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Research paper

Disclose or Not Disclose? An Investigation into The Relationship between Corporate Governance Mechanisms and Impression Management in The Sustainability Reporting

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Abstract

The main purpose of this research is to examine the relationship between corporate governance mechanisms, in terms of specific governance scores, and the tendency to use impression management techniques in sustainability reporting, measured by several aspects, such as the level of optimism, positive words, and negative words. This analysis includes several control variables to observe the influence at the company level. The research hypotheses are tested using a sample consisting of companies from Eastern European geographical areas and non-financial industries. The time frame analyzed is the period between 2022 and 2023, and regression models estimated for panel data using random-effects are applied. The findings draw a clear picture of the impact exerted by corporate governance mechanisms on impression management, demonstrating that governance, management, and shareholders' scores have a positive influence on the level of optimism, while positive and negative words exposed in sustainability reporting are significantly influenced by management and CSR strategy scores. Results summary may have implications for business and academic environments. Thus, company representatives could be interested in what corporate governance practices may be applied to avoid and anticipate the impression management tendency, while for academics, this study represents a valuable resource in terms of present and future research.

Keywords: *Corporate Governance; Impression Management; Textual Characteristics; Non-financial Disclosure; Sustainability Reporting.*

1. Introduction

The growing body of research on *stakeholder theory* has led to greater attention on disclosure (financial and narrative) in corporate reporting, given that the primary aim of companies is to win over and maintain the support of stakeholders, to preserve a competitive edge in the market. Narrative disclosure process consists of non-financial information and is voluntary (Makhlouf, 2022). According to Eng and Mak (2003), the extent of voluntary disclosure is based on the quantity and quality of non-mandatory information exposed in the annual report's management discussion and analysis. Managers could choose to present information using a qualitative approach rather than a quantitative one. In addition, they are free to manipulate rhetoric to influence investors' perceptions about the company. In these circumstances, conflicts may arise, whose primary reason is that management has not met its obligation to protect the interests of shareholders and increase company value (Al-Sayani et al., 2024; Makhlouf, 2022).

Policymakers and academic accounting representatives have long been interested in corporate financial disclosure, specifically narrative disclosures in corporate annual reports. Investors, regulators, and the larger community have been paying close attention to the quality of reporting as a critical component of corporate governance, transparency, and accountability (Leung et al., 2015).

Goffman (1959) presents *impression management theory* that serves as a basis for manipulation of user perceptions through narrative disclosures, and Osma and Guillamon-Saorin (2011) highlight that impression management is one of the determining factors of the agency problem. Managers may use different strategies to bias public perceptions. Consequently, common impression management techniques include focusing on positive results by selecting a benchmark that allows for a favorable comparison from one period to another. Concurrently, the use of positive language (as opposed to neutral or negative) to convey a favorable view of performance could be mentioned.

Therefore, a balanced exposure in corporate reporting is necessary to avoid potential management opportunistic behaviors. Statements emphasized in the literature support the idea that corporate governance mechanisms such as gender diversity specifics (Hasan et al., 2025a; Pombinho et al., 2025; Ben-Amar et al., 2022; Garcia-Sanchez et al., 2019; Osma and Guillamon-Saorin, 2011), audit and board characteristics (Al-Saher et al., 2022; Makhlouf, 2022), complemented with socio-cognitive perspective (Sur, 2014) provide greater opportunities to better understand the non-financial dimensions of the company, impacting impression management. From this point of view, corporate governance mechanisms are studied individually, or together with social and environmental issues (Hamza and Jarboui, 2024; Albitar et al., 2022) and CSR (Corporate Social Responsibility) patterns (Hamza et al., 2023) to have a clear picture of how they impact impression management tendencies.

In line with the previous literature, this study explores whether corporate governance mechanisms influence the intention of companies to present a positive overview of their entrepreneurial activity using specific textual characteristics as part of impression management. The main purpose of this research is to complement the existing literature, filling the gap on the connection between corporate governance mechanisms and impression management techniques within sustainability reporting. Using the level of optimism, positive and negative words as measurements for impression management, originality is ensured through the specific scores used to measure corporate governance mechanisms, together with company-level controls, and a quantitative research methodology.

Data collection is facilitated by the Thomson Reuters Eikon database and is then complemented by manual collection of company reports accessing their official websites for the period between 2022 and 2023. Due to the difficult political, health, and economic environments, the time frame is limited to these two years. Collecting, processing, and analysis of the primary and secondary data is accomplished using *Microsoft Excel*, *NVIVO 14* and *STATA 18*.

Adding to earlier studies that focus on extended time frames and larger samples (Al-Sayani et al., 2024; Boone et al., 2024; Chen et al., 2024; Hamza and Jarboui, 2024; Li et al., 2024), this paper concentrates rather on a specific sample of non-financial companies from Eastern Europe. As a developing area, this region may be characterized by economic uncertainty and a lax regulatory framework. This sample ensures the originality of the paper by concentrating the data, eliminating the variability of the results, hence, emphasizing an in-depth analysis of this geographical setting. New insights are shed on the body of knowledge on corporate governance, impression management, and sustainability in the post-pandemic period. This investigation allows for comparison with studies focused on the COVID-19 pandemic crisis (Askarany et al., 2025; Wang et al., 2025), bankruptcy (Moreno and Camacho-Minano, 2024), or other emerging markets (Hasan et al., 2025a; Hasan et al., 2025b; Kayed and Alta'any, 2025). Furthermore, the smaller sample analyzed may be considered to extend the research perspective by performing thorough content analysis.

The foundation of research design is represented by frequency analysis, descriptive statistics, and a correlation matrix for corporate governance mechanisms, impression management, and several company-level characteristics. Furthermore, to test the research hypotheses panel regression estimations with random effects are performed. The results presented are mixed, but the overall summary highlights that impression management tendency in sustainability reporting is impacted by corporate governance mechanisms.

This study contributes to a comprehensive understanding of how corporate governance mechanisms may influence the tendency to use impression management techniques in corporate reporting. Considering the textual characteristics, through the level of optimism, positive and negative words, this study discusses to what extent corporate governance mechanisms impact the purpose of management to present a positive overview of the company simultaneously with prioritizing their own interests. Based on the main findings, recommendations for management and practitioners could be provided.

The remainder of the research is organized as follows. Section 2 covers scientific background, consisting of a brief review of the literature, critically discussing relevant and up-to-date studies on the relationship between non-financial frameworks and impression management tendency, outlining the impact exerted by corporate governance mechanisms. The research hypotheses, formulated consistently with prior literature, are also included in this section. The research methodology is presented in Section 3, which describes sample selection, research variables, and empirical analysis. Further, a summary of the results is exposed in Section 4, while Section 5 concludes on the findings, research limitations, and perspectives for future studies.

2. Scientific background and research hypotheses

Maximizing value and improving performance in companies are the responsibilities of management. The efficiency of the board of directors, as well as successful company operations, is guaranteed by a strong corporate governance framework. Therefore, corporate governance may be understood as a system, structure, mechanism, process, or set of rules that clearly identify the rights and obligations of each party in a company. (Pangestu and Dharmastuti, 2018). Additionally, corporate governance mechanisms may be linked to high levels of information transparency, especially regarding non-financial disclosure, given that sustainability reports have become more prominent in recent years as a means of promoting better corporate accountability and transparency (Hasan et al., 2025b; Garcia-Sanchez et al., 2019).

High-quality financial and non-financial information disclosure is necessary to create efficient and transparent organizations since data accuracy and transparency could improve financial management. Furthermore, stakeholders are more concerned about the impact of an organization being interested in sustainable reporting. To meet the interests of the groups, sustainability reports were created, with social and environmental factors becoming increasingly important in enhancing or restoring organizational legitimacy. Social and political pressures serve as a catalyst for sustainability disclosure and account for the shifts in companies' overall approaches to maintain their legitimacy (Berkin et al., 2025; Lungu et al., 2025; Ruggiero and Bachiller, 2023).

Since corporate reports convey data on various aspects of performance, communication channels that align with the purpose of the message play a key role. The interest of researchers and practitioners in corporate sustainability reports took several forms, converging on semiotic models of communication, more precisely the visual dimension (Khemani and Kumar, 2025; Ruggiero and Bachiller, 2023), textual characteristics (Hasan et al., 2025b; Pombinho et al., 2025), or management tone (Wang et al., 2025; Li et al., 2024). In addition, critical approaches in literature are debated considering a multilevel theoretical background.

The *stakeholder theory*, complemented by the *agency theory*, makes clear the conflict of interest that may be generated between different participants involved in the company's activity. In these circumstances, managers are viewed as a tool that controls corporate disclosure transparency, reduces the agency problem, and increases investor trust (Vuppuluri and Pandey, 2025). When making decisions, managers are supposed to evaluate what is appropriate for investors. However, since they have more internal information about company performance, they could act to maximize their own benefits (Al-Sayani et al., 2024; El-Deeb et al., 2022; Sandulescu and Albu, 2018). Disparities in information availability could have a crucial impact on managerial activity. In these circumstances, corporate governance mechanisms provide an accountability framework, including all policies designed to guarantee that company assets are managed effectively and in the best interests of investors, thus reducing agency costs (Makhlouf, 2022; Osma and Guillamon-Saorin, 2011).

According to Goffman (1959), the concept of impression management describes how social reality is constructed through one's own self-presentation. Referring to impression management expertise, the author underlines that several minor involuntary acts have the unfortunate ability to convey impressions that are not appropriate at one time. The lack of management responsibility may damage individual and team performance. Therefore, several attributes are identified to be assumed and applied, as follows: performers' protective strategies to keep their own show afloat, the safety precautions taken by the onlookers and the audience, and actions that performer takes to allow audience and outsiders to be cautious. Considering this theoretical basis, performers may be associated with managers, while the audience and outsiders could be internal and external stakeholders, respectively.

Within the organizational landscape, impression management is understood as one of different entrepreneurial practices whose justifications concern the idea of managing phenomena such as legitimacy, reputation, and image. This context is often the result of material self-interest in controlling the perception that the organization is accomplishing specific political, social, and environmental objectives. Thus, impression management represents an effort to handle stakeholder pressures or to align business values with societal patterns (Perkiss et al., 2021). Managers may attempt to dissimulate weak company performance by manipulating both qualitative and quantitative data. They may take advantage of the narrative information in annual reports by implementing impression management techniques, particularly in cases where financial performance is subpar (Boone et al., 2024; Moreno and Camacho-Minano, 2024).

Corporate narratives may not always aim to reduce the information asymmetry between managers, present, and prospective investors to enhance and promote transparency. Impression management refers to the strategic selection, display, and presentation of narrative information in corporate documents in a way intended to distort user perceptions of corporate achievements (Sandulescu and Albu, 2018; Leung et al., 2015). Due to the agency problem, the use of positive disclosure bias by managers in non-financial reporting for their own personal gain, such as increased remuneration and job security, could be interpreted as opportunistic or self-serving behavior (Chen et al., 2024). Hence, this behavior is often determined by the desire to maximize their compensation by exploiting the limited rationality of shareholders.

Impression management, when applied to sustainability reporting and organizational context, contends that businesses release data in a manner that operates to control stakeholders' perceptions. The information presented in sustainability reports could be manipulated, reflecting opportunistic behavior within the company. This leads to information asymmetry between businesses and stakeholders, and the pursuit of social legitimacy appears to be the main driving force behind these behaviors (Al-Sayani et al., 2024; Garcia-Sanchez et al., 2019; Diouf and Boiral, 2017).

Sustainability and impression management framework have been discussed in previous research involving qualitative approaches. Sandberg and Holmlund (2015) examine the taxonomy of organizational impression management tactics, considering specifics such as text paragraphs, images, and sentences. Four tactics are ad-to-do with how businesses portray their sustainability reporting (description, praise, admission, defence). Other four reflect the writing styles (subjective, positive, vague, emotional) applied by companies. This research provides a comprehensive understanding of the positive writing style, which is used to prioritize positive information over negative information in sustainability reporting. Similarly, Melloni et al. (2016) conduct a manual content analysis of 4,426 integrated reports and note that business models represent the basis of impression management strategy. They point out that board size is associated with a stronger optimistic view in the disclosure, even if this board characteristic is considered proof of weak corporate governance mechanisms.

An extensive perspective is exposed by performing interviews-based analyzes. Diouf and Boiral (2017) examine sustainability reports and impression management techniques from a stakeholders' perspective. They conclude that companies employ impression management techniques to highlight the advantages of their sustainability reporting while hiding the drawbacks. Solomon et al. (2013) investigate private social and environmental reporting, applying Goffman's theoretical background. Their findings show that companies want to project a positive image because they do not want to look bad in front of investors. On the other hand, investors control their impressions during shareholder meetings because they want to remain informed and professional.

The connection between corporate governance and impression management represents a challenging topic due to its complexity, highlighting the need for in-depth multidisciplinary investigation, given the mixed and sometimes contradictory results of previous studies. Research on this relationship is extended and complemented by other corporate concerns such as environmental and social dimensions, tax avoidance, or activities related to CSR (Hasan et al., 2025a; Hamza and Jarboui, 2024; Li et al., 2024; Hamza et al., 2023; Albitar et al., 2022). This study aims to contribute to the existing research horizon by filling the gap in corporate governance, impression management, and sustainability literature, exposing an overview of several key non-financial variables (corporate governance score, management score, shareholders score, and CSR strategy score).

Corporate governance, impression management, and sustainability are characterized through various analyses and mixed results that underline different challenges in terms of time frames, business fields, and geographic areas. The scientific literature analyzes specific corporate governance mechanisms such as audit committee existence (Chen et al., 2024), board independence (Hasan et al., 2025a; Chen et al., 2024; Li et al., 2024), and financial expertise, together with other board characteristics (diversity, structure, CEO duality, size). The authors draw attention to developed (Al-Saher et al., 2022; Merkl-Davies et al., 2011) and developing countries (Askarany et al., 2025; Kayed and Alta'any, 2025; Makhlouf, 2022). For example, Merkl-Davies et al. (2011), using a sample of 93 UK listed companies, explore impression management retrospectively in corporate narratives based on content analysis. Their main results suggest that companies do not use chairmen's statements to convey a message that is inconsistent with the full extent of the annual report. Moreover, larger company managers use chairmen' statements to present a positive, but accurate, overview. Likewise, a larger sample of companies from UK is analyzed by Al-Saher et al. (2022), through the lens of connection between impression management and transparency, as observed in audit committee activities, using content analysis. Makhlouf (2022) conducts a similar type of research on listed companies in Jordan, whose results demonstrate that impression management is negatively impacted by the financial expertise of audit committees, their independence, and the presence of women members.

Furthermore, researchers are interested in studying the connection between gender diversity specifics and impression management. Ben-Amar et al. (2022) use a textual analysis approach for companies listed on the Toronto Stock Exchange and demonstrate that an optimistic tone may lead to improved gender diversity practices. Evidence provided by the authors supports the use of impression management in revealing the percentage of women directors, diversity policy, or gender diversity targets. Osma and Guillamon-Saorin (2011) notice that strong corporate governance limits impression management, directing to lowering management disclosure for self-purposes. They demonstrate that good corporate governance practices reduce the high incidence of impression management, both qualitatively and quantitatively. Similar results are discussed by Hasan et al. (2025a), who draw attention to companies listed on the Pakistan Stock Exchange and emphasize that strong corporate governance characterized by a higher percentage of women board members determines a less positive disclosure, therefore companies are less likely to engage in impression management. Likewise, Pombinho et al. (2025) focus on the Oil and Gas field and highlight that women executives have a lower tendency to conceal CSR information.

Several authors shed light on Chinese listed companies, concluding that impression management has a positive relationship with excess executive compensation, its tendency decreasing when corporate governance is strengthened (Chen et al., 2024). The scientific literature is complemented with insights from the perspective of ESG (Environmental, Social, and Governance), discussing the positive association between ESG risk and positive tone in ESG reports (Li et al., 2024), and between positive tone management and ESG performance (Yang et al., 2025). Contrary results on the relationship between financial performance and disclosure tone in an emerging market are debated by Kayed and Alta'any (2025).

Moreover, management disclosure practices are significantly influenced by imminent news. When good news is released or when managers anticipate good news in the next period, they tend to be more optimistic. Related to management behavior, El-Deeb et al. (2022) complement the existing literature, emphasizing that good corporate governance practices may encourage management to disclose a positive tone more easily and accurately. Based on this perspective, managers consider that stakeholders (such as creditors and investors) could be fully aware of the company's strong performance through a positive disclosure tone.

Moreno and Jones (2022) explore impression management techniques used in annual reports in a difficult time frame, represented by the global financial crisis. They study the textual characteristics of corporate reports and highlight that impression management patterns throughout the global financial crisis stand out in the form of recurring favorable benchmarks, enhancement techniques, and positive attributions. In other words, the crisis changed the way impression management techniques are designed because Spanish companies are likely to want to present a more balanced picture. Instead of using obvious impression management techniques, companies attempted to convey that they offer a fair assessment of performance.

Recent studies expand the research on the connection between corporate governance and impression management, with specific approaches identified during the pandemic crisis, since corporate communication has been impacted by COVID-19 (Wang et al., 2025). Askarany et al. (2025) draw attention to companies listed on the Tehran Stock Exchange during the pandemic and summarize that the tone of management disclosure has been significantly negatively impacted by COVID-19 in a developing country. These results are comparable to those of Kayed and Alta'any (2025), who focus on Jordanian banks and discuss the negative association identified between the tone of disclosure and financial performance. However, Wang et al. (2025) find that the adoption of a more positive language by management decreased information asymmetry in Chinese companies during the pandemic.

The literature review presented above supports the analysis of companies from an emerging market in the post-pandemic period, representing a basis for the assertion of research hypotheses as follows.

RH1. *Corporate governance mechanisms enhance the optimistic tone in sustainability reporting.*

RH2. *Corporate governance mechanisms enhance the use of positive words in sustainability reporting.*

RH3. *Corporate governance mechanisms enhance the use of negative words in sustainability reporting*.

3. Methods

The purpose of this research is to explore the influence of corporate governance mechanisms on impression management techniques in sustainability reporting, with the empirical analysis consisting of a quantitative approach.

3.1. Sample selection

Several steps were taken to obtain the sample for analysis. Thomson Reuters Eikon was used to collect corporate governance and company-level financial data. This database provides information related to corporate actions and events, key executives and ownership, financial statements, shareholders, and other frameworks consisting of company specifics. First, archival data are collected for the time frame 2022-2023, limiting the geographical area to Eastern European countries. Second, companies with missing information and those active in the financial industry are excluded from the sample. The final dataset includes 50 observations and is presented in Table 1.

Table 1: Sample selection

Data collection steps	Number of observations
Eastern European companies included in the Thomson Reuters Eikon database	175
Less missing data on corporate governance mechanisms	(3)
Fewer financial companies	(119)
Less missing data in terms of sustainability reports available	(3)
Final sample	50

Companies carrying out activities in the financial field are dropped, in line with prior research (Hasan et al., 2025b; Hamza and Jarboui, 2024; Li et al., 2024), given that they are organized employing different systems and structures. These companies are governed by a variety of laws and regulations, distinguishing them from businesses in other industries (Makhlouf, 2022). Consequently, it could be asserted that including financial companies would have led to distorted and heterogeneous findings.

Third, the data collected from Thomson Reuters Eikon is complemented by information revealed in company reports. From this perspective, companies were classified into three categories: companies that publish sustainability reports, companies that have specifically designated sustainability sections in their annual reports, and those that publish ESG or CSR reports. Data collection and processing were performed in *Microsoft Excel*. Then, *NVIVO 14* facilitated content analysis of the reports, while *STATA 18* was used for statistical analysis and econometric estimations.

3.2. Research variables

Table 2 provides information related to dependent, independent, and control variables. Three dependent variables measure impression management in this study. Sustainability reporting tone is gauged using the optimism level, which indicates how optimistic or pessimistic the content of the reports is. Prior research justifies computing and including the level of optimism (OPTIMISM) as one of the dependent variables (Askarany et al., 2025; Kayed and Alta'any, 2025; Yang et al., 2025; Al-Sayani et al., 2024; Garcia-Sanchez et al., 2019). Several studies that investigate the upbeat tone of narrative data are centered on lists of generalist vocabulary, meaning that they are not tailored to financial terminology (Garcia-Sanchez et al., 2019). Therefore, to identify positive and negative words, the classification developed by Loughran and McDonald (2011) is used, since their dictionary's purpose is primarily to analyze corporate reports.

The analysis is in-depth, considering components of the optimism level as dependent variables that each reflect a particular tone in the sampled reports, in line with Hasan et al. (2025a) and Hasan et al. (2025b). Using *NVIVO 14* software, it is determined how many positive and negative terms are included in each report. The use of software determines the avoidance of subjectivity that comes with manual coding (Garcia-Sanchez et al., 2019). Then, positive and negative words facilitate the computation of the other two dependent variables (LN_POSITIVE WORDS and LN_NEGATIVE WORDS, respectively). The calculation method is presented in Table 2.

Table 2: Research Variables

Variables	Description	Measurement
Dependent variables		
OPTIMISM	Level of optimism in sustainability reporting	(Positive Words – Negative Words) / (Positive Words + Negative Words)
LN_POSITIVE_WORDS	Positive words	Natural logarithm of total positive words in sustainability reports
LN_NEGATIVE_WORDS	Negative words	Natural logarithm of total negative words in sustainability reports
Independent variables		
GOVERNANCE_SCORE	Governance Pillar Score	Company practices that guarantee its executives and board members handle things in the long-term shareholders' best interests
MANAGEMENT_SCORE	Management Score	The company's commitment to upholding best corporate governance practices
SHAREHOLDERS_SCORE	Shareholders Score	The company's ability to treat shareholders equally
CSR_STRATEGY_SCORE	CSR Strategy Score	The strategies adopted by the company to convey that include social, financial, and environmental frameworks in decision-making processes
Control variables		
ROA	Return on Assets	Net Income / Total Assets
LEV	Financial Leverage	Total Liabilities / Total Assets
SIZE_LNTA	Company size	Total Assets value computed as natural logarithm

Non-financial information at the company-level, presented as corporate governance mechanisms, is are independent variable, reflecting companies' practices, commitment, and strategies, to strengthen relationships with shareholders, act in accordance with stakeholders' interests, and focus on social, financial, and environmental dimensions in their activities. To control for potential alternative explanations corresponding to company-level characteristics in the econometric analysis, return on assets (ROA), financial leverage (LEV), which stands for the risk of debt, and company size (SIZE_LNTA), as well as industry dummies, are included, in line with studies conducted by Al-Sayani et al. (2024), Hamza et al. (2023), Ben-Amar et al. (2022), Makhlouf (2022), and Osma and Guillamon-Saorin (2011).

3.3. Statistical analysis and regression estimations

The estimation of random-effects panel regression is performed to test the research hypotheses. For each dependent variable (OPTIMISM, LN_POSITIVE_WORDS, and LN_NEGATIVE_WORDS), two regression equations are estimated, resulting in a total of six models. First, the governance pillar score (GOVERNANCE_SCORE) and control variables are considered. Second, to validate the significance of the relationship between corporate governance mechanisms and impression management techniques, the governance score is replaced with the three components collected from Thomson Reuters Eikon database (MANAGEMENT_SCORE, SHAREHOLDERS_SCORE, and CSR_STRATEGY_SCORE) in econometric models. The regression models are presented below.

$$OPTIMISM_{it} = \beta_0 + \beta_1 GOVERNANCE\_SCORE_{it} + \beta_2 ROA_{it} + \beta_3 LEV_{it} + \beta_4 SIZE\_LNTA_{it} + \mu_{it} + \varepsilon_{it} \quad (1)$$

$$OPTIMISM_{it} = \beta_0 + \beta_1 MANAGEMENT\_SCORE_{it} + \beta_2 SHAREHOLDERS\_SCORE_{it} + \beta_3 CSR\_STRATEGY\_SCORE_{it} + \beta_4 ROA_{it} + \beta_5 LEV_{it} + + \beta_6 SIZE\_LNTA_{it} + \mu_{it} + \varepsilon_{it} \quad (2)$$

$$LN\_POSITIVE\_WORDS_{it} = \beta_0 + \beta_1 GOVERNANCE\_SCORE_{it} + \beta_2 ROA_{it} + \beta_3 LEV_{it} + \beta_4 SIZE\_LNTA_{it} + \mu_{it} + \varepsilon_{it} \quad (3)$$

$$LN\_POSITIVE\_WORDS_{it} = \beta_0 + \beta_1 MANAGEMENT\_SCORE_{it} + \beta_2 SHAREHOLDERS\_SCORE_{it} + \beta_3 CSR\_STRATEGY\_SCORE_{it} + \beta_4 ROA_{it} + \beta_5 LEV_{it} + + \beta_6 SIZE\_LNTA_{it} + \mu_{it} + \varepsilon_{it} \quad (4)$$

$$LN\_NEGATIVE\_WORDS_{it} = \beta_0 + \beta_1 GOVERNANCE\_SCORE_{it} + \beta_2 ROA_{it} + \beta_3 LEV_{it} + \beta_4 SIZE\_LNTA_{it} + \mu_{it} + \varepsilon_{it} \quad (5)$$

$$LN\_NEGATIVE\_WORDS_{it} = \beta_0 + \beta_1 MANAGEMENT\_SCORE_{it} + \beta_2 SHAREHOLDERS\_SCORE_{it} + \beta_3 CSR\_STRATEGY\_SCORE_{it} + \beta_4 ROA_{it} + \beta_5 LEV_{it} + + \beta_6 SIZE\_LNTA_{it} + \mu_{it} + \varepsilon_{it} \quad (6),$$

where β_0 is the constant, μ_{it} denotes the industry dummy to control for fixed-effects, i stands for the company, and t for the time frame, while ε_{it} is the error term.

4. Results and discussion

4.1. Descriptive statistics and correlation analysis

This section covers a summary of frequency analysis, complemented by the main statistical indicators and correlation matrix for the dependent, independent, and control variables.

Table 3 illustrates a brief presentation of the sample by country and industry. Considering the composition by country, results show that 19 observations (38%) out of 50 are from Poland, the second position being ranked to Hungary, with 8 observations (16%). Romania and Russia stand out with 7 companies (14%) each, while from countries such as Azerbaijan, Bulgaria, the Czech Republic, Lithuania, Slovenia, or Ukraine, only 1 or 2 observations met the selection criteria.

Table 3: Frequency Analysis by Country and Industry

	N	%
Country		
Azerbaijan	1	2.00
Bulgaria	1	2.00
Czech Republic	1	2.00
Hungary	8	16.00
Lithuania	2	4.00
Poland	19	38.00

Romania	7	14.00
Russia	7	14.00
Slovenia	2	4.00
Ukraine	2	4.00
Total	50	100.00
Industry	N	%
Basic Materials	10	20.00
Consumer Cyclicals	6	12.00
Consumer Non-Cyclicals	6	12.00
Energy	6	12.00
Healthcare	3	6.00
Industrials	4	8.00
Real Estate	1	2.00
Technology	10	20.00
Utilities	4	8.00
Total	50	100.00

The industry distribution is like Al-Sayani et al. (2024) and Ben-Amar et al. (2022). Most of the companies in the sample carry out activities in Basic Materials (20%) and Technology (20%) industries, followed by Customer (24%) and Energy (12%) business fields. Moreover, enterprises perform activities in the Industrial (2%) and Utilities (2%) sectors, together with the Healthcare industry (6%). The frequency summary shows that only one company operates entrepreneurial activities in the Real Estate business field.

For each variable included in the analysis, Table 4 reports the mean, standard deviation, minimum, and maximum values. For the impression management variable measuring the level of optimism in sustainability reporting (OPTIMISM), a negative value of the mean (-0.0357) may be attributed to the fact that the number of negative words exceeds the total number of positive words. Contrary results are reported by Albitar et al. (2022) and Garcia-Sanchez et al. (2019), who present positive average values, highlighting that the total number of negative words is lower than the number of positive ones. A comprehensive understanding of positive and negative words mapping within the examined reports is shown in Figure 1.

Furthermore, average values (between 44.0410 and 53.2407) are counted for independent variables related to governance, management, shareholders, and CSR strategy scores, indicating that publicly listed companies from Eastern Europe are engaged in adopting around 50% of the best policies and practices of corporate governance. Company size (SIZE_LNTA) and financial leverage (LEV), as control variables, are comparable to the prior literature (Hamza and Jarboiu, 2024; Albitar et al., 2022; Makhlouf, 2022). Return on assets (ROA) values are in line with Al-Sayani et al. (2024) and Albitar et al. (2022), and contrary to Osma and Guillamon-Saorin (2011).

Table 4: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min.	Max.
Dependent variables – Impression management measurements					
OPTIMISM	50	-0.0357	0.1852	-0.4853	0.3817
LN_POSITIVE WORDS	50	5.8038	0.8076	3.4965	7.0388
LN_NEGATIVE WORDS	50	5.8767	0.8012	3.6109	7.1017
Independent variables – Corporate governance mechanisms					
GOVERNANCE_SCORE	50	46.9632	22.6796	5.4167	91.7306
MANAGEMENT_SCORE	50	44.0410	28.6528	1.2500	98.3333
SHAREHOLDERS_SCORE	50	52.5189	30.0472	6.0440	98.7500
CSR_STRATEGY_SCORE	50	53.2407	29.5315	0.0000	98.6842
Control variables – Company-level characteristics					
ROA	50	0.05860	0.1050	-0.3094	0.4054
LEV	50	0.5622	0.2441	0.10690	1.0471
SIZE_LNTA	50	21.5911	1.5384	17.9519	24.5493

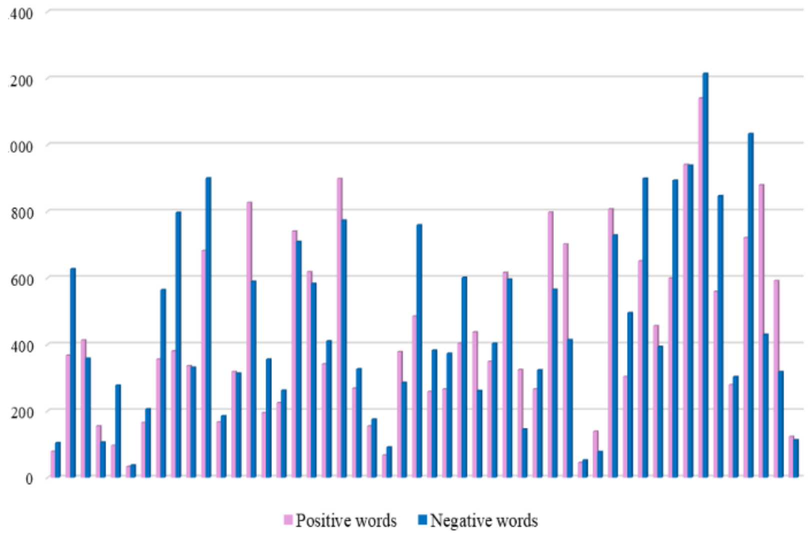

Fig. 1: Positive and Negative Words Mapping.

Table 5 reports the correlation matrix based on Pearson coefficients. Governance score is highly correlated at the 0.05 level with the three categories of variables that define governance, with the highest value noted for the governance–management association. These findings are consistent with Makhlouf (2022) and Osma and Guillamon-Saorin (2011). Moreover, considering each category, only the CSR strategy score seems to be significantly, but not too strongly, correlated with the management score.

Table 5: Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)
(1) OPTIMISM	1.0000				
(2) LN_POSITIVE_WORDS	0.2529	1.0000			
(3) LN_NEGATIVE_WORDS	-0.2236	0.8864**	1.0000		
(4) GOVERNANCE_SCORE	0.1990	0.2939**	0.2007	1.0000	
(5) MANAGEMENT_SCORE	0.2159	0.2961**	0.1946	0.9498**	1.0000
(6) SHAREHOLDERS_SCORE	0.1312	-0.0558	-0.1188	0.4498**	0.1990
(7) CSR_STRATEGY_SCORE	-0.1014	0.3417**	0.3936**	0.4657**	0.3157**
(8) ROA	-0.1299	0.0483	0.1101	0.0185	-0.0177
(9) LEV	-0.0225	0.0497	0.0624	0.0294	-0.0408
(10) SIZE_LNTA	-0.1235	0.5208**	0.5828**	0.3500**	0.3451**
Variables					
(6) SHAREHOLDERS_SCORE	1.0000				
(7) CSR_STRATEGY_SCORE	0.0988	1.0000			
(8) ROA	0.0045	0.1856	1.0000		
(9) LEV	0.0756	0.2519	-0.3546**	1.0000	
(10) SIZE_LNTA	-0.0432	0.4075**	0.2446	0.2990**	1.0000

Legend: ** $p<0.05$.

The correlation matrix shows that the level of optimism in corporate sustainability reporting (OPTIMISM) is positively related to governance, management, and shareholders' scores, and negatively to CSR strategy score; however, not statistically significant. Furthermore, the level of optimism is negatively correlated with return on assets (ROA), financial leverage (LEV), and company size (SIZE_LNTA), like Garcia-Sanchez et al. (2019).

LN_POSITIVE_WORDS is positively and significantly correlated at the 0.05 level with governance (0.2939), management (0.2961), and CSR strategy (0.3417) scores, bivariate correlations indicating that the number of positive words in corporate sustainability reports increases as companies include more policies and practices regarding management, shareholders, and corporate social responsibility. These findings are complemented by the positive and significant correlation between negative words (LN_NEGATIVE_WORDS) and CSR strategy score (0.3936, $p<0.05$). Meanwhile, SHAREHOLDERS_SCORE shows negative, but not significant, correlations with these two impression management measurements.

4.2. Regression estimation results

The three research hypotheses are tested using random-effects GLS panel regressions, like Hamza and Jarboui (2024). Moreover, the analysis considers industry dummies, in line with Li et al. (2024) and Garcia-Sanchez et al. (2019). Table 6 summarizes the regression models estimated using *STATA18* software to examine the relationship between corporate governance mechanisms and impression management techniques in sustainability reporting. In the analysis, the three dependent variables are included, as follows: level of optimism, positive words, and negative words. The level of optimism reflects the balance between positive and negative words exposed in sustainability reporting, while the values of positive and negative words are computed as natural logarithms. Models 1, 3, and 5 summarize the results by including only the corporate governance pillar score (GOVERNANCE_SCORE) and control variables. Then, Models 2, 4, and 6 extend the analysis by replacing governance score with management, shareholders, and CSR strategy scores.

Table 6: Regression Estimations

Independent and control variables	Dependent variable: OPTIMISM		Dependent variable: LN_POSITIVE_ WORDS		Dependent variable: LN_NEGATIVE_ WORDS	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
GOVERNANCE_SCORE	0.001 (1.254)		-0.000 (-0.024)		-0.002 (-0.456)	
MANAGEMENT_SCORE		0.001 (1.046)		-0.007* (-1.857)		-0.007** (-2.389)
SHAREHOLDERS_SCORE		0.000 (0.460)		-0.006 (-1.628)		-0.011*** (-4.228)
CSR_STRATEGY_SCORE		-0.002* (-1.765)		0.010* (1.883)		0.024*** (5.184)
ROA	0.201 (0.836)	0.410 (1.407)	-1.485 (-1.280)	-5.674*** (-4.516)	-1.164 (-1.063)	-10.042*** (-10.080)
LEV	-0.481** (-2.468)	-0.237 (-1.138)	-1.696** (-2.440)	-3.512*** (-3.600)	-1.480** (-2.283)	-4.837*** (-5.094)
SIZE_LNTA	0.014 (0.464)	0.016 (0.565)	0.427*** (4.424)	0.535*** (3.819)	0.426*** (4.736)	0.539*** (3.395)
Constant	-0.245 (-0.380)	-0.349 (-0.588)	-2.740 (-1.445)	-3.590 (-1.251)	-2.538 (-1.442)	-2.663 (-0.800)
Observations	50	50	50	50	50	50
R-Squared	0.0507	0.0941	0.4933	0.3215	0.5874	0.2827
F-test	1.101	0.941	5.162	3.777	6.436	5.343
VIF average	1.370	1.460	1.370	1.460	1.370	1.460
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes

Legend: *** $p<0.01$; ** $p<0.05$; * $p<0.1$.

Hamza and Jarboui (2024) highlight that management disclosure tone may be a proxy for the quality of CSR reporting, while Garcia-Sanchez et al. (2019) use optimism level to reflect the balance in corporate disclosure. The results of regression models are mixed, suggesting, overall, that companies' focus on corporate governance policies and practices may be a key element in avoiding impression management techniques.

Model 1 and Model 2 presented in Table 6 reveal a lack of significant impact of corporate governance mechanisms on the optimism level in sustainability reporting, except for the CSR strategy score. Therefore, these findings support the first research hypothesis (RH1: *Corporate governance mechanisms enhance the optimistic tone in sustainability reporting*), by emphasizing that corporate governance mechanisms limit the impression management tendency and concentrate on providing sustainability reports characterized by more balanced disclosure. Furthermore, it is shown that return on assets (ROA) has a positive impact on OPTIMISM in sustainability reporting, in line with Garcia-Sanchez et al. (2019), and contrary to Albitar et al. (2022) and Makhlouf (2022). These results indicate that an increasing ROA rate may lead to sustainability reports defined by a high level of optimism, consisting of an equitable exposure. Moreover, the disclosure of information could be distinguished by a high degree of concision and clarity, key elements for both internal and external stakeholders.

The results for Model 3 show that the corporate governance pillar score (GOVERNANCE_SCORE) has a negative, but not statistically significant, effect when the impression management techniques are measured by positive words (LN_POSITIVE_WORDS). A high number of positive words may be associated with managers' opportunistic behaviors to reveal a favorable overview of the company (Leung et al., 2015; Osma and Guillamon-Saorin, 2011). These circumstances underscore that a downward trend in positive words may result in a company's motivation to develop appropriate operational processes and ensure that its executives and board members behave in the best interests of long-term shareholders. It may reflect a strengthened ability of companies to steer and regulate their rights and obligations by establishing incentives and safeguards so that they produce long-term value for shareholders.

Considering the three categories of governance score (management, shareholders, and CSR strategy), similar findings are reported in Model 4 for the negative and significant effect at the 0.1 level of MANAGEMENT_SCORE. It is suggested that a higher commitment and effectiveness of the company towards applying the best practices of corporate governance is associated with a significant decrease in the total number of positive words used in sustainability reporting. Hence, an ascending management score may promote more efficient decision-making that could impede opportunism through a balanced tone of information disclosure. From this perspective, the balanced tone may be characterized by a decreasing tendency to create an attractive overview of the company through an excessive use of positive words.

Makhlouf (2022), Leung et al. (2015), and Osma and Guillamon-Saorin (2011) emphasize that managers could manipulate perceptions by underlining successful results. To achieve this goal, they may try to place positive information in the visible sections of reports, make positive data redundant throughout the disclosure, and reinforce positive details. Given these circumstances, the spotlight is on the negative influence exerted by SHAREHOLDERS_SCORE on LN_POSITIVE_WORDS. Impression management strategies will be avoided to a great extent by companies that are effective in treating shareholders fairly, as evidenced by the decrease in the number of positive words. Therefore, impression management is lessened if the company is mainly concentrated on adopting best practices of corporate governance, as well as equitable treatment for shareholders.

However, a positive tone may be associated with a greater ability of the company to engage in CSR activities for successful business operations, boosting its reputation to gain a strategic advantage (Albitar et al., 2022). Thus, attention may be drawn to the positive influence exerted by CSR_STRATEGY_SCORE on LN_POSITIVE_WORDS, at the 0.1 level, illustrated in Model 4. The findings emphasize that business communication characterized by a comprehensive disclosure of social, financial, and environmental issues, and including them in daily decision-making, will determine companies to have a positive approach in sustainability reporting, leading to a significant decrease in opportunity-seeking actions of managers.

Furthermore, it is interesting to point out and discuss the period analyzed that supports the originality of this research. Although previous studies (Askarany et al., 2025; Wang et al., 2025) debate that during the pandemic crisis, managers tend to adopt a more negative tone in their disclosure, in the time frame between 2022 and 2023, the results outline a different perspective. Even if this study concentrates on a short time, a more optimistic disclosure scenario is identified, mitigating the repercussions of challenging circumstances and highlighting the socio-economic recovery.

Therefore, the findings related to the impact of corporate governance mechanisms on positive words exposed in sustainability reporting are supported by the prior literature and represent proof for validation of the second research hypothesis (RH2: *Corporate governance mechanisms enhance the use of positive words in sustainability reporting*), even if the use of positive words is perceived differently in earlier investigations.

Moreno and Jones (2022) studied impression management practices in the global financial crisis time frame and summarized that companies may be attempting to present a more balanced overview of reporting if they record a marked increase in negative references. These thoughts may support the results of Model 6, which demonstrate the positive influence exerted by CSR_STRATEGY_SCORE on LN_NEGATIVE_WORDS. It is revealed that a higher level of including social, economic, and environmental frameworks in its decision-making processes as part of company communication techniques leads to an accurate overview of sustainability reporting. Such an exposure is less likely to abound in positive words and may be characterized as more truthful. A higher number of negative words determines the avoidance of excessive optimistic language (Hasan et al., 2025a; Hasan et al., 2025b). To conclude, these results support the third research hypothesis (RH3*: Corporate governance mechanisms enhance the use of negative words in sustainability reporting*), being justified by the existing literature that associates the use of negative words with a more balanced disclosure.

To confirm the absence of multicollinearity, the average value of variance inflation factors (VIFs) is computed for each regression model. The specialized literature suggests a maximum value of 5, or even 4, although 10 is the most frequently used limit of VIF. Considering the results reported in Table 6, VIFs between 1.370 and 1.460 point toward that there is no correlation between a predictor and the other predictor variables. On the other hand, a VIF value greater than 4 or 5 would indicate significant multicollinearity issues (Hamza and Jarboui, 2024; Albitar et al., 2022; Garcia-Sanchez et al., 2019; Osma and Guillamon-Saorin, 2011). These research findings are consistent with the VIF limits, meaning that multicollinearity is not a significant issue overall.

5. Conclusion

Through the perspective of impression management, this research examines the role of corporate governance mechanisms in the tendency of managers to manipulate disclosed information in sustainability reporting. In addition, in the analysis, company-level financial variables and industry dummies are considered to control for the fixed effects.

Results of the regression estimations for the sample consisting of 50 Eastern European non-financial companies, analyzed in the time frame between 2022 and 2023, support the argument for the existence of significant associations between corporate governance mechanisms and impression management techniques. According to the research hypotheses, it may be concluded that if companies focus on applying the best corporate governance policies and practices, the opportunistic behaviors of managers could be diminished. In these circumstances, sustainability reporting will be characterized by balanced information exposure, contrasting the propensity to overuse positive words whose main purpose could be to build a favorable view of the company.

This study has several contributions to the existing literature. First, it is shown that stronger internal corporate governance mechanisms (governance, management, and shareholders' scores) result in a lower likelihood of sustainability reporting manipulation. By analyzing sustainability reports through textual characteristics, the findings add to the body of knowledge on the effects exerted by corporate governance. Based on previous literature (Al-Sayani et al., 2024; Albitar et al., 2022; Garcia-Sanchez et al., 2019), this study expands the lens of the association between corporate governance mechanisms and impression management, complemented with additional measures for research variables.

Second, originality consists of analyzing panel data for a specific sample of prevailing emerging economies, adding exploratory evidence that allows for comparability between countries and industries. Empirical evidence is provided for 10 countries and 9 activity sectors. Methodologically, regression estimations represent the basis for quantitative analysis, covering a different perspective compared to prior studies that brought to light qualitative approaches (Diouf and Boiral, 2017; Melloni et al., 2016; Solomon et al., 2013).

Hence, this study may represent a useful resource for companies, shareholders, and managers, as well as regulatory bodies and policymakers, whose main goals could be to decrease impression management strategies and avoid opportunistic behaviors, respectively. It contributes to a better knowledge company may internalize, aiming for the improvement of corporate governance to expose high-quality non-financial information. This analysis could help investors fully assess the tone of information disclosed. For example, using the results, they could make better-informed investment decisions by identifying companies with higher or lower impression management tendencies in their sustainability reports. Likewise, regulators may employ the findings to understand if non-financial companies from several emerging markets tend to use a less optimistic tone in sustainability reporting. Thus, they could take advantage of this research to develop more appropriate rules that improve the investment climate and protect investors from the opportunistic behaviors of managers. In this regard, guidelines could be proposed to ensure that companies provide truthful disclosures that cover both positive and negative insights.

Additionally, the discussion draws practitioners' attention to the importance of a company's involvement in maintaining the best corporate governance policies and practices, fair treatment of shareholders, management compensation, and integrated economic and environmental frameworks in decision-making processes. Under these circumstances, an entrepreneurial environment may enhance the transparency and credibility of non-financial disclosure, presenting balanced and reliable sustainability reports. Consequently, social issues are addressed, the reliability of information revealed is increased, and ethical business practices are encouraged.

Finally, several limitations that open new areas for future research could be presented. The analysis is conducted over a short time frame in a specific geographic region to test the relationship between corporate governance and impression management. Therefore, the findings could not be generalized since the sample consists of a limited number of countries and companies. This limitation needs to be addressed in future studies that may investigate a variety of countries to determine whether and how the outcomes change in various cultures and jurisdictions. Subsequent research could explore countries with similar and different economic settings to enhance the generalizability of the results.

Another limitation is represented by the attention drawn exclusively to non-financial companies between 2022 and 2023. Future analyses could analyze financial companies and compare them with non-financial ones. From this point of view, the findings could spark several debates on the specifics of the financial field, considering its different regulatory framework. Furthermore, an extended time frame could facilitate further analysis of the pre-COVID and post-COVID periods.

Moreover, future horizons may provide new insight, including different measures for dependent and independent variables. For example, several corporate governance mechanisms, such as board and audit committee characteristics, gender diversity, or ownership structure, may be considered to test their impact on the tone of corporate disclosure. Impression management tendency could be measured using proxies such as visual elements (graphs, figures, or tables), number of words, or number of pages. Likewise, the list of variables could be extended with country-level specific indicators that may contribute to research novelty in identifying the impact of environmental quality, cultural dimensions, democratic accountability, law system, or corruption according to previous research (Baliamoune-Lutz, 2017).

To conclude, it could be emphasized that this study relies on a quantitative assessment of corporate governance and impression management; future research may use qualitative methods to dig deeper into this relationship and expose a more nuanced understanding.

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