State and self-regulation for better governance: an implication of collaboration

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State and self-regulation for better governance – Implication of Collibration in the French Context

Structured Abstract

Purpose
The purpose of the study is to study the evolution of French corporate governance law in light of Collibration approach and bring statistical evidence from French Companies Executive Compensation practices.

Methodology
The study used unbalanced panel data to test the hypotheses related to executive remuneration based on the theoretical underpinning of collibration. Data for 173 firms listed in the Euronext Paris Index, covering 2007-2014, are collected from the Bloomberg database. Seemingly Unrelated Regression (SUR) analysis are performed to investigate the impact of collibration on the governance disclosure of French listed firms.

Findings
SUR results indicate that board size plays a significant role in the governance disclosure before collibration. However, the collibration model is found to be more effective in ensuring the desired level of governance disclosure. Under the collibration approach, executive remuneration, frequency of board meetings, executive directors in the compensation committee and independent directors play a significant role in governance disclosure. Board size, however, does not have a significant impact on governance disclosure after the adoption of collibration mechanism.

Practical Implications
Results provided by this study can allow regulators to improve corporate disclosure regime at France which could play a vital role in safeguarding the interest of stakeholder.

Originality
We study the impact of calibration on the extent of governance disclosure in the context of France. Empirical evidence on the implication of collibration as governance mechanisms to enhance stakeholder confidence is rare and allows this study to make a unique contribution to the governance literature.

Keywords:
Collibration, Governance, Executive Compensation,
1. Introduction

In a new globalised world, both developed and developing societies are facing economic challenges due to legislative failures, limited applications and synthesis within the social context for future sustainable objectives (Hill, 2020). Consequently, some economies, for example, member countries of the Association of the Southeast Asian Nation (ASEAN) (Gerard, 2018), face challenges of legal reforms while others, such as members of the Organization for Economic Co-operation and Development (OECD) (Capobianco & Nyeso, 2018), face law enforcement challenges. The standard solution for such regulatory challenges can result in the introduction of a law (Finck, 2018) which can allow state-regulations to take better control over a business at the cost of a free market economy (Segrestin, Hatchuel, & Levillain, 2020). The alternative regulatory solution can be to free-market from legal constraints and let the rules of games emerge through best practices, for example, the development of governance codes (Clift, 2007). Despite the classical philosophical arguments to support the market’s mechanism as a controlling device, societies cannot solely depend upon the free market mechanism (Kirkbride, Letza & Sun, 2005). In such a situation, the balance for sustainable economic and industrial growth among the stakeholders can be achieved without compromising the societal ethics and violating consumer rights.

Historically policymakers recommend to introduced checks and balances to redefine the monitory role of government agencies and industrial relations practices which requires continuous re-engineering (Dunsire, 1996; Fanto, 1998). During the early stage of economic development, societies rely more on ‘self-policing’ as compared to government interventions (Barsan, 2010). However, as the economy starts growing, opposite forces try to shift the regulatory balance, which may result in either the increased legislative business environment or a free economy that seeks foreign investment. Thus rivalry among industrial actors and level of intervention by government regulatory agencies and awareness of consumer rights among the society decide the fate of the industry in specific and the economy overall (Letza, Kirkbride & Sun, 2004). As a result, some economies survive while the other may fail (Finck, 2018). For example, recently Greek debt crisis in Euro-zone’s tax evasion and misreporting of financial debt figures are the consequences of the failure of the legal system (Clift, 2007). Similarly, the French debt crisis in the 17th century (Jessop, 1995) resulted in legislative reforms for French business (Finck, 2018). Therefore, a highly legalised environment may not be the solution for governance-related issues to decrease the failure rate of firms (Riaz, 2016).
Typically, profit and industry as surrogates for the firm’s exposure to the varieties of societal pressures; turnover and capital employed. Thus it is generally accepted that self-governance without governmental intervention automatically finds natural balance among market forces (Noel & Babor, 2017). The same mechanism was recognised for the evolution of corporate governance (Riaz et al., 2015). In this individual context, firm, group of organizations and or industry tries to put self-regulatory checklist to maintain natural balance among various stakeholders. However, government monitory agencies can sometimes shift the regulatory balance by favouring the weaker player, i.e. industry or society (Kirkbride & Letza, 2004). This efforts from the regulatory authorities can help to capture the trend to serve specific economic policy through institutionalization. For example, in the 1970s, the Swedish government’s initiative for employee rights helped the weaker stakeholder. Similarly, in 2002, Sarbanes-Oxley legislation at the United States of America (USA) was the formal legal efforts by the state to safeguard against financial crunch (Barsan, 2010). Moreover, in 2003 French commercial law was introduced to protect investors against market crash (Albertini, 2014).

In France, essential proposals related to corporate governance were recommended since Vienot Report 1995\(^1\) to settle the practical issues in the aftermath of related reports in the neighbouring economy of the UK. Although there are some similarities and differences among the Vienot Report and Cadbury Report, few valuable governance recommendations were part of French company law in 1966 before the governance crisis in the UK in 1992. The recommendations by Vienot Report include the introduction of independent directors, creation of specialised board committees (e.g. Remuneration, auditing or strategy) and the director’s charter which was also the part of 1966’s French company law.

The corporate collapses of industrial giants such as Arthur-Anderson and Enron Corporation\(^2\) has not raised serious levels of concern among French regulators. French judiciary remained reluctant to convict auditors and or firm’s management due to the smaller

\(^{1}\) "VIENOT” report 1995": First time in France, Mr Marc Vienot, Chairman of Société Générale Bank was requested by two employer’s unions at France e.g. The Association Francaise des Entreprises Privees (l’AFEP) and the Conseil National du Patronat Francais (CNPF), to preside over a committee constituted with fourteen top companies, with a purpose identify role of the boards of directors and the exercise of their powers for listed companies. A report entitled as “Vienot Report”, was made public on 10 July 1995 at the Europlace congress Paris.

\(^{2}\)Back in 2001, American company Enron Corporation one of top in energy business with $100billion revenue annually, collapsed. Arthur-Anderson is also one of five biggest firms in Accounting consultancy at USA until 2001
scale of the domestics scams (Segrestin et al., 2020). For example, Crédit Lyonnais\(^3\) reported a scam of €23 billion.

In addition to corporate financial scams, discussion regarding environmental and socially responsible corporate is also capturing heat across Europe (Aerts, Cormier, & Magnan, 2008). For example, in the presence of Nouv-Elles Régulations Economiques Act\(^4\), recently environmental scam about Volkswagen\(^5\) created question about French corporate law and the related role of government interventions for better implications. This recent environmental scandal also put pressure on French policymakers to rethink about vehicle-testing standards which test emissions based on performance in a lab instead of on roads. Similarly, in the 1990s, another bank scam of 1.5 billion francs Banque Pallas Stern\(^6\) was the failure of the board of directors exaggerating bank’s worth to attract investors and market shares.

Stated governance failures demand to explore factors causing corporate failures. In addition, Finck (2018) and Hill (2020) conclude that family-owned big enterprises in France provide massive performance bonuses to their executives without appropriate performance evaluations. While executive scams demand board to play the active role to safeguard the shareholder’s interest through self-regulation, the stated governance and financial scams of firms put a question mark on the self-disclosure practices among French companies. In France, the public disclosure and information asymmetries between the principal (shareholders) and agent (directors) regarding executive remuneration were one of the significant factors behind the firm’s governance failure and malfunctioning of the market (Ferrarini, Moloney & Ungureanu, 2010). So it is a valid shareholder’s concern about executive remuneration for the companies operating in France (Clift, 2007; Ferrarini, et al., 2010).

Field of corporate governance is overloaded with numerous perspectives of grounded in economics, e.g. agency perspective, stake-holding, shareholding and stewardship theories. Nevertheless, the legal context of theories in corporate governance has not received much attention (Kirkbride & Letza, 2003; Riaz, 2016). More recently, theoretical perspective about ‘collibration’ is contextualised by Kirkbride and Letza (2004).

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\(^3\)Crédit Lyonnais: A largest state-owned French bank led to bankruptcy in 1993. In 2003, The bank was acquired by Crédit Agricole, its former rival.

\(^4\) On 15 May 2001, French corporate law number 2001-420 about environment was approved the government demanding firms to report about the environmental effect including atmospheric emissions in annual report.

\(^5\) Volkswagen is a car manufacturing company based in Germany. The company was established in 1937, The company is just behind Toyota and is now the second-largest automaker in the world.

\(^6\) The French bank emerged as result of merger among the Stern bank with the Bank Pallas in 1992. However the bank went bankrupt back in June billion just in three years after its creation.
Therefore, this study explores the implications of collibration on improving governance practices among French public limited firms which are limited in supply (Lubatkin et al., 2005). We find that the external regulatory linkage with internal board matter needs further exploration in the French context (Hill, 2020; Segrestin et al., 2020). Therefore, this study aims to link three fields, i.e. Business law, corporate governance and macroeconomics to address the theoretical gap using French evidence (Finck, 2018; Hambrick et al., 2008). In the process, we expect to contribute by filling the empirical gap through a rigorous methodology and authenticated panel data (Riaz, & Kirkbride, 2017).

Rest of the study is organised in four parts. The first part is dedicated to theoretical underpinning by presenting relevant theories including agency theory, shareholder and stakeholder perspectives in line with jurisprudence corporate governance. The second part presents French developments regarding corporate governance codes and government’s legislative role for governance reforms. The third part explores the boundary between French corporate governance codes (i.e. self-regulation) and French legal framework and or laws (i.e. state regulations) in seeking to promote natural balance. Finally, hypotheses are developed with the purpose to test the role of self-regulation and state regulations for achieving jurisprudence corporate governance effectiveness in the French context.

**Literature Review**

2.1. Collibration as a governance mechanism

The theory of Dunsire (1993) proposes a mechanism to ensure balance through state intervention among market forces by helping weaker stakeholder. In 1993, Dunsire first defined collibration in a political context by demonstrating a solution to deal with conflict of interest among various political actors with the state. However, the relationship and application of collibration in the area of corporate governance were adopted by Kirkbride and Letza (2004). More recently, Riaz and Kirkbride. (2017) define collibration as the combination of two words, i.e. “Co” and “libration”, which means “process of balancing among two or more social groups worked in opposition to one another to achieve a policy objective” (p.89). Kirkbride, Letza and Sun (2005) redefined that term collibration in the governance of firms by defining it an approach of intervention to achieve social-economic equilibrium. The term collibration is also referred as government’s mediatory role that involves balancing among two opposing forces, i.e. business and society, with the purpose to achieve policy objectives for sustainable
economic growth by providing supportive environment (Riaz et al., 2015). According to the latest study, collibration approach involves an incremental shift to achieve a new equilibrium state by balancing socio-economic balance instead opting for radical change (Riaz, 2016).

Typically government’s intervention is needed to balance social tensions among stakeholders by fine-tuning and or the shifting the control of equilibrium within markets by helping the weaker stakeholders that may be industry or society. Such form of legal adjustments can be termed as collibration (Riaz, Kirkbride, 2017). To demonstrate collibration approach, we can assume that if the one side on a soccer match is weaker, we may add a player to shift the balance instead of changing the football or grounds, which may help the weaker team to fight back. So through the provision of extra information and disclosure to investors, government’s intervention shifts the balance and tries to create new equilibrium by changing the goalpost. Consequently, one can claim that in the era of regulatory capitalism, society may not just rely on self-regulation devised by industry or group of firms. Instead, a blend of self-state regulations as a form of collibration may reflect the diverse interests of stakeholders that may influence the social practices of corporate regulatory governance to achieve better balance. There can be many applications of collibration management. For example, the government can adopt collibration approach by facilitating consumer in the oil industry, through the publication of fuel performance data on standard tests for different cars. Alternatively, the official state’s body may pass formal legislation for companies to disclose fuel performance information on each product. Moreover, the state can make the mandatory requirement for the oil-producing firms to disclose data in annual reports about salaries of directors to help investors and shareholders for better decision making for future investment (Dunsire, 1993; Riaz et al., 2013). This sort of information is neither risky for businesses nor against any consumer’s right but facilitate society and business to achieve new balance through collibration management.

Recently scholars also propose the role of the country through the development of corporate governance regulations which requires shifting towards a holistic approach, which is an alternative approach from the homeostatic approach that is setting new governance standards (Riaz, & Kirkbride, 2017). Legal and governance experts are agreed that state regulations derive the financial markets efficiently (Riaz, Ray, & Ray, 2015). Similarly, other studies found that the best economic environment demands the state to play a relational role by taking co-responsibility in private and public spheres (Albertini, 2014). Nowadays, it is also acknowledged regulations by the state are necessary for efficient and successful management
of financial markets (Segrestin, et al., 2020). Without state-regulations, we cannot imagine the proper functioning of any financial market (Déjean & Martinez, 2009).

Recent scholarly work on jurisprudence corporate governance suggested that fully legalised economy may not produce desired results to achieve economic growth (Noel & Babor, 2017). Therefore it may not be a matter of choosing among of self-regulation and the state regulation; instead, an optimal mix among the two may produce desired results of financial markets (Riaz & Kirkbride, 2017). Kirkbride and Letza (2004) suggest that legislation process of corporate governance is no longer a choice among state regulation, instead it is determined by a process through which government agencies take their role of balancing the weight by providing proper information to weaker stakeholders in market. Similarly, Chelli, et al. (2014) found that market-based mechanisms did not provide a silver bullet during global financial crises and corporate collapses. Sparse in the understanding of implement process in governmental regulations and the dilemma of governance literature is that the scholars are yet unable to provide a solution for better regulatory reforms.

2.2 Collibration in the French Context

French legislations owing to heavy criticisms and led to several short-lived French disclosure regimes (Rawlings, 1975). Until 1966, the French corporate Law (Law #66-537) under the article number 110 gave the right to board of directors to decide about executive compensations of firm’s chairman and executive directors including pension benefits (Fanto, 1998:p61). Thus, French corporate law did not bind the firm to disclose executive remuneration. According to Alcouffe and Alcouffe (1997), Viénot report in 1995 of French corporate governance codes initiated the debate about disclosures regarding executive compensation. The eight-year of struggle finally resulted in legislation demanding French firm to disclosure executive remuneration publically (Lakhal, 2005, 2009).

of executives in particular. French listed firms are now legally bound to disclose compensation paid to five top executives before the annual general meeting of the firm (Art. L225-102-1) including stock options and or any other form of benefits (Art. L225-184). French law now strictly prohibits to give any type of loan to the firm’s directors (Art. L225-43). Moreover, if the firm has a supervisor, board structure, French listed firm can fix individual remuneration for nonexecutive directors (Art. L225-46, L. 225-86). However, nonexecutive directors are not allowed to take stock options in any form as monitory compensation for their professional services (Art. L. 225-177). Finally, remuneration policy linked executive remuneration with performance and need to be disclosed publically.

Moreover, executive compensation shall be approved by the independent compensation committee (Art. L.225-45, L.225-47&L225-53). In the case of the two-tier board, the supervisory board shall fix the compensation of executive members on the recommendation of the competition committee (Art. L. 225 63). Although during evolutionary stage any industry may recommend and adopt adequate corporate disclosure to attract investors, in the absence of any formal system through self-regulation where the companies are not obliged to adopt recommended best practices, such disclosures may not be implemented in true spirit. In this case, it is tough for the state to work as a watchdog to monitor and obtain critical corporate-related information.

Loi de sécurité financière (LSF) 2003 was designed with the purpose to improve the shareholder’s bargaining position in France as an incremental step. Also, LSF’s mandate was to enhance the existing disclosure requirements by providing needed information for investors to tip the balance in favour of shareholders by altering of the rules of the game for long-term engagement between opposing social actors. LSF 2003 was, therefore, one of the best demonstrations of collibration using canalisation in the French context. The positive feature of this collibratory intervention is that firms disclosures regarding executive remuneration under LSF did not impose any additional standard or policy prescription to cap the French administrative salary rather LSF disclosure facilitated investors in specific and market in general to estimate the financial risk associated with the given board of directors as an agent, and take better and well-informed decisions while doing future transactions with existing or new firms listed at French security market. Nevertheless, the French commerce law specific to

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executive remuneration was not intact with a market-oriented mechanism to determine market-based executive remuneration.

In 2015, the French government further strengthened the role of employees within corporate board who are one of the essential stakeholders by amending Art L225-102 of LSF\(^8\). Accordingly, the employee’s voice needs to be heard by giving them the right to say on pay. Hence the active engagement of the French government with market forces to safeguard shareholders right through canalisation is reducing conflict among various social actors through better disclosure practices among French firms. So, the non-binding advisory vote provision represents a controlled shift of the position of equilibrium towards the shareholder by increasing their participation in the board’s remuneration setting process for CEO and providing them with the opportunity to raise their concerns about the director and executive remuneration via an advisory vote. Although the advisory vote is somewhat formality; however, French corporate governance codes (see 23.1) of 2013 recommended that executive remuneration shall be benchmarked against industrial practices. This can ensure pay consistency with that of firm’s employees and officers, understandability of the rules by providing transparent, stable and straightforward performance criteria for executives proportionality with respect to fixing and variable components (ECGI, 2013, p.21).

Any disclosure, including executive remuneration mandated by law, needs to be supported by industrial practices to implement in the true sense by Firms. The French commerce law under Art 225-115\(^9\) typically demands the firm disclose information related to a corporate board, executive remuneration, procedures and criteria for hiring directors as per industrial standards (see, e.g. Art. 134-5 of French 2003 commercial law). However, sometimes disclosure bindings by legislation do not prescribe the acceptable industrial practices to support disclosure (Lakhal, 2005, 2009; Sougné, Ajina & Lakhal, 2015). For example, during the late 1900s, various firms, larger business groups and social activist in France had attempted to publish corporate governance codes to demonstrate industry best practices. Nevertheless, these opposing market forces somehow remained unsuccessful in uniting the conflicting interests to formalise and consolidate the governance codes until 2002 (Ferrarini, et al., 2010; Lakhal, 2005).

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Consequently, the French government asked by mutually contrasting social actors to intervene through the formalisation of self-regulation of corporate governance codes. In 2003 French Financial Markets Authority locally known as Autorité des marchés financiers (AMF)\textsuperscript{10} emerged. The AMF was constituted by giving representation to external and internal auditors, associations representing securities, i.e. private and national bodies, including the ministry of justice and French Securities and Exchange Commission (AMF, 2004). Initially, in 2001, external auditors include Compagnie Nationale des commissaires aux comptes, now known as AMF, internal auditors include Institut de l’audit interne, associations representing securities issuers include Mouvement des Entreprises de France and Association française des Entreprises privées. The corporate governance council working on the platform of French financial markets authority (Autorité des marchés financiers) issued the first edition of French corporate governance codes in 2002 locally known as France Bouton Code\textsuperscript{11}. AMF’s initial governance recommendations tipped the collibratory balance as the foremost feature of Bouton Code of corporate governance was its incremental improvement as per French business norms rather than radical reform to follow the global trend blindly. Bouton corporate governance Code 2002, provided details on effective board processes while the open call was given to recommend and define the role of independent non-executive directors. The Bouton codes initially suggested 50% representation of outside directors. Another significant recommendation of French governance codes was to identify criterion of selecting independent director i.e. “independent director shall have no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgement” (ECGI, 2003, p.6). The beauty of the mediating role of AMF role was that AMF played collibratory role of government’s intervention while the Bouton code was aiming to provide practical guidance for French listed companies, their shareholders and the wider French society (Lakhal, 2005). In 2003 AMF also took measure on executive pensions (ECGI, 2010).

\textsuperscript{10}Autorité des marchés financiers (AMF) is public body that was established Financial Security Act of 1 August 2003 (Act 2003-706). AMF was established after the merger of the Conseil de discipline de la gestion financière (CDGF), the Conseil des marchés financiers (CMF) and Commission des opérations de bourse (COB) with the objective to take care of investments in French financial instruments and transparent functionality of financial markets.

Concerning French executive remuneration and pensions practices, AMF approved a law in 2003\(^\text{12}\). The step was first of its kind regarding executive remuneration in the global corporate governance practices and standard. In 2005, the effort of AMF put executive salary of the firm under the binding of a shareholder vote\(^\text{13}\). The bill about say on pay was basically initiated in the same year of 2005 by AMF along with the announcement on behalf of the French ministry of finance in response to inventors demand and public uproar. It was initiated to stop corrupt industrial practices regarding executive remuneration. For example, despite a 30% decline in the stock price of Carrefour SA two consecutive financial years, i.e. 2003 and 2004, the former CEO of French retailing giant Carrefour S.A. was awarded over the € 39 million severance package\(^\text{14}\) which was a big question mark on adopting pay for performance model in the French executive remuneration model. AMF was expecting that this stakeholder’s vote requirement would give more significant say on pay initiatives over French executive remuneration pay-outs than in other European and international most markets. AMF was expecting that similar measures may start globally as industrial practice.

AMF reforms from 2004 until 2010\(^\text{15}\) suggested that the role of executive directors regarding the remuneration committee should be limited. It was demanded that the board’s remuneration committee be supervised by an independent director in case of the unitary board. In contrast, in the case of dual board structure, the recommendations of the supervisory board should be preferred for executive remuneration (AMF, 2010:p.16). However, in the case of non-compliance, AFM rule is relaxed, requiring French listed companies to provide an explanation for lack of compliance regarding recommendations of the remuneration committee

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or supervisory board whichever is applicable. Moreover, AMF remained involved in the French educational role of directors to promote good governance with the help of the French Institute of Directors locally known as Institut Français des Administrateurs (IFA)\(^{16}\).

### 2.3 Theoretical underpinning

The agency perspective concerning the stakeholder approach assumes that the primary role of the imposing rules through regulators is to reduce the risk and thus enhance the chances for long term survival of the firm (Eisenhardt, 1989). But at the same time, the conflicting goals among management and shareholders cause agency issue. Fama and Jensen (1983) argue that the primary concern of agency theory is the separation of control and ownership to address agency issue. The sample agency classes at one side include stakeholders like management debt-holders, government and new equity holders are presented. In contrast, the expected classes of the agency are reflected to clarify the agency perspective.

The agency perspective remained focused on the firm’s internal issues. Thus failed to address the firm’s problems external by missing firm’s role as part of the open system (Riaz, 2016) in which the firm could be imagined as part of the more extensive system. So by just talking about the separation of management and ownership may not ensure the shareholder’s investment. The external information disclosure for the public is as significant as the firm’s private information. Due to shareholder activism, now organization needs to ensure transparency than ever before to attract more investors (Donaldson & Preston, 1995). More specifically, firms need to provide better corporate disclosures regarding director’s remuneration, needs to deal with environmental hazards and social responsibly related issues to deal with information irregularities and transparency to win shareholder’s trust (Hill, 2020; Noel, & Babor, 2017).

For example, disclosure of director remuneration in a detailed manner can equip the shareholder to monitor the executive salary. This disclosure can align the pay of the agent in line with the firm’s objective of wealth maximization (Alcouffe, & Alcouffe, 1997, 2000).

In addition to agency conflict, governance scholars talk about conflict of interest among the shareholder and stakeholders. The spectrum of debate between the stakeholder and shareholder demands government to play collaborator’s role to adjust the balance among

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\(^{16}\) L’Institut français des administrateurs (IFA) was also established in July 2003 which is birth year of AMF as well. IFA is based in Paris but has seen regional offices.
 opposing forces by balancing the scales thought pressures and policy considerations (Kirkbride & Letza, 2004). Further authors added that successful economic performance could be ensured by stakeholder management. Therefore agency perspective to serve shareholders is quite limited, which needs to be expanded beyond shareholder’s perspective (Letza, Kirkbride & Sun, 2004).

2.4 Hypotheses Development

As stated earlier, formalizing is one of the collibrational techniques that is used by the government for intervention by “creating disclosure in a disclosure-less social process” (Dunsire, 1993:p.13). Therefore empirical test assumes that firm’s disclosures practice are somehow related with board structure including remuneration committee (Ferrarini & Moloney, 2005; Riaz et al., 2015), independent director’s strength at board’s remuneration committee (Riaz, 2016), presence of executive director in remuneration committee (Ferrarini & Moloney, 2005) and annual board meetings (Chhaochharia, & Grinstein, 2009)

– Remuneration committee and governance disclosure

As discussed in the preceding section nowadays, the disclosure of firms especially of remuneration of the top management team, including CEO is a hot issue particularly in France and Europe in general (Barsan, 2010). AMF had also recommended French firms to have to say on pay by an independent remuneration committee preferably lead by an independent non-executive director. This empirical test assumes that the independent remuneration committee’s presence can ensure a robust governance framework within which corporate board can set executive remuneration and policies well integrated with shareholder’s interest, demanding transparent information with lesser asymmetry (Alcouffe & Alcouffe 2000). Earlier empirical work highlighted the significant role of remuneration committee in Australian (Riaz et al., 2015), European (Ferrarini & Moloney, 2005) and French context (Alcouffe, & Alcouffe, 1997). A US-based executive compensation study by Guthrie, Sokolowsky and Wan (2012) found that in the presence of independent compensation committee, executive salary results in increase executive pay, especially if the corporate board is watching shareholder’s interest.

Contrary to this, another US-based study found that the presence of independent and experienced remuneration committee results in a negative effect (Chhaochharia & Grinstein, 2009). Another research claimed that it is the responsibility of the executive remuneration committee to design a transparent selection criterion (Ruigrok, Peck, Tacheva, Greve & Hu, 2006). So, properly review the executive contracts by setting equitable compensation at par
with the market by aligning shareholder’s interest (Carson, 2002; Sanders & Carpenter, 1998). Usually, the corporate board plays a guarding role on behalf of a shareholder to deal with agency problem. So without the active presence of executive compensation committee at any board, it may be an alarming situation in which executives themselves writes and signs contracts without any effective control system to link pay with performance (Bebchuk, 2009). Consistent with the preceding argument, of agency issue is that director’s natural interest is to work less and charge more salary, permitting executives to decide higher compensation generate agency issue (Bebchuk, 2009:p.18). So, linking performance with that of executive compensation is only possible in the presence of a competent executive remuneration committee at the corporate board (Ferrarini & Moloney, 2005). A recent study also found that close monitoring of executive performance by compensation committee plays a mediating role by reviewing the executive financial targets in mid of year subject to latest performances in proceeding years, which is justice with both investors and executive (Wilkins Hermanson & Cohen, 2015).

Moreover, significant interactions of experienced compensation team can ensure both outcome and process fairness being ensured to select executives as through this approach the firm can keep intact the social capital as well watch stakeholders interests (Wilkins Hermanson & Cohen, 2015). This effecting governance mechanism through an independent executive remuneration committee can also force the board of directors to adopt transparent executive remuneration policies (Nelson et al., 2010; Riaz et al., 2015). Moreover, although market forces can play a role in executive compensations, nevertheless free market cannot ensure what arm length contracting to provide by watching strictly executive performance in link with remuneration (Bebchuk, 2009:p.53). To avoid arm’s length contracting within the corporate board, at least remuneration committee ensures that the executives are taking care of shareholder’s interest by linking pay-performance nexus (Bebchuk, 2009:p.23).

Given the above, this influential role of the remuneration committee can lead to a better level of a firm’s disclosure. Therefore the study proposes the following hypothesis.

H1: Presence of an independent executive remuneration committee enhances the firm’s corporate governance disclosures index among French listed companies.

Independent directors and remuneration committee

The role of independent director is not only crucial at other board executive committees including audit (Moore, Tetlock, Tanlu & Bazerman, 2006) but also at remuneration committee
to link executive pay with that of performance (Conyon & Peck, 1998; Riaz, 2011). Arguably, outside nonexecutive independent directors present at the corporate board who may have directorships with other firms in similar industry are expected to play a constructive role at the corporate board by acting as an active monitor of executive performances (Johanson & Østergren, 2010; Riaz et al., 2015). Especially the role of independent directors gets more pertinent if the economy like French in which the family business are in dominating positions (Alcouffe & Alcouffe, 1997). Another study urged that if European companies need win shareholder’s trust, these firms need to promote more durable bindings among firm’s executive and shareholder by mean of valid executive remuneration contract based on pay for performance model (Ferrarini, Moloney & Ungureanu, 2010). The study further compelled that closed attention is need of time in European context regarding remuneration governance within the firms by a harmonized and mandatory disclosure practices. Alcouffe and Alcouffe (1997) study in French context regarding executive remuneration highlighted distinctive features of executive pay and related contacts in French companies. The study claimed that until 1997, the public debate about executive-pay has focused on disclosing total remuneration paid to executive. But to win shareholder’s interest, other aspects of executive remuneration including contract duration, supervisory recruitment methods, the initial compensation level as compare to the market, compensation review methods, and administrative termination methods are equally famous among French firms (Ferrarini, et al., 2010). Previously stated reforms may not be possible without independent remuneration expert at a special committee of the corporate board called remuneration committee (Conyon & Peck, 1998). Therefore, another significant transparent mechanism of better corporate governance is to ensure the presence of non-executive independent directors on the remuneration committee of the corporate board because outside director’s appearance at board makes firm’s board more vigilant which work as a firewall against financial mismanagement (Johanson & Østergren, 2010; Nelson, Gallery & Percy, 2010). For example, study presenting a comparison among the UK, French and Germany executive compensation trends found impressive results (Alcouffe & Alcouffe, 2000). According to the survey, French executive compensation contracts are the primary vehicle for integrating interests of stakeholder’s of larger French firms. Thus French companies need to make remuneration committees more independent as PDGs\(^\text{17}\) are still deciding their compensations. Therefore, disclosure practices are not much effective.

\(^{17}\text{président-directeur général}\)
The globalisation of the French financial market demands to opt better governance disclosure practices regarding self-regulation to attract foreign investors. There is a dire need to make the French board more transparent by introducing independent directors not only at the corporate board but also by giving charge of the remuneration committee to nonexecutive independent directors to win shareholder’s trust. A recent study in top tier journal based on French firms using panel date from 2000 to 2006 of 59 publicly traded Firms showed that executive variable compensation causes substantial increases in a firm’s financial diversification. In contrast, non-duality of chairman/CEO reduces it substantially (Castañer, & Kavadis, 2013). This study also found that independent directors help to enhance financial diversification. Alcouffe and Alcouffe (2000) raised the valid concern about French companies that these firms need to espouse international disclosure practices. However, how local agenda of French corporate governance might fit with that of international to incorporate shareholder value is a big challenge. Few recent studies in Australian context also found that having more ratio of independent directors at remuneration committee ensure that the firm is having better disclosure practices, which can provide the shareholder's trust to resolve agency issue (Riaz, 2016; Riaz et al., 2015). So we can say that independent non-executive directors are more transparent in decision making and have to establish their reputation as professionals and decision experts in conflicting situations during board meetings. Therefore a direct and positive linkage among the percentage of independent directors on the board’s remuneration committee and the firm’s disclosure level is assumed. In view of this following hypothesis was proposed.

H2: Presence of independent directors at executive remuneration committee enhances the firm’s corporate governance disclosure index among French listed companies.

– Executive director and governance disclosure

Mixed results have been found, including Meta-analytical studies to explore board structure – performance nexus (Dalton, Daily, Ellstrand & Johnson, 1998). Furthermore, a recent study in the European context by Ferrarini and Moloney (2005) observed that executive remuneration have diverse practices across the European Union. Although ‘say on pay’ across Europe in the disclosure of executive compensations after 2004 recommendation has to change scenarios. Still, each European nation has a different culture and economic realities of the business environment and culture.
Regarding executive directors in relation with firm’s performance and disclosure practice to
decide remuneration, the role of executive directors have always observed as controversial in
the French context (see, e.g. Alcouffe & Alcouffe, 1997, 2000). That is why transparency
regarding the executive salary for larger French company was legalised after opting governance
code in 2003 (Ferrarini, and Moloney, 2005). More specifically, In France, the annual report is
typically incorporated with disclosure of executive and their pay. As the best practice of French
corporate governance (e.g. "comply or explain" basis) regarding executive salary is needed
(Lakhal, 2005). It is further recommended in French governance code that the Firm’s annual
report must include a separate section on executive pay with detailed broke down of pay
components of top directors (ECGI, 2013). Ferrarini and Moloney (2005) study also identified
that a remuneration committee under French governance code is bound to have independent
non-executive directors as a member and as chair preferably for remuneration committee. The
study further observed that as compared to other European states, only in France, say on pay
was seen in action as shareholder approval is needed for pay policy in term of voting right.

Theoretically, shareholder’s perspective also criticizes (Donaldson & Preston, 1995)
that when the senior executive directors at their own decide their remuneration, they may fall
in mall practices and thus may not disclose the executive salary publically (Fama & Jensen,
1983). So self-regulatory practice may fail and result in creating agency issue (Eisenhardt,
1989). It is the, therefore, assumed more the number of an executive at board remuneration
committee lesser are the changes that the firms will promote disclosure. In French context
following hypothesis was assumed

H3: Presence of more executive directors on the compensation committee have a
negative association with the firm’s corporate governance disclosures index among
French listed companies.

– **Board Meeting frequency and governance disclosure**

Effective board task performance demands that board members dedicate adequate
resources and time to investigate strategic firms before after and within board meetings on all
issues, including executive compensations (Vafeas, 1999). As engaged board meeting with
more frequency helps to get corporate’s board involved in the substantive discussion for
effective decision-making, and perform follow-up reviews after board meetings (Laksmana,
2008). Similarly, another study found that frequent board meetings are a pledge to continuously
share information with managers which helps to achieve better disclosure and ensure shareholders’ trust (Brick & Chidambaran, 2010; Nguyen, 2014).

Frequency of board meeting is a significant predictor to win shareholder’s trust through better disclosure. For example, a study suggested that board diligence is a relatively good proxy of the frequency of board committee meetings (Laksmana, 2008). Another research study found that sufficient numbers of board meetings are needed to deliver firm’s results and thus ensure that the board’s effectiveness and better disclosure practice (Conger, Finegold, & Lawler, 1998). Some other studies also highlighted that the board frequency of meetings is a good practice to show how involved board can lead to better firm’s performance (Vafeas, 1999). Similarly, in the French context, a study of 206 French listed non-financial firms found that the frequency of boards meeting is associated with voluntary disclosure (Barros, Boubaker & Hamrouni, 2013). But a recent meta-analytical study by Samaha, Khlif and Hussainey (2015) remained inconclusive. The study also found that board meetings frequency may be moderated by other factors, e.g. geographic location of the country. Laksmana (2008) also found that the rate of the board’s compensation committee meeting is positively linked with the extent of disclosure regarding the compensation practice of corporate board. It was further found that when a corporate board has more time together as a team to discuss various aspects of compensation, better disclosure is expected. Thus following hypothesis is suggested.

H4: Frequency of board meetings enhances the firm’s corporate governance disclosures index among French listed companies.

3. Research Methodology

3.1 Data and Sample Description

Unbalanced panel data is used for this study which covers the period between 2007-2014. Firm level data are collected from the Bloomberg database. All firms included in this study are French listed securities. For French listed firms, the study adopted the Euronext Paris index. Mostly the firms had data value from 2007-2014 for governance variables. The population consisted of 1570 listed firms, which were operative until the year 2014. However, 173 firms were chosen to have governance disclosure on Nov 14, 2015, and are operative since 2007.

<p>| Table 1 Sample selection details - French case |</p>
<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
</tr>
</thead>
</table>

18 Euronext is European exchange mutually operated by France, Belgium, Portugal, Netherlands, and UK.
Total number of firms listed on the Euronext-Paris on Nov 16, 2019 1572
Observations available for data Analysis (Firm-year:173x8) 1384
Number of firms included in the analysis 299
Firms with incomplete data 126
Financial firms included for data analysis 173

Source: Bloomberg and Authors’ calculations.

The sampling criteria considered few aspects. First, the French firms listed data Euronext during or before 2006 were not included as a lot of the data was missing regarding governance disclosure index. Second, firms were filtered to include only French firms so out of 1572, a panel of 173 firms was selected for data analysis which came under the jurisdiction of the French security law. Finally, French firms that were experiencing any abnormal regarding disclosure practices were also excluded. The final sample consisted of a total of 1340 observations. The companies were divided into two stages, i.e. from years 2010-2014 and 2015-2019. The reason for this division was the approval of French legal support to disclose remuneration of the top executives publically in the annual report using the specialised format.

Table 2 Sampling Details - French case

<table>
<thead>
<tr>
<th>Stage 1 : 2010-2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample 1 observations available on Nov 16, 2015</td>
<td>493</td>
</tr>
<tr>
<td>Stage 2 : 2015-2019</td>
<td></td>
</tr>
<tr>
<td>Sample 2 observations available on Nov 16, 2015</td>
<td>487</td>
</tr>
<tr>
<td>Total Observations available</td>
<td>1384</td>
</tr>
<tr>
<td>Missing values and outliers based</td>
<td>47</td>
</tr>
<tr>
<td>Final Available firms available for data Analysis</td>
<td>1340</td>
</tr>
</tbody>
</table>

Source: Bloomberg and Authors’ calculations.

3.3 The Empirical Model

In this empirical test, the independent variables included executive remuneration (ER), Frequency of board meetings (FBM), Executive Directors on Compensation Committee (EDCC) and independent directors at executive remuneration committee (ERC). The dependent variable included governance disclosure index (GDS), and the control variable was board size (BZ) for each panel, i.e. 2007-2010 and 2010-2014. The results are presented separately to simultaneously compare between two periods, i.e. before and after the passing of French executive remuneration disclosure law. In 2007-10, self-regulation about alone was in force, whilst from 2010, a mix of self-state regulation about executive remuneration disclosure
was compelling. Following econometric equation was derived from hypothesized relations presented in the preceding section.

\[ GDS_{it} = \beta_0 + \beta_1 ER_{it} + \beta_2 FBM_{it} + \beta_3 EDCC_{it} + \beta_4 ERC_{it} + \beta_5 BZ_{it} + \epsilon \]  \hspace{1cm} \text{(1)}

Where, ‘i’ represents a firm, ‘t’ represents annual period and \( \epsilon \) is the error term.

In this study, single regression equation approach may be inefficient, which can be deployed using ordinary least squares (OLS) as this may violate the assumption of independence (Judge, et al., 1988). We employed a seemingly unrelated regression (SUR) technique (Zellner, 1962). Using this method, we were able to estimate the parameters of two equations simultaneously for two panels. One more reason to adopt SUR technique was that this statistical technique could effectively address the serial correlation issue in panel data (Wooldridge, 2010:p186). So, in this case, study, SUR technique was deployed to simultaneously predict the governance disclosure before and after the presence of state-self regulations regarding French executive remuneration.

### 3.4 Dependent Variable - Governance Disclosure index

Firm’s governance disclosure level indices are widely used by governance scholars to quantify, rank and determine the level of firm’s disclosure (see e.g. Barros, Boubaker & Hamrouni, 2013; Chauvey, et al., 2015). The level of disclosure of each company is usually determined through a self-developed scoring template in older studies which are not standardised. For example, Riaz (2016) used general principles of content analysis of firm’s annual report to calculate governance score while other studies used category system to calculate governance score (see e.g. Aerts et al., 2008; Healy & Palepu, 2001). Normally these non-standardised techniques. For example, Alimehmeti and Paletta (2014) have reported three options to quantify firm’s governance score, i.e. first one based on 24 proxy measures in US context reported by Gompers et al., (2003). The second one (i.e. Gov-Score) is developed by Brown and Caylor (2006) again for US-listed firms. The third option is the development of governance index through annual reports usually adopted in most of emerging economies context, which is quite nonstandard practice and incomparable with international governance disclosure. Moreover study of Riaz et al. (2015) used three factors to compute governance index. However, more commonly, OECD-principal based index is used (see, e.g. Brown and Caylor, 2006). The study of Riaz (2011:pp.109-110) identified three aspects to compute a firm’s practices about governance disclosure. First, the studies compute governance index by giving rank to of shareholder’s
engagement and participation. Second governance disclosure index related to the director’s remuneration. Third, linking pay for the performance. However, we have used a more standardised approach by adopting G-Score of the firm from Bloomberg database. Bloomberg used ESG (environmental, social and governance) group as a set of disclosure scores to rate companies based on firm’s disclosure of policy-related and quantitative data for over 10,000 listed firms with more than 120 indicators. However, we decided to choose the standardised governance score (G-Score) from three disclosure indices i.e. environmental-disclosure index, social-disclosure index, and governance-disclosure index of ESG group. The G-score quantitatively represents the score level of management that a firm displays publically to attract inventors and stratify the demands of shareholders. The total score that the firm can earn at G-Score is 100. The factor that Bloomberg database customarily used to compute the G-Score includes a ranking of the corporate board (e.g. Chairman/CEO Separation, disclosure of CEO’s compensation, shares withheld by and top executives of the firm), score related to the independence of various committees (e.g. audit, nomination, compensation etc.), presence of experts (e.g. law, finance and strategy), the performance of firm at the stock market.

3.5 Independent Variables

Although the governance disclosure level (referred as G-Score) can be influenced by several factors, we have taken four factors, e.g. a number of independent directors, frequency of board meetings etc which are internationally accepted best practices and had been associated with corporate disclosure as shown in older research studies of corporate governance (see e.g. Aerts et al., 2008; Al-Bassam et al., 2015; Healy & Palepu, 2001; Riaz, 2016). Our study has also included a control variable at board level, i.e. board size.

4. Results and Discussion

Descriptive Analysis for French securities

As stated earlier, 173 firms used for data analysis adopted from Euro Next index of Paris. Bloomberg classified these firms into more than 50 sectors. For example, Bloomberg database named them as Textiles Apparel & Luxury Goods, Aerospace & Defense, Airlines, Aerospace & Defense, Auto Components, Automobiles, Banks, Insurance Commercial Services & Supplies, Diversified Financial Services, Trading Companies & Distributors, Diversified Telecommunication Services, Diversified Financial Services, Electric Utilities, Electrical Equipment Electronic Equipment, Instruments & Components, Energy Equipment & Services, Independent Power and Renewable Electricity Producers, IT Services, Semiconductors &
Semiconductor Equipment, Software, Food Products, Beverages, Biotechnology, Building Products, Chemicals, Health Care Equipment & Supplies, Hotels, Restaurants & Leisure, Media, Metals & Mining, Oil, Gas & Consumable Fuels, Household Durables, Real Estate Investment Trusts, Construction Materials, Textiles, Apparel & Luxury Goods and Other Multi-Utilities. However, this study classified the French listed firms into twelve sectors. The classification of sectors are Aerospace, Defense and Airlines (5.78% firms), Automobiles and related Components (4.62%firms), Bank, Financial Institutions, Insurance and other Professional services (13.29%firms), Electrical, IT, Energy Equipment and Telecom Services (22.54%firms), Food, Beverages & Staples Retailing, Biotechnology and Chemicals (13.29%firms), Health, Care and Pharmaceutical (5.20% firms), Hotels, Restaurants & Leisure (2.89% firms), Media and Mass Com Services (6.94% firms), Metals, Mining & Oil and Gas (6.36% firms), Other Multi-Utilities (5.20% firms), Textiles, Apparel & Luxury Goods (2.31) and Real State, Constructions and Engineering Services (11.56% firms).

Refer to Table 5, average governance disclosure score for French firms is above 50% i.e. 55.72, with a standard deviation of 10.46 ranging from 3.57 to 85.71. The French board size for Euronext listed companies showed a mean value of 12 board members with a standard deviation of 4 ranging from 4 to 23 directors. On the average, 8 annual board meetings were being conducted among Two more tables of descriptive statistics are presented in Annex with split data statistics first from 2007-2010, then 2011 to 2014 for Euronext listed securities. The data was divided into two halves for a reason stated earlier. The Fisher-type unit root test was applied to test on our unbalanced panel data. Please take a look at tests P, Z, L* and Pm. All the values were smaller than 0.01. So we have rejected the null hypothesis as here were no unit roots in data.

Table 3 Descriptive Statistics – French securities

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>G-Score</td>
<td>3.57</td>
<td>85.71</td>
<td>55.72</td>
<td>10.46</td>
<td>1023</td>
</tr>
<tr>
<td>Board Size</td>
<td>4</td>
<td>23</td>
<td>12</td>
<td>4</td>
<td>1023</td>
</tr>
<tr>
<td>I-Directors</td>
<td>0</td>
<td>17</td>
<td>7</td>
<td>3</td>
<td>978</td>
</tr>
<tr>
<td>B-Meetings</td>
<td>1</td>
<td>25</td>
<td>8</td>
<td>3</td>
<td>963</td>
</tr>
<tr>
<td>I-Audit</td>
<td>0</td>
<td>17</td>
<td>3</td>
<td>1</td>
<td>1159</td>
</tr>
<tr>
<td>Non-Exe-Audit</td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>1</td>
<td>503</td>
</tr>
<tr>
<td>I-Nomination</td>
<td>0</td>
<td>8</td>
<td>3</td>
<td>1</td>
<td>531</td>
</tr>
</tbody>
</table>

Note: Data Source: Bloomberg;
4.2 Correlation Analysis

Refer to the table below the correlation of governance disclosure score were found statistically significant with various variables, e.g. board size, frequency of annual board meetings and frequency of annual audit committee meetings and other control variables. For instance, Governance score was statistically significant with board size (337; p< 0.01), frequency of board meetings (.361; p< 0.01); ratio of independent directors at Audit committee (.168; p< 0.01) and ratio of independent directors at nomination committee (.263; p< 0.05).

| Table 4 Correlation between Dependant and Independents– French securities |
|-------------------------------|---|---|---|---|---|---|---|---|
|Gov-Scores                    | 1 |   |   |   |   |   |   |   |
|B-Size                         | .337**| 1 |   |   |   |   |   |   |
|I-Directors                    | .362**| .388**| 1 |   |   |   |   |   |
|B-Meetings                     | .168**| .147**| .069*| 1 |   |   |   |   |
|I-Audit                        | .239**| -0.038| .512**| .094**| 1 |   |   |   |
|Non-Exe-Audit                  | .263**| .317**| .341**| .228**| .594**| 1 |   |   |
|I-Nomination                   | .288**| -0.032| .522**| .143**| .702**| .401**| 1 |   |

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

4.3 SUR Analysis

For data analysis, we have used SUR analysis. A recent study claimed that the structural time series model and time-varying parameter model with causal variables perform consistently well (Li, Song & Witt, 2005). However, for our dataset, the same approach may not hold true. Our findings were consistent with a recent study of Wintoki Linck and Netter (2012) who used “dynamic panel generalized method of moments (GMM) estimator to deal with endogeneity concerns.

Refer to Table 5 presented below the results for two periods, i.e. 2007-2010 and 2011-2014, are presented using SUR Analysis. The results showed the extent and nature of change in governance disclosure level caused among French listed companies due to both formal and informal institutional arrangements. The results for Model 1 (2007-10) suggested that prior to
mixed regulation i.e. state-self, control variable such as board size was significant (Model 1: \( R^2 = .23 \) and \( \chi^2 = 23.97 \) with \( p < .001 \)).

So we may claim that in the absence of French state-regulation as a formalized system, and until the executive remuneration disclosure was not enforced by the French state, the firms were not obliged to disclose remuneration of executives as the governance score was not affected in early years. However, in contrast, the finding of Model 2 suggested that the implementation of mixed regulation through informal and formal French institutions have catalysed the adoption of state-based mechanisms recommended. Results for Model 2 (\( R^2 = .17 \) and \( \chi^2 = 74.64 \) with \( p < .001 \)) showed that a state-self regulatory mixed framework in France is more effective. The Model 2 results reveal that among the variables of interests, frequency of board meetings, executive remuneration, independent director and executive remuneration committee were statistically significantly determining French disclosure levels.

So to present our results, we used SUR analysis. Our findings are found consistent with the previous empirical evidence, i.e. Riaz (2016) which were conducted in one of the modern economies, i.e. Australia. We found that French governance disclosure model explained about 17\% variation after 2010 regarding executive remuneration. Consequently, the canalization\(^\text{19}\) is quite a successful form of collibration among French securities. Government interventions were at a moderate level, and balance further needs to shift to achieve new equilibrium through state intervention in French listed companies. This can help French firms to enhance the performance by applying collibration management while at the same time state can achieve economic growth (Kirkbride & Letza, 2003; Kirkbride, Letza, & Sun, 2005).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 (2015-19)</th>
<th>Model 2 (2011-14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Remuneration</td>
<td>1.39***</td>
<td>0.67</td>
</tr>
<tr>
<td>Frequency of board meetings</td>
<td>0.37 **</td>
<td>0.42</td>
</tr>
<tr>
<td>Executive Directors on Compensation Committee</td>
<td>0.95+</td>
<td>-0.91</td>
</tr>
<tr>
<td>Independent Directors</td>
<td>.56**</td>
<td>.48</td>
</tr>
<tr>
<td>Board Size</td>
<td>0.08</td>
<td>0.90 **</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.17</td>
<td>0.23</td>
</tr>
</tbody>
</table>

\(^{19}\)As stated earlier in the first part of this chapter canalizing is one of collibration technique by which government imposes minimum standards. Here in case French laws legally binds firm to disclose executive remuneration.
Regarding the empirical test, few benefits of collibration can also be observed. These benefits are consistent with preceding empirical tests (Riaz et al., 2013; Riaz & Kirkbride, 2017). The first benefit was that within the corporate governance arena, the government could pursue regulatory regime using collibration as a unique form of intervention, which is a cost-effective manipulation of the tensions among the stakeholders. The older studies also suggest that an application and recognition of collibration may result in a reduction of the reasonable cost of negotiation among various stakeholders (Riaz et al., 2015; Segrestin et al, 2020). Second, multiple forms of collibration ensure provision of non-committing, cheap and unobtrusive form of government’s intervention (Noel & Babor, 2017; Riaz et al., 2013). Thirdly, collibration is novel, potential and well inline choice for open economies which is very much relevant for the emerging politics of corporate governance across globe and regulation per se (Kirkbride & Letza, 2004:p91). Lastly, the collibration approach offers the best alternative to the hands-off survival-of-the-fittest (Dunsire, 1993).

Overall, we can say that through the coupling of canalising and formalising, the government was able to attain a more socially acceptable corporate governance framework that comprised of an optimal mix of state-regulations and self-regulations of corporate governance. Such a collibratory approached of governmental interventions towards managing the tensions among social actors reduced the resistance from stakeholders including business groups, employee’s associations, shareholders and society at large.

6. Conclusion

This study aims to draw attention to a unique form of government intervention termed as collibration in the French context. The study is dedicated to addressing the importance of self-regulation in achieving the balance among stakeholders to justify jurisprudence corporate governance reforms in the French economic context, linkages between self-regulation and state-based legal regulation in the French context and discuss French corporate disclosure laws formulation’s effectiveness as a means of meeting the goals of French public policy objectives.

In a technically sophisticated and increasingly complex business environment, countries are lacking the critical information and legal expertise to know when, why, what and how to enforce state regulations. So in this scenario, the most effective regulatory approach promotes
common standards through mutual understanding. The prevalence of the balanced state-based regulation can ensure fair distribution of crucial information market players. Furthermore, through state regulations, governments can mobilise and guide society by disseminating proper information by creating awareness among the common public by promoting self-regulation in their best interest. But due to recent globalization, the influence of states is limiting because corporate actors are becoming more powerful by taking control of the public resource, which demands a better regulatory framework for corporate governance through mutual public-private integrations.

Although the reality is that vote was not and till date is not non-binding, never the less LSF (Art 225) was a collaborator intervention by the French government that was designed to tip the balance and enhance the shareholder’s bargaining position without demolishing the free market mechanisms for setting executive salary. Therefore through canalising effort as one of the collibration technique by the French government has increased the pressure on French listed firms to reduce executive remuneration as per shareholder’s expectation. In essence, French collibratory intervention has allowed creating a new balance by shifting goalpost and managing opposing social actors and helping the weaker stakeholder in French society. In this way, the post-crisis reforms have enabled the French state to improve corporate disclosure regime at France to safeguard shareholder’s interest. At the same time, collibratory intervention has supported existing self-regulatory market-oriented practices.