the U.S., Canada and Europe (UK, France, Switzerland, Netherlands) with aggregate stock portfolios of more than 1.2 trillion dollars, around half of which was invested in Latin American firms, ranked the Colombia Stock Exchange (CSE) among the least appealing markets to invest in Latin America (Trujillo and Guzmán, 2015). On the contrary, the Brazilian Novo - Mercado ranked first in terms of institutions willing to invest. The main argument against the Colombian stock market was the lack of transparency, and more importantly, the difficulty of direct communication with top management of the listed firms.

The CSE analyzing this situation set up a special committee to take concrete action to revert this situation and, through an extensive set of interviews and dialogue with local and foreign investors, together with corporate governance specialists were able to point out four major areas for improvement: 1) Effective investor relation channels;

2) Comprehensive company information disclosure; 3) Timing of disclosure, and 4) The same level of information disclosure in English besides Spanish. The conclusion of this thorough analysis of the situation and by setting up viable benchmarks of best practices, the CSE designed and tested the IR program in 2012 and finally launched it in 2013.

In its simplest form, the IR program is a way to smoothing the interactions and communication between the firm's top management and board of directors and its shareholders, the investment community, and any other relevant stakeholders (BVC, 2020). The program was initiated with 29 listed firms, aiming to develop an environment of trust that subsequently would increase the analysts' coverage, enabling not only the accuracy and relevance of the information given to the market but also the timing of its delivery. In that sense, the IR aims that current and potential investors will be able to make sound and informed investment decisions regarding the adopting firms.

One of the IR program's main features is the presence of an IR officer (see Appendix 1 for a full set of requirements), who has direct access to the firm's top management and serves as a bridge between the investment community and the firm. This person has full knowledge of the firm's strategic plan; he or she is well trained in corporate governance and sustainability, international best practices, and has a good understanding of the stock market. He or she manages the firm's website where corporate information is disclosed and where conferences and other investors' meetings are held or announced.

Among the other activities and disclosure requirements that IR firms must accomplish is that they hold a minimum of four corporate events a year, where corporate results are presented and discussed (e.g., conferences, virtual or face-to-face investors' meetings, and shareholders' assembly). These adopting companies must also report a full set of financial information and corporate ownership structure including the controlling interest of other firms or subordination to a parent company when applicable, together with a self-assessment management report about the firms' performance over the last six month; compliance of the *"Código País"* (Colombian's good corporate governance guidelines, issued by the Financial Market Regulator); a corporate statement of the firm's code of corporate governance, ethics, general shareholder meetings and board of directors functioning protocols, and top management and directors curriculum vitae, including the directors' independence status (BVC, 2020).

The CSE set up an independent IR committee with the responsibility to verify the compliance and annually grant the IR recognition to those firms that voluntarily adopt the IR program. Once granted, the firm can use the IR trademark in its marketing and advertising communication tools. Investors recognize the symbol and immediately know that the granted firms have adhered to the best practices in terms of investor relations and disclosure. These firms are also included in the CSE website as IR certified firms.

3.2. Data, variables, and comparative statistics

To put the IR program into context, we extend in Table 1 the Information Disclosure Index (IDI) initially developed in González et al. (2020) that measures the level of information disclosure for more than 460 listed firms in six Latin American countries. In our extended sample, we analyzed the evolution of the IDI from 2010 to 2017. This index comprised of 50 questions divided into nine different sections (see Appendix 2 for a full description of the index and its sections). Companies' annual reports are the primary source of information. However, as in González et al. (2020), we complemented the IDI of these companies with other information channels, such as the firms' website, country's stock exchanges, and other regulatory agencies websites.

TABLE 1. Average Information Disclosure Index (IDI) for the Latin American sample firms by different dimensions

Panel A: IDI from firms' annual reports									
IDI dimensions	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**[2017-2010]**
Board of directors	0,376	0,388	0,396	0,402	0,452	0,468	0,501	0,510	0,134
Executive summary	0,896	0,903	0,909	0,908	0,911	0,914	0,924	0,928	0,032
Company information	0,469	0,485	0,498	0,498	0,516	0,519	0,550	0,564	0,095
Corporate governance	0,221	0,228	0,242	0,254	0,270	0,275	0,300	0,308	0,087
Corporate social responsibility	0,401	0,416	0,424	0,432	0,456	0,467	0,510	0,519	0,118
Financials	0,795	0,801	0,803	0,808	0,817	0,820	0,824	0,830	0,035
Risk management	0,578	0,582	0,588	0,607	0,642	0,644	0,677	0,695	0,117
Social dimension	0,273	0,288	0,298	0,307	0,324	0,329	0,371	0,385	0,112
Responsibility to other stakeholders	0,593	0,610	0,614	0,617	0,623	0,629	0,647	0,658	0,065
Total	**0,459**	**0,470**	**0,479**	**0,486**	**0,507**	**0,514**	**0,542**	**0,552**	**0,093**

Number of firms	461	461	461	461	461	457	432	426	
Panel B: IDI from all information channels									
IDI dimensions	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**[2017-2010]**
Board of directors	0,434	0,444	0,451	0,468	0,508	0,521	0,552	0,563	0,129
Executive summary	0,900	0,907	0,912	0,913	0,915	0,918	0,930	0,933	0,033
Company information	0,606	0,622	0,634	0,668	0,678	0,681	0,704	0,712	0,106
Corporate governance	0,415	0,420	0,440	0,503	0,508	0,515	0,537	0,545	0,130
Corporate social responsibility	0,492	0,510	0,514	0,547	0,567	0,579	0,613	0,623	0,131
Financials	0,885	0,892	0,900	0,900	0,903	0,906	0,909	0,910	0,025
Risk management	0,657	0,661	0,669	0,682	0,707	0,709	0,738	0,752	0,095
Social dimension	0,305	0,318	0,330	0,338	0,352	0,359	0,402	0,417	0,112
Responsibility to other stake-holders	0,646	0,662	0,665	0,689	0,693	0,698	0,716	0,722	0,076
Total	**0,551**	**0,562**	**0,572**	**0,596**	**0,611**	**0,617**	**0,643**	**0,651**	**0,100**
Number of firms	**461**	**461**	**461**	**461**	**461**	**457**	**432**	**426**	

From Table 1, the annual reports show that the executive summary section, which provides the main facts and issues for the year, the letter to shareholders, and the summary of the financial and operating results, has the highest level of disclosure. The second section in the level of disclosure is the financials, where the firm reveals its detailed financial information together with financial ratios, budget execution, and its stock performance. Note that the sections related to corporate governance and the board of directors illustrate a relatively low average (0.31 and 0.51 in 2017, respectively). This is not unusual in Latin America, where the firms' opacity is relatively high, especially in terms of corporate governance issues (Chong and López-de-Silanes, 2007). When all the information channels are considered, the average disclosure ratio in 2017 shifts from 55.22% to 65.13%, an increase of around 18%.

In Table 2, we present the comparative statistics of all the variables considered in this study. The average IDI for the entire samples is 0.5, and 0.6 when all information channels are considered. We also show in Table 2 the average and standard deviation of all the IDI subsections. Considering the average values of the IDI in González et al. (2020) that used data until 2015, these figures keep their slight upward trends towards higher disclosure levels.

TABLE 2. SUMMARY STATISTICS.

Variables	Observ.	Mean	Standard Deviation
Information disclosure indexes (IDI)			
IDI from firms' annual reports	3.617	0,500	0,171
IDI from all information channels	3.617	0,599	0,164
IDI from all information channels - Board of directors	3.617	0,492	0,217
IDI from all information channels - Executive summary	3.617	0,916	0,183
IDI from all information channels - Company information	3.617	0,662	0,246
IDI from all information channels - Corporate governance	3.617	0,484	0,235
IDI from all information channels - Corporate social responsibility	3.617	0,554	0,372
IDI from all information channels - Financials	3.617	0,900	0,172
IDI from all information channels - Risk management	3.617	0,696	0,318
IDI from all information channels - Social dimension	3.617	0,352	0,308
IDI from all information channels - Responsibility to other stakeholders	3.617	0,686	0,351
Corporate Governance models			
Issuer Recognition program dummy (Hybrid model)	3.617	0,069	0,254
Colombian Country Code implementation rate (Soft law model)	481	0,699	0,210

Variables	Observ.	Mean	Standard Deviation
Control variables			
Tobin's Q	4.759	1,420	0,999
ROE - Return on equity	4.190	0,088	0,444
Market capitalization (USD millions)	4.536	4.443,51	57.590,91
ROA - Return on assets	5.209	0,043	0,109
Profit dummy	5.296	0,819	0,385
Leverage	5.286	0,233	0,186
Firm Size	5.293	14.174,48	120.836,80
Dividend Payout (assets)	4.647	0,031	0,108
Dividend Payout (sales)	4.620	0,455	9,387
Dividend dummy	4.647	0,768	0,422
Growth (assets)	4.825	0,064	0,393
Growth (sales)	4.774	0,045	0,570
Growth (EBIT)	3.882	0,058	0,792
Listing requirements index	5.958	0,369	0,077
Volatility	4.219	0,620	11,813

Variables	Observ.	Mean	Standard Deviation
DJSI dummy	3.580	0,075	0,264
Board size	3.516	8,143	3,224
Women on board	3.440	0,505	0,821
Country dummies			
Chile	5.993	0,286	0,452
Mexico	5.993	0,180	0,384
Peru	5.993	0,137	0,344
Argentina	5.993	0,100	0,300
Brazil	5.993	0,193	0,395
Colombia	5.993	0,104	0,305
Industrial sector dummies			
Financial services	5.993	0,118	0,323
Agriculture, hunting, livestock, and fisheries	5.993	0,022	0,146
Fishing	5.993	0,011	0,104
Mining	5.993	0,073	0,258
Manufacturing industries	5.993	0,302	0,457

Variables	Observ.	Mean	Standard Deviation
Electric, gas and sanitary services	5.993	0,107	0,310
Construction	5.993	0,062	0,239
Commerce	5.993	0,065	0,247
Hotels and restaurants	5.993	0,013	0,113
Transportation and communications	5.993	0,091	0,288
Investment Firms (investment vehicles)	5.993	0,087	0,282
Real estate	5.993	0,009	0,093
Education	5.993	0,002	0,047
Social and health services	5.993	0,015	0,122
Other social and community services activities	5.993	0,023	0,150
Controlling shareholder identity dummies			
State	5.958	0,056	0,229
Banks	5.958	0,058	0,234
Pension funds and other institutional investors	5.958	0,335	0,472
Domestic firms	5.958	0,278	0,448
Multinational firms	5.958	0,167	0,373
Families or family firms	5.958	0,106	0,308

In Table 2 we also show the average and standard deviation of the IR dummy and the country code implementation rates for Colombian firms, that shows 0.07 and 0.7, respectively; that is, 7% of the observations in our data set come from firms that have adopted the IR corporate governance guidelines, and around 70% of the Colombian Country Code recommendations have been implemented by the set of Colombian issuers.

The other variables displayed in Table 2 (see Appendix 3 for a complete definition of variables) represent the usual company controls in terms of value. For example, our data set shows an average Tobin's Q of 1.42, that is; Profitability, showing an average ROE and ROA of 8.8% and 4.3%, respectively; Leverage, with a total liabilities to assets, equal to 23.3%; Size, with an average asset value of 14.1 million dollars; Payout, with an average dividend payout to sales of 4.5%, and Governance variable controls showing an average board size of eight members and less than one woman on average sitting on the boards from our sample of Latin American companies. Among these control variables, we also include a listing requirement index proposed by González et al. (2019), that establishes differences in listing requirements for Argentina, Brazil, Chile, Colombia, Mexico, and Peru aiming to control the individual country's institutional and regulatory environment.

We also present in Table 2 the mean and standard deviation of other sets of control variables regarding a country, industry, and controlling shareholders identity dummies. As was said previously, our data set is composed of firms from the six biggest Latin American countries, associated with 15 different industry sectors. The country with the highest number of observations was Chile followed by Brazil, with 28.6 and 19.3% respectively; and the countries with the lowest number of observations was Argentina follow by Colombia, with 10% and 10.4% respectively. In terms of industry sectors, Financial Services, Manufacturing and Electric, Gas, and Sanitary Services accumulate 58% of the observations. We were also able to identify six different controlling shareholders types: state (5.6%), banks (5.8%), pension funds and other institutional investors (33.5%), domestic firms (27.8%), multinational firms (16.7%), and families and family firms (10.6%). The inclusion of these control dummies is important for the Latin American context, given the power of the controlling shareholders regarding the design and implementation of the firms' policies.

4. Results

4.1. The impact of the IR program on corporate disclosure

To analyze the impact of the IR program in the corporate transparency of the adopting firms, we perform two analyses. First, we analyze the evolution of the IDI in the Latin American context, emphasizing the performance of the IR issuers, and second, we analyze this issue in a multivariate setting through a panel data random-effects model.

Univariate analysis

From Table 3, it is clear that the IR Program has significantly increased the level of information disclosure of the participating Colombian firms. In Panel A, the Colombian firms that decided to adhere to IR program's standards went from an average IDI of 0.45 (other Latin American countries average was 0.56) in 2010 to 0.84 (other Latin American countries average was 0.65).

TABLE 3. AVERAGE IDI FROM ALL INFORMATION CHANNELS BY TYPE OF ISSUER AND COUNTRY (SEGMENT).

Panel A										
Type of issuer		**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**[2017-2010]**
Colombian IR issuers	IDI (avg.)	0,454	0,551	0,628	0,701	0,731	0,762	0,825	0,837	0,383
	IDI (std.)	(0,207)	(0,188)	(0,168)	(0,171)	(0,168)	(0,140)	(0,122)	(0,118)	
	Firms	32	32	32	32	32	32	32	32	
Other Latin American issuers	IDI (avg.)	0,558	0,562	0,568	0,588	0,602	0,606	0,628	0,636	0,078
	IDI (std.)	(0,162)	(0,161)	(0,161)	(0,152)	(0,151)	(0,151)	(0,155)	(0,157)	
	Firms	429	429	429	429	429	425	400	394	
Total	**IDI (avg.)**	**0,551**	**0,562**	**0,572**	**0,596**	**0,611**	**0,617**	**0,643**	**0,651**	0,100
	IDI (std.)	(0,167)	(0,163)	(0,162)	(0,156)	(0,156)	(0,156)	(0,161)	(0,163)	
	Firms	**461**	**461**	**461**	**461**	**461**	**457**	**432**	**426**	

Panel B										
Country / Segment		2010	2011	2012	2013	2014	2015	2016	2017	[2017-2010]
Colombia - IR issuers	IDI (avg.)	0,454	0,551	0,628	0,701	0,731	0,762	0,825	0,837	**0,383**
	IDI (std.)	(0,207)	(0,188)	(0,168)	(0,171)	(0,168)	(0,140)	(0,122)	(0,118)	
	Firms	32	32	32	32	32	32	32	32	
Colombia - All issuers	IDI (avg.)	0,468	0,535	0,588	0,643	0,663	0,688	0,746	0,754	**0,286**
	IDI (std.)	0,180	0,164	0,162	0,174	0,183	0,177	0,175	0,177	
	Firms	48	48	48	48	48	48	46	46	
Brazil - Novo Mercado	IDI (avg.)	0,667	0,669	0,696	0,713	0,714	0,724	0,744	0,745	**0,078**
	IDI (std.)	(0,202)	(0,206)	(0,179)	(0,168)	(0,167)	(0,160)	(0,155)	(0,156)	
	Firms	27	27	27	27	27	27	27	27	
Mexico	IDI (avg.)	0,658	0,659	0,664	0,672	0,679	0,684	0,700	0,700	**0,042**
	IDI (std.)	(0,093)	(0,094)	(0,098)	(0,099)	(0,099)	(0,098)	(0,105)	(0,104)	
	Firms	83	83	83	83	83	83	81	79	
Brazil - All issuers	IDI (avg.)	0,564	0,570	0,578	0,604	0,622	0,625	0,636	0,636	**0,072**
	IDI (std.)	0,198	0,197	0,192	0,170	0,159	0,157	0,166	0,167	
	Firms	89	89	89	89	89	89	83	83	

Chile	IDI (avg.)	0,522	0,526	0,526	0,548	0,573	0,577	0,604	0,626	**0,104**
	IDI (std.)	(0,139)	(0,140)	(0,142)	(0,144)	(0,152)	(0,151)	(0,159)	(0,170)	
	Firms	132	132	132	132	132	129	123	122	
Peru	IDI (avg.)	0,544	0,549	0,557	0,581	0,583	0,583	0,602	0,615	**0,071**
	IDI (std.)	(0,163)	(0,166)	(0,166)	(0,159)	(0,161)	(0,162)	(0,172)	(0,168)	
	Firms	63	63	63	63	63	63	60	59	
Argentina	IDI (avg.)	0,510	0,516	0,529	0,553	0,560	0,564	0,601	0,596	**0,087**
	IDI (std.)	(0,179)	(0,177)	(0,173)	(0,158)	(0,154)	(0,155)	(0,137)	(0,140)	
	Firms	46	46	46	46	46	45	39	37	
Brazil - other issuers	IDI (avg.)	0,519	0,527	0,527	0,557	0,581	0,583	0,584	0,584	**0,065**
	IDI (std.)	(0,181)	(0,179)	(0,176)	(0,148)	(0,139)	(0,137)	(0,146)	(0,146)	
	Firms	62	62	62	62	62	62	56	56	
Colombia - other issuers	IDI (avg.)	0,495	0,505	0,510	0,526	0,526	0,541	0,564	0,564	**0,069**
	IDI (std.)	(0,112)	(0,104)	(0,119)	(0,111)	(0,131)	(0,150)	(0,139)	(0,139)	
	Firms	16	16	16	16	16	16	14	14	
Total	**IDI (avg.)**	**0,551**	**0,562**	**0,572**	**0,596**	**0,611**	**0,617**	**0,643**	**0,651**	0,100
	IDI (std.)	(0,167)	(0,163)	(0,162)	(0,156)	(0,156)	(0,156)	(0,161)	(0,163)	
	Firms	**461**	**461**	**461**	**461**	**461**	**457**	**432**	**426**	

In Table 3, Panel B it highlights that in 2010 the top-ranked firms in the region in terms of IDI were those listed in the Brazilian Novo Mercado, with an IDI of 0.67. The average IDI in 2010 for the 454 firms studied in eight different markets was 0.55. In contrast, in 2017, the Colombian firms that adopted the IR program, rank first in terms of IDI with a score of 0.84, substantially higher than the firms listed in the Novo Mercado, which indicated a score of 0.75. The average IDI in 2017 (426 firms) was 0.65.

For all the Colombian firms that did not adhere to the IR program, they ranked the lowest in terms of IDI in 2010 (0.50) and remained in the lowest rank in 2017 (0.56), with an increase of only 7%. Remarkably, the 32 firms that adhered to the IR program ranked even lower than the non-adopters in terms of IDI in 2010 with an IDI average of 0.45. In this paper, we argue that this remarkable increase of 38.3 percentage points (in absolute terms, going from 0.4535 to 0.8369) for the IR issuers in the eight-year period is, in fact, due to the IR program (hybrid model).

To put this increase in the context of other Latin American countries, the average increase in the IDI for the rest of the region was only 7.8% in absolute terms. Looking at individual countries, the next highest increase in absolute terms in the disclosure index was Chile (10%), Argentina and Novo Mercado in Brazil with an 8% increase, and the rest with less than 7% increase.

This univariate analysis is consistent with our first hypothesis. It argues that the introduction of the IR program had a real and significant impact on the disclosure level for adopting firms in the Colombian Stock Exchange.

Panel Data Random-Effects Models of the IR Program's impact on Corporate Disclosure

To formally test H1, we estimate a panel data regression model with random effects using a Feasible Generalized Least Squares (FGLS) estimation method. Specifically, we estimate the following regression model:

$$Y_{it} = \alpha + \beta_k' \mathbf{IR}_{it} + \delta_k' \mathbf{CV}_{it} + \varphi_k' \mathbf{IND}_{it} + \phi_k' \mathbf{MSI}_{it} + \psi_k' \mathbf{YEAR}_t + (\boldsymbol{\mu_i} + \boldsymbol{\mathcal{E}_{it}})$$

where Y_{it} is the Information Disclosure Index (IDI) with different specifications; IR_{it} is a dummy variable for IR program adoption; CV_{it} is the vector of control variables, including financial and the firm's characteristics; IND_{it} is the vector of industry dummies; MSI_{it} is the vector that identifies the major shareholder, and $YEAR_t$ is the vector of year dummies.

In Table 4, we show our results. The regression in column 1 uses as an endogenous variable and the IDI with the firms' annual reports; model 2 uses the IDI including all information channels. We then clustered the IDI in three groups performing a principal component analysis: The first group is composed of information in three sections of the IDI: corporate governance, corporate social responsibility, and social dimension, which is used as an endogenous variable in column 3. The second group takes the other three sections of the IDI: company information, executive summary, and financials, and we use it as an endogenous variable in column 4. The third clustered group takes information from the three remaining sections of the IDI: the board of directors, risk management, and responsibility to other stakeholders. It is used as an endogenous variable in column 5.

The IR dummy shows a positive and significant coefficient at the 1% significance level for all models. This is strong evidence that IR has a significant effect on the Colombian firms that decided to adhere to the IR program, regardless of how we measure the level of information disclosed (IDI). When looking at the first regression model, IR adoption increases the level of disclosure to 7.36% in absolute terms for the adopting firms. When all information channels are considered (column 2), this impact rises to 8.78%. As expected, given the nature of the IR program, when we clustered the IDI in the board of directors, risk management and responsibility to other stakeholders, the coefficient reaches 20%; that is, for the adopting firms we observe an increase of 20% on the information disclosed in these dimensions. The impact is also relevant to the information disclosed about corporate governance, corporate social responsibility, and the social dimensions, where the adopting firms reveal 7.89% more in absolute terms. Given that the IR focuses more on qualitative information, we also produced, as expected, a positive and significant but smaller coefficient for the fourth column that clustered the IDI in company information, executive summary, and financial.

Table 4. Information disclosure index regressions (feasible generalized least squares – FGLS). Dependent variables: IDI from firms' annual reports, IDI from all information channels, IDI from all information channels concerning Corporate governance, Corporate social responsibility and Social dimension (IDI - CG, CSR, & SD), IDI from all information channels about Company information, Executive summary and Financials (IDI - CI, ES, & F), and IDI from all information channels regarding Board of directors, Risk management and Responsibility for other stakeholders (IDI - BoD, RM, & ROS).

	(1)	(2)	(3)	(4)	(5)
Variables	**IDI Annual Reports**	**IDI All Channels**	**IDI - CG, CSR, & SD**	**IDI - CI, ES, & F**	**IDI - BoD, RM, & ROS**
IR issuer dummy	0.0736***	0.0878***	0.0789***	0.0276***	0.1999***
	(0.008)	(0.008)	(0.010)	(0.010)	(0.006)

	(1)	(2)	(3)	(4)	(5)
Variables	**IDI Annual Reports**	**IDI All Channels**	**IDI - CG, CSR, & SD**	**IDI - CI, ES, & F**	**IDI - BoD, RM, & ROS**
Leverage	0.0979***	0.1157***	0.0891***	0.0555***	0.1464***
	(0.008)	(0.007)	(0.012)	(0.006)	(0.010)
ROA - Return on assets	0.0277**	-0.0014	0.0004	0.0189**	0.0529***
	(0.012)	(0.013)	(0.017)	(0.008)	(0.016)
Firm size	0.0203***	0.0409***	0.0706***	0.0259***	0.0381***
	(0.002)	(0.003)	(0.004)	(0.002)	(0.003)
Firm size^2	-0.0006***	-0.0016***	-0.0029***	-0.0013***	-0.0020***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Growth (sales)	0.0001	-0.0007	-0.0030	0.0005	-0.0024
	(0.002)	(0.002)	(0.002)	(0.001)	(0.003)
Volatility	0.0001	-0.0000	0.0002	0.0000	0.0001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
DJSI dummy	0.1030***	0.0745***	0.1188***	0.0236***	0.0746***
	(0.007)	(0.006)	(0.010)	(0.005)	(0.006)

Variables	(1) IDI Annual Reports	(2) IDI All Channels	(3) IDI - CG, CSR, & SD	(4) IDI - CI, ES, & F	(5) IDI - BoD, RM, & ROS
Board size	0.0342***	0.0238***	0.0304***	0.0141***	0.0218***
	(0.002)	(0.001)	(0.002)	(0.001)	(0.002)
Board size^2	-0.0014***	-0.0010***	-0.0011***	-0.0006***	-0.0009***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Women on board	0.0117***	0.0120***	0.0130***	0.0074***	0.0039**
	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)
Listing requirements	0.1045***	0.2198***	-0.2414***	0.1302***	0.9570***
	(0.022)	(0.019)	(0.027)	(0.018)	(0.027)
Constant	0.1521***	0.1570***	-0.0430**	0.5254***	-0.0535***
	(0.013)	(0.014)	(0.019)	(0.010)	(0.020)
Regression	FGLS	FGLS	FGLS	FGLS	FGLS
Industrial sector dummies	Yes	Yes	Yes	Yes	Yes
Controlling shareholder identity dummies	Yes	Yes	Yes	Yes	Yes

	(1)	(2)	(3)	(4)	(5)
Variables	IDI Annual Reports	IDI All Channels	IDI - CG, CSR, & SD	IDI - CI, ES, & F	IDI - BoD, RM, & ROS
Observations	2,920	2,920	2,920	2,920	2,920
Wald test	272.96	262.66	235.62	107.28	236.47
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
R^2 overall	0.1955	0.2314	0.2369	0.0768	0.2397
Number of firms	420	420	420	420	420
Specification tests for random effects					
Lagrange multiplier test for RE	7132.33	6064.97	6019.22	7144.74	6402.96
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Hausman specification test	59.54	53.04	54.85	24.52	34.94
	[0.000]	[0.000]	[0.000]	[0.006]	[0.000]

Standard errors in parentheses and p values in brackets
*** p<0.01, ** p<0.05, * p<0.1

The control variables indicate that firms with a higher level of leverage, and more profitable are more transparent than others. Also, results show a non-monotonic relationship between the firm size and the IDI, suggesting that bigger firms tend to be less opaque. However, even larger firms have a lower propensity to disclose information to the market. As expected, firms included in the Dow Jones Sustainability Index (DJSI) also tend to have a higher disclosure level. In terms of corporate governance controls, board size has a positive and significant coefficient but also shows a non-monotonic relationship, suggesting that boards that are too big fail to reach higher disclosure levels.

Interestingly, the presence of women on the board has a positive and significant coefficient in terms of IDI in all models, suggesting that female directors are associated with less opaque firms and tend to be more transparent in the market. Finally, the listing requirements that represent a control variable for the institutional and regulatory environment display a significant positive coefficient for four out of the five regression models, indicating that a stricter regulatory environment is associated with more disclosure from a firm. This result is in line with Guzmán et al. (2020) arguments and findings, highlighting the relevance and the impact of the institutional environment on the capital markets.

According to the Lagrange multiplier test, the regression specification tests consistently reject the null hypothesis of no individual effects. In this case, the error component model is assumed as the true specification, where individual effects are fixed or random. The random-effects model is chosen because our primary independent variable (IR dummy) and some of the control variables (DJSI dummy, industrial sector dummies, and controlling shareholder identity dummies) shaping our model are time-invariant dummies[2].

2 The null hypothesis in the Hausman test assumes that the random-effects model is the true model and that the variance-covariance matrix (VCE) is efficient. Therefore, one cannot reject the null hypothesis that the difference in the regression coefficient is systematic between the fixed versus the random effects specifications. The full specification displayed in regression equations in Table 4 failed to pass the Hausman specification test. However, in the presence of heteroskedastic residuals, which is the case, the scope of this test is limited. Instead, related tests are recommended

With this empirical evidence, we can posit that, consistent with our hypothesis 1, the introduction of the IR program in Colombia generates a significant increase in the information disclosure level for the firms that decided to adhere to the IR program. These results are relevant, especially in underdeveloped capital markets, because the IR is a hybrid model not very well known out of the Colombian context, which could significantly impact the corporate governance practice at the country level.

4.2. The IR program as a signal mechanism

In this section, we discuss the possibility that IR adopting firms use the program as a signal mechanism of their commitment to the implementation of good governance practices. First, we analyze the evolution of the adoption of the Colombian Country Code recommendations by all Colombian issuers between 2007 and 2017, with special attention to the evolution of this Code implementation for the issuers that participated in the IR program in 2017. Second, we econometrically assess the decision to become an IR participant in a multivariate setting through a probit model, estimating the firms' tendency to adhere to the program as a function of different firm characteristics, including the implementation rate of the country code.

Univariate analysis

In Table 5 Panel A, we show that the aggregated implementation of the Colombian Country Code (soft law) has

based on bootstrapping methods (Cameron & Trivedi, 2010). We run reduced empirical models (not shown) that passed the Hausman test but with high costs in terms of explanatory power. Hence, the random-effects model is chosen.

been relatively low, with an average of 45.87% in 2007. This rate of implementation reached 65.56% in 2014, before the code's adjustment with more stringent measures. After 2015, the implementation decreased to 58.45% and slowly reached an implementation of 62.17% in 2017. This slow implementation rate for Colombian firms is not inconsistent with international evidence. Cuomo et al. (2016) demonstrates that the implementation rates of country codes vary significantly across countries where developed economies tend to reach high compliance levels faster than undeveloped economies, given their weaker corporate governance structure.

When we divided the Colombian sample into IR and non-IR adopters, the implementation rate of the Code shows substantial differences. The IR adopters went from 65.38% in 2007 to 83.49% in 2014, with a consistent gain of over 20% in terms of the implementation from the non-adopters. After 2015, when the new Code was adjusted, the implementation rate of the IR adopters dropped to 70.52%, and the difference from the non-adopters also decreased to 15.64%. However, this difference increased in 2016 (19.31%) and 2017 (21.48%), coinciding to the differences exhibited before the Code adjustment. In 2017 the implementation rate of the IR adopters was 78.46%, while the non-IR adopters reached an implementation rate of 56.98%. This shows that the IR adopters tend to be swifter in adjusting their corporate governance structure to the new stringent requirements.

Table 5. Historical implementation rates of the Colombian Code of Best Practices - Country Code, by all Colombian issuers.

Panel A: Historical implementation rates of the Colombian Code of Best Practices - Country Code											
Type of issuer	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Colombian IR issuers											
Country Code Imp. Rate	0,6538	0,7088	0,7395	0,7799	0,8019	0,8225	0,8325	0,8349	0,7052	0,7673	0,7846
Number of firms	25	27	28	28	28	31	31	31	31	31	31
Other Colombian issuers											
Country Code Imp. Rate	0,4212	0,4524	0,4866	0,5355	0,5671	0,5846	0,5921	0,6001	0,5488	0,5741	0,5698
Number of firms	150	152	147	134	135	125	122	109	106	101	99
Differences in the Imp. Rate											
IR issuers vs Other issuers	0,2326	0,2564	0,2529	0,2445	0,2348	0,2378	0,2404	0,2348	0,1564	0,1931	0,2148
Total Colombian issuers											
Country Code Imp. Rate	0,4587	0,4950	0,5302	0,5807	0,6115	0,6344	0,6440	0,6556	0,5845	0,6199	0,6217
Number of firms	175	179	175	162	163	156	153	140	137	132	130

Panel B: Historical implementation rates of the first version of the Colombian Country Code								
Type of issuer	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Colombian IR issuers								
General Shareholders Assembly	0,7112	0,7960	0,8221	0,8803	0,8939	0,9108	0,9199	0,9351
Board of Directors	0,6286	0,6619	0,7059	0,7426	0,7637	0,7934	0,7996	0,8014
Financial and Non-Financial Disclosure	0,6574	0,7262	0,7407	0,7717	0,7997	0,8107	0,8303	0,8261
Dispute resolution	0,6800	0,7037	0,7321	0,8393	0,8750	0,9032	0,8871	0,9032
Adoption of other governance practices	0,8800	0,8889	0,8571	0,8571	0,8571	0,8065	0,8065	0,7742
Other Colombian issuers								
General Shareholders Assembly	0,4952	0,5478	0,5807	0,6518	0,6761	0,6926	0,6953	0,7130
Board of Directors	0,3839	0,4165	0,4620	0,5049	0,5410	0,5647	0,5784	0,5866
Financial and Non-Financial Disclosure	0,4331	0,4502	0,4668	0,5101	0,5412	0,5524	0,5504	0,5544
Dispute resolution	0,4680	0,5182	0,5739	0,6288	0,6692	0,6667	0,6846	0,6759
Adoption of other governance practices	0,4133	0,4474	0,4354	0,5075	0,4741	0,4640	0,5000	0,5046

Panel B: Historical implementation rates of the first version of the Colombian Country Code								
Type of issuer	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Differences in the Imp. Rate								
General Shareholders Assembly	0,2161	0,2482	0,2414	0,2286	0,2178	0,2182	0,2246	0,2221
Board of Directors	0,2447	0,2454	0,2438	0,2377	0,2227	0,2288	0,2212	0,2148
Financial and Non-Financial Disclosure	0,2243	0,2760	0,2739	0,2616	0,2584	0,2582	0,2799	0,2716
Dispute resolution	0,2120	0,1856	0,1583	0,2105	0,2058	0,2366	0,2024	0,2273
Adoption of other governance practices	0,4667	0,4415	0,4218	0,3497	0,3831	0,3425	0,3065	0,2696

Panel C: Historical implementation rates of the second version of the Colombian Country Code			
Type of issuer	**2015**	**2016**	**2017**
Colombian IR issuers			
Shareholder Rights and Equal Treatment	0,7601	0,7900	0,8043
General Shareholders Assembly	0,6581	0,7423	0,7682
Board of Directors	0,6565	0,7252	0,7395
Control Architecture	0,7955	0,8487	0,8573
Financial and Non-Financial Transparency and Information	0,7900	0,8354	0,8800

Other Colombian issuers			
Shareholder Rights and Equal Treatment	0,5381	0,5468	0,5385
General Shareholders Assembly	0,5278	0,5358	0,5441
Board of Directors	0,4813	0,5137	0,5095
Control Architecture	0,7253	0,7479	0,7341
Financial and Non-Financial Transparency and Information	0,5817	0,6144	0,6176
Differences in the Imp. Rate			
Shareholder Rights and Equal Treatment	0,2220	0,2432	0,2658
General Shareholders Assembly	0,1302	0,2065	0,2241
Board of Directors	0,1752	0,2115	0,2299
Control Architecture	0,0702	0,1008	0,1233
Financial and Non-Financial Transparency and Information	0,2083	0,2210	0,2624

In Table 5 Panel B (before the Code adjustment), we show the different sections of the Colombian Country Codes with its implementations rates for the entire sample of Colombian issuers and the adopters and non-adopters on the IR program. In 2014 the code section with the greatest difference between adopters and non-adopters was Financial and Non-Financial disclosure (27.16%). However, all sections show important differences between the two groups (more than 20% in all sections). As shown in Panel C, which depicts the new structure of the code, the important differences remain and increase every year, reaching more than 20% in most of the adjusted code sections. Again, the most significant difference is in the Financial and Non-Financial disclosure section of the code.

This univariate analysis is consistent with our hypothesis 2 in which we argue that Colombian issuers with better corporate governance practices are willing to implement the IR program standards to differentiate themselves from the others, incurring in significantly fewer costs in adapting their practices to the high disclosure requirements. This makes the IR program a credible signal to the market regarding the adopters' commitment to better corporate governance practices.

Firms' propensity to adhere to the IR program

Table 6 reports the core results of the random-effects probit regression of firms' propensity to adopt the IR program, using the Issuer Recognition program dummy (Hybrid model) as the dependent variable. Firms issuers from other countries were omitted from the sample for the estimation of these panel data regressions, which reduces the number of observations for the analyses to 251 firm-year observations or less, depending on the specification.

As shown in Table 6, firms that have performed better in terms of their percentage of adoption of the recommendations of the Colombian Country Code are more prompt in getting into the IR program, consistent with our arguments behind hypothesis 2. In model 1, we consider the contemporaneous effect of the rate of implementation of the code and the Colombians' firm inclination to adhere to the IR program, without including corporate governance controls, obtaining a positive and significant coefficient at the 1% significance level. When the corporate governance controls are included (model 2), the significance of the coefficient decreases, but it is still considerable at the 10% level.

TABLE 6. IR ISSUER DUMMY (RANDOM-EFFECTS PROBIT REGRESSIONS).

	(1)	(2)	(3)	(4)
Variables	**IR issuer dummy**	**IR issuer dummy**	**IR issuer dummy**	**IR issuer dummy**
Colombian Country Code imp. Rate	7.3368***	7.7219*	.	.
	(2.625)	(4.089)	.	.
Colombian Country Code imp. Rate (Lagged)	.	.	6.2994**	10.3393**
	.	.	(2.868)	(4.200)
Leverage	9.2267**	20.0445**	7.7448**	20.2256***
	(4.145)	(8.193)	(3.828)	(6.539)
ROA - Return on assets	13.7238	30.7864**	10.2846	31.4634**
	(11.645)	(14.088)	(8.936)	(12.589)
Firm size	5.3025***	2.5521***	3.4353***	2.2558***
	(0.374)	(0.475)	(0.738)	(0.429)
Growth (sales)	-0.5797	-1.5242	-0.1489	-0.8924
	(1.153)	(1.624)	(0.432)	(1.870)
Volatility	-11.7761	-29.3997	-10.2238	-22.7810

	(1)	(2)	(3)	(4)
Variables	**IR issuer dummy**	**IR issuer dummy**	**IR issuer dummy**	**IR issuer dummy**
	(12.884)	(19.590)	(12.100)	(16.577)
Board size	.	1.3371***	.	1.3066***
	.	(0.495)	.	(0.417)
Women on board	.	0.9930	.	1.2184
	.	(1.223)	.	(1.005)
Constant	-45.3978***	-33.1489***	-31.5019***	-33.9622***
	(4.312)	(6.863)	(5.750)	(5.313)
Observations	251	196	234	194
Wald test	299.28	38.93	40.35	59.47
	[0.000]	[0.000]	[0.000]	[0.000]
Pseudo R^2	0.5297	0.8843	0.5304	0.8880
Number of firms	39	39	39	39

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Models 3 and 4 assesses the effect of the lagged rate of implementation. It considers what we observe in the univariate test, that firms that end up in the IR program were also the firms with better performance in terms of implementation of the code. As shown in Table 6, we again obtained positive and significant coefficients at the 5% level, both with and without corporate governance controls. All in all, these results confirm the evidence presented in the univariate test and support our hypothesis where we argue that the IR programs represent a credible and robust signal that the best performers, in terms of corporate governance, could use it to differentiate themselves from others in the Colombian stock market.

This argument is strengthened when we analyzed the other control variables in the probit model of Table 6. Firms with relatively high leverage levels, more profitable and prominent, are more efficient in differentiating themselves in the market in terms of the quality of their corporate governance. The IR program serves these types of firms in sending signals to the market. As argued previously, the cost of adopting a high percentage of the code recommendations is lower than the non-adopters creating an ideal scenario for a separating equilibrium where the best performers in terms of corporate governance standards adopt the programs, and the rest do not.

Robustness checks

We perform several different specifications of the models presented in Table 4 and Table 6. First, we use different shorter windows (2012 – 2017 and 2013 – 2017) for the IR issuers dummy. For these shorter windows, the IR dummy kept its statistical significance and increased the size of the coefficient for all models' specifications (results available upon request). In Table 4, column 1 we show that being an IR issuer increases its IDI on average to 7.36% ($p < 1\%$) in absolute terms (2010 – 2017). When we use the IR dummy from the period 2013 to 2017, this coefficient increased to 10.07% ($p < 1\%$). The same behavior is observed with the other model specifications; for example, the coefficient in Table 4, column 4 (IDI clustered in the section of board of directors, risk management and responsibility to other stakeholders) rose from 19.99% ($p < 1\%$) to 25.43% ($p < 1\%$).

Second, for Table 6, we estimate the model using lagged values for the financial controls (ROA and leverage). The size and the significance level of the coefficient for the rate of implementation increased (results available upon request). For example, the coefficient of the rate of implementation in Table 6, column 2, went from 7.7219% ($p < 10\%$) to 9.7776% ($p < 5\%$) in this new specification; and, the coefficient of the rate of implementation in Table 6, column 4, increased from 10.3393% ($p < 5\%$) to 13.9594% ($p < 1\%$). In this robustness analysis, we also used two lagged of the implementation rates, obtaining a coefficient of 12.0199% ($p < 1\%$). Third, we also applied other measures for our financial control variables, and the results remained.

Finally, we consider that, there are no serious endogeneity issues in our econometric approach because we are analyzing the before and after of an exogenous event (the IR program implementation).

5. Conclusions

In this paper, we describe the Issuer Recognition (IR) program and empirically evaluate its impact as a new and replicable corporate governance hybrid form used in the Colombian Stock Exchange (CSE). As shown above, we find that the IR Program has significantly increased the level of information disclosure of the adopting firms (hypothesis 1). These set of firms that were among the opaquest in the region in 2010 ranked at the top, in terms of disclosure in 2017. In addition, when using as a benchmark the rate of implementation of the Colombian Country Code (soft law), we were able to show that the IR program serves as a strong signaling mechanism in the Colombian capital market for those firms that have a strong commitment to good corporate governance practices (hypothesis 2).

Studying the IR program in Colombia, this paper adds to the current literature. It gives another example of how hybrid models, such as the Novo Mercado in Brazil, serves as a bridge between the institutional setting, commonly known as hard law, and the Country's Codes with laxer implementation rules, known as soft law. In this paper, we show that hybrid models, such as the innovative Colombian's IR program, might function as a solution for the effective implementation of good corporate governance practices at the country level. This paper also adds to the policy discussion. The aforementioned type of hybrid model is relatively unknown for policymakers, stock exchanges promoters, and agency surveillance bodies, probably due to the lack of empirical evidence of the effects of their application; therefore, this study is a step in that direction.

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Appendices

Appendix 1

Issuers Recognition - IR Requirements

Requirements to obtain the Issuers Recognition - IR granted by the Colombian Securities Exchange (BVC) Based on Article 1.2.6 of Circular Única BVC
I. Quarterly, hold at least one event for analysts and investors using one of the following methods: conference, video conference and/or teleconference. Holding such events will be optional in quarters in which the issuer has an ordinary meeting for the General Shareholders Meeting. This requirement will not be mandatory for securitization companies or companies that are legally authorized to issue a securitization.
II. Publish the following information on its website: (i) information listed in articles 1.2.2. and 1.2.3. of the Circular Única BVC; and (ii) information listed below. All the information described below must be published in English and Spanish.
a) General requirements applicable to all issuers (equity market securities and fixed income securities) that voluntarily wish to obtain the Issuers Recognition - IR:
Corporate structure, detailing corporate subordination and the relationship with the controlling or parent company, subsidiaries and/or main subordinates, where applicable
Current text of the Good Governance Code, Code of Ethics, Corporate Bylaws, Rules for the General Shareholders Meeting and the Board of Directors
Copy of the last “Código País” Survey filed, in accordance with the scope of application of Circular Externa 028 de 2007 by the Financial Superintendence of Colombia (SFC in its Spanish acronym) and regulations that add to, amend or replace it.

Description of the committees or support bodies for the Board of Directors including their functions, composition, and if applicable, the position held in the company by members of each of the committees.
A summary of the CVs of the main legal representatives (for these purposes, the main legal representatives are understood as the names published in the current National Securities and Issuer Register [RNVE]) and members of the Board of Directors, specifying those who act as independent members.
(i) Sustainability report in case it is voluntarily generated, must be included in the issuer's website, or (ii) Document or section of their website that includes the Corporate Social Responsibility practices adopted by the issuer.
Consolidated balance sheet and income statement for the last year or semester as applicable (audited with accounting notes) and the last quarter (not audited with no accounting notes). Cash flow statement (annual period consolidated and individual for the quarter period) in the case of issuers that are not part of the financial sector. In the case of financial sector issuers, the aforementioned cash flow statement will not be required with a quarterly periodicity. In the case of securitization companies or companies legally authorized to service issues, both financial statements and cash flow statements must make reference to the securitization or issuances under service and not to the securitization company or company acting as the administrator. The inclusion of notes will not be mandatory if the issuer discloses information regarding the underlying asset, the vehicle (asset-backed security) and the securities.
A copy of material information published by the issuer in the National Securities and Issuer Register (RNVE). Prior to obtaining the Issuers Recognition - IR, the issuer must have the information published in the terms here established, for the previous week in both languages.
Calendar of corporate events that contains at least the following: i. Dates for earning release events (quarterly and annual) ii. Date on which the issuer will hold events for investors and analysts, where applicable Prior to obtaining the Issuers Recognition - IR, the issuer must include the dates of the events that took place in the year, and future events that are already scheduled.
List of research analysts that follow the issuer's securities. The list must include the name of the analyst, the name of their company and their contact information.

FAQ section
Contact information for the Investor Relations Office, including at least a telephone number and email.
Corporate presentation that contains at least the following information: -The issuer's general information -Brief description and main business lines or products -Financial information and main financial indicators -Contact information
Management Report or equivalent document for the last year or last six months, as applicable, approved by the General Shareholders Meeting or the competent body. Issuers that submit a duly completed 20-F Form established by the Securities and Exchange Commission (SEC), with the integral publication of this form, may decide not to translate the Management Report. Prior to obtaining the Issuers Recognition - IR, their website must contain the last report published in the RNVE in both languages or the last 20-F Form where applicable.
Link to the website of foreign stock exchanges and/or foreign trading systems where the issuer's securities are listed
Document used for the financial results release event, published in both languages for a minimum period of three months
Securitization companies or companies legally authorized to service issues must publish sufficient information on their website related to the issuances, including information regarding the underlying asset, the asset-backed securities/trust vehicle and the securities in circulation.
Audio or transcription of the financial results release event including the questions and answers of the meeting, published for a minimum period of three months

b) In addition to the requirements listed in paragraph (a) of this Section, the equity issuers must publish the following information on their website in Spanish and English:

Information available for shareholders, prior to the General Shareholders Meeting (applicable to ordinary and extraordinary meetings)on the website:
i. Notification (date, time and place)
ii. Detailed agenda
iii. List of candidates proposed by the shareholders to join the Board of Directors when the election of this body is included in the agenda set for consideration by the General Shareholders Meeting, once this list is known
iv. Financial information and relevant documentation for decision making by the General Shareholders Meeting
v. Proposed profit distribution, when applicable

Dividends per Share table for the last five years, including the current year, date in which they were decreed and date when they were paid out. Latest text of the proposed profit distribution approved by the General Shareholders Meeting or the competent body, if applicable. Issuers listed in a period shorter than the aforementioned, must publish the dividends per share chart for the peiriod after the listing date.

Add the following information to the corporate events agenda:
i. Date of General Shareholders Meeting (applicable to ordinary and extraordinary meetings)
ii. Date of dividends pay out
Prior to obtaining the Issuers Recognition - IR, must include the dates of the events that took place in the current year and the events for future months of the current year.

c) In addition to the requirements listed in paragraph (a) of this Section, the issuers of fixed-income securities will be required to publish the following information on their website in Spanish and English:

Information regarding: (i) current issuances (security type, amount), (ii) current ratings for the issuances, and name of the securities rating agency.

Securitization companies or companies legally authorized to service issues will be required to publish a Master Service Certification, or a certification issued by a securities rating agency in order to evaluate their capacity to issue securities.

· If the information of any of the requirements covered by this article is contained in a document other than that which is requested, the issuer must publish a link to the document containing the information with: (i) the transcription of the requested information, or (ii) the reference to the document or section containing the required information, with its location in the same.

· Once obtained the Issuers Recognition - IR, the following requirements must be met for the quarter in which the recognition was granted: (i) Holding the financial results release event (ii) Document used for the financial results release event, and (iii) Audio or transcription of the financial results release event including the questions and answers of the meeting.

· The requirement regarding information available to shareholders on the website prior to General Shareholders' Meetings must be fulfilled for the General Shareholders' Meeting that takes place immediately after the date on which Recognition is granted and for the following meetings.

Important Information: The Issuers Recognition - IR granted by the Colombian Securities Exchange (Bolsa de Valores de Colombia S.A, BVC) is not a certification about the quality of the securities listed at the BVC nor the solvency of the issuer. Also, does not imply an opinion on the quality and accuracy of the content, it only denotes a verification of the existence of the information on the website of the issuer.

The BVC notes that the official language of this document is Spanish, given this, any question, interpretation or clarification arising from any content of this document that has been translated into English, may only be elucidated by consulting the text in Spanish.

Appendix 2

IDI dimensions, elements, and questions

No.	Dimension / Element	Question
Board of directors		
1	Name of directors	The company provides a list with the names of all directors.
2	Insider /outsider status	The company reveals the independence status (insider/outsider) for each director.
3	Director characteristics	The company indicates the professional background, work experience, age, and gender for each director.
4	Compensation	The company discloses directors' compensation.
5	Attendance	The company informs the attendance of director to board meetings
6	Directors' selection	The company summarize the directors' selection process, terms, and voting procedures.
7	Board committees	The company divulge information about board committees and their objectives.
8	Committees' members	The company shows the names of each committee participant.
Executive summary		
9	Yearly summary of operations	The company indicates information about the main issues occurred in the year
10	Summary of financial information	The company reveals key information about financial results

No.	Dimension / Element	Question
11	Letter to shareholders	The company provides a letter to the shareholders in relation to the yearly performance of the company
Company information		
12	Firm profile	The company disclose information regarding commercial activities, ownership structure and intl. presence.
13	Organizational structure	The company informs the difference hierarchy level, operational units and support.
14	History	The company summarize their history since its foundation to the present.
15	Strategy	The company divulge a summary of its strategy and the main challenge it has to face.
16	Mission	The company present its mission statement.
17	Vision	The company present its vision statement.
18	Certifications and accreditations	The company share its awards, recognitions, certifications, and the accreditations achieved.
Corporate governance		
19	Good governance code	The company inform the existence and provides details of good governance policies.
20	Governance structure	The company reveals the different entities that conform the governance structure of the firm.
21	Annual corporate governance report	The company disclose a detail report of all its activities related to its corporate governance practice.

No.	Dimension / Element	Question
22	Fulfillment of its governance code	The company declares the fulfillment of its governance code and any changes occurred during the year.
23	Selection process and compensation of top management	The company shows the selection policies and compensation practice of the Top Management Team.
24	Internal control	The company explains its practices of internal control and auditing.
25	External control	The company summarize all external control entities (supervisory bodies, risk rating agencies, etc.)
26	Conflict of interest manual	The company report the existence of Ethical Codes, procedures gear preventing wrong-doings, etc.
Corporate social responsibility		
27	Relationships with interest groups	The company reveals the compromise and expectations with interest groups and results verifications.
28	Results	The company reports the results on different areas of its CSR goals.
29	Sustainability report	The company shows an integrated report using the standard of the Global Reporting Initiative (GRI).
30	Environmental protection projects	The company informs the environmental projects which is involve in.
31	Environmental investments	The company summarize the investment level in environmental projects.
Financials		

No.	Dimension / Element	Question
32	Summary of the Profit and Loss Statement	The company presents a summary of its P&L statement.
33	Summary of the Balance Sheet	The company report a summary of its Balance Sheet.
34	Financial indicators	The company disclose its main financial indicators.
35	Investment returns	The company show the financial return of all its investment portfolio locally and abroad.
36	Budget execution	The company divulge detail information about the execution of its yearly budget.
37	Share market value	The company indicates the evolution of its share price.
Risk management		
38	Risk identification	The company reveals their risk cycles management according to its lines of business and processes.
39	Risk maps	The company shows its risk maps in relation to its environment, operations, finance, and strategy.
40	Legal issues	The company informs the results or status of legal procedures or fines and legal contingencies.
Social dimension (human capital policies and practices)		
41	Procurement and retention of human talent	The company summarize the behavior of its human capital and details such as compensation and career development.

No.	Dimension / Element	Question
42	Salary	The company reveals its salary scale by position and gender.
43	Work environment	The company reports cultural activities, competence development practice, personal care, among others.
44	Organizational climate	The company informs the results of organizational climate measurement under international standards.
45	Welfare projects	The company shows its plans to improve the workers welfare and recognize performance and tenure.
46	Occupational health	The company disclose its occupational wealth plans such as industrial health and labor risks.
47	Absenteeism	The company divulge the events recognized as causes for labor absenteeism.
Responsibility to other stakeholders		
48	Suppliers relations	The company has a program for suppliers development.
49	Stockholders relations	The company maintains communication channels with investors and the measures the level of utilization.
50	Clients and products relations	The company reveals clients segmentation and their level of satisfaction

Source: This questionarie was developed taking into consideration the guidelines regarding good corporate governance practices of the principal international agencies such as OCDE, CAF, and the Colombian code of good governance for listed firms (Código País) and non listed firms (Guía de Gobierno Corporativo para Sociedades Cerradas y de Familia).

Appendix 3

Variables definition

Name	Description
Information disclosure index (IDI)	
IDI from firms' annual reports	IDI from annual reports of company i in year t. The minimum value is 0 and the maximum value is 1 given the total score of the 50 yes/no questions, using only the company reports.
IDI from all information channels	IDI from all information channels of company i in year t. The minimum value is 0 and the maximum value is 1 given the total score of the 50 yes/no questions, using all information available.
IDI by components	IDI of company i in year t for each of the 9 different categories. The minimum value is 0 and the maximum value is 1 given the total score of the number of yes/no questions in each category.
Corporate Governance models	
Issuer Recognition program dummy (Hybrid model)	Dummy variable that takes the value of 1 when the firm participates in the Issuer Recognition program, 0 otherwise.
Colombian Country Code implementation rate (Soft law model)	Adoption rate of the recommendations in the Colombian Corporate Governance Best Practices Code for each company i in year t.
Control variables	
Tobin's Q	Market value of assets divided by the book value of assets for firm i in year t. The value is provided by Bloomberg.
ROE	Return on equity measured by the net profits to equity for firm i in year t.

Market capitalization	Market value of equity (share price times number of shares). The value is provided by Bloomberg.
ROA	Return on assets measured by the net profits to assets for firm i in year t.
Profit dummy	Dummy variable that takes the value of 1 when net profits are positive for firm i in year t, 0 otherwise.
Leverage	Ratio of total liabilities to total assets for each firm in year t.
Firm Size	Natural log of total assets for each firm i in year t, as reported in Bloomberg.
Dividend Payout (assets)	Dividend payout calculated as cash dividend to total assets for firm i in year t.
Dividend Payout (sales)	Dividend payout calculated as cash dividend to sales for firm i in year t.
Dividend dummy	Dummy variable that takes the value of 1 when firm i in year t pays dividend, 0 otherwise.
Growth (assets)	Yearly percentage increase in asset value for firm i.
Growth (sales)	Yearly percentage increase in sales for firm i.
Growth (EBIT)	Yearly percentage increase in EBIT (Earnings Before Interest and Taxes) for firm i.
Listing requirements	Index calculated as the ratio of each country requirements on a total of 52 listing requirements identified for Latin American region.
Volatility	Standard Deviation of EBIT in the preceding three years.
DJSI dummy	Dummy variable that takes the value of 1 when firm i in year t is included in one of the Dow Jones Sustainability Indexes (DJSI), 0 otherwise.

Board size	Total number of directors for each company i in year t.
Women on board	Total number of women directors for each company i in year t.
Country dummy	Dummy variable that takes the value of 1 when firm i belong to country X, 0 otherwise.
Industry dummy	Dummy variable that takes the value of 1 when firm i belong to industry X, 0 otherwise.
Shareholder dummy	Dummy variable that takes the value of 1 when the majority shareholder of firm i in year t belong to category X, 0 otherwise.

DOCUMENTO DE TRABAJO

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CEGC
Centro de Estudios en Gobierno Corporativo - CESA

Emisor bvc Comprometido ir

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Bolsa de Valores de Colombia