Imitation without Intention:
A Qualitative Analysis of Isomorphic Audit Committee Disclosures

Lauren M. Cunningham
University of Tennessee
lcunningham@utk.edu

Sarah E. Stein
Virginia Tech
sestein@vt.edu

Kimberly Walker
Virginia Tech
kwalker8@vt.edu

Karneisha Wolfe
University of Illinois Urbana-Champaign
wolfekt@illinois.edu

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Abstract: Audit committee (AC) oversight is critical for maintaining investors' confidence in financial reporting as well as other areas of expanded AC responsibility. However, it is unclear to what extent investors can meaningfully evaluate AC oversight quality based on public disclosures. We observe that some companies stay firmly rooted in disclosures that comply with minimal regulatory standards, while others voluntarily expand disclosures to discuss industry-recommended information primarily related to financial reporting and audit oversight. Rarely do we observe companies expanding their disclosures past industry recommendations to provide company-specific context that outlines AC member qualifications, training, and temporal changes in risk oversight. To explore how companies decide on the extent of AC disclosures and how well they address investor needs, we conduct semi-structured interviews with 30 AC members, five disclosure preparers, and 14 members of the investment community. We find the current disclosure process creates a disproportionate focus on standardized language—aligning with coercive and mimetic isomorphism—that fails to provide investors with sufficient information to distinguish AC oversight quality across companies. We further observe that ACs may be willing to expand disclosures to signal their oversight activities if they receive direct investor feedback about the usefulness of such disclosures. However, limited channels for direct investor-to-company feedback, combined with investors' perception that current disclosures do not provide enough information to engage, often result in investors' silence. This silence leads companies to incorrectly assume that investors are satisfied with current disclosures. We conclude with suggestions for closing this legitimacy gap, along with examples of potential disclosure enhancements.

Keywords: audit committee, disclosure, proxy statement, isomorphism, legitimacy gap

JEL codes: G14, G34, K22, M41, M42

1 | INTRODUCTION

Audit committees (ACs) oversee many of the company's key risks, with specific responsibilities varying based on the company's structure and strategic priorities (CAQ and Deloitte 2022, 2024; NACD 2023). Proxy statements and other governance documents like charters serve as the main channels for conveying information about AC oversight quality. However, mandatory disclosure requirements are minimal, mainly focusing on ACs' financial reporting and external auditor oversight while ignoring their evolving duties (e.g., enterprise risk management [ERM], cybersecurity, and/or sustainability reporting).[1] Companies often comply with these limited requirements but fail to provide many company-specific insights, leaving investors desiring more. For example, an institutional investor wrote the following in response to a Securities and Exchange Commission (SEC) concept release on possible revisions to AC disclosures (SEC 2015):

> *…there is a clear need to improve audit committee disclosures. Such disclosures should focus on the needs of investors and not simply on meeting a pre-SOX regulatory requirement. To provide additional value, the audit committee report must be tailored to the specific company (rather than boilerplated). Investors would like audit committee reports to make clear that audit committees are acting as stewards of companies rather than just ratifying financial information that informs short-term pricing.* (CalPERS 2015)

As a result of heightened attention from both investors and the SEC, some companies began voluntarily expanding their AC-specific disclosures to include additional information, such as whether the AC is involved in the selection of the engagement partner, the potential impact of non-audit services on auditor independence, and auditor tenure (CAQ 2021). Despite these slight gains, many companies continue to disclose only the SEC's minimum requirements.

Academic research examining voluntary AC disclosures has documented trends in their

[1] We use the terms "AC disclosures" or "AC-specific disclosures" to refer to all information disclosed about the AC (i.e., AC leadership structures and director biographical information, AC responsibilities and allocation of risk oversight, the AC report, and other information related to external auditor oversight). This includes information in the proxy statement filed with the SEC as well as the AC charter, which is typically housed on the company's investor relations website. We describe the mandatory disclosure requirements in more detail in Section 2.

frequency and content over the past two decades, yet no clear consensus has emerged on what drives these changes (refer to Section 2 for further discussion). While some studies conclude that AC disclosure changes are unrelated to actual variation in oversight quality and instead reflect ACs' efforts to appear legitimate, other studies argue that stronger ACs use more detailed disclosures to signal their oversight quality. These studies use various theories—such as agency theory, institutional theory, and signaling theory—which underscore the difficulty of drawing consistent conclusions from archival data. Moreover, this stream of research does not explore whether these voluntary expansions meet investors' needs. This aspect is important because anecdotal evidence suggests that voluntarily expanded disclosures may not provide the information investors desire. For instance, during a recent SEC Investor Advisory Committee meeting where attendees revisited the need for improved AC disclosures, an AC chair stated:

> *I think there has been a movement afoot to improve the level of disclosure that's made in proxies and around what audit committees do, and while that's improved, there is clearly room to go in improving the quality of that disclosure going forward.* (Gerut 2023)

Our study aims to reconcile these prior findings and address a gap in the literature by exploring AC members' and investors' perceptions of AC disclosures, including the underlying factors that shape their views. To do so, we use qualitative methods to investigate the following research questions: How do companies determine the level of detail to voluntarily disclose about AC oversight activities? How can these disclosures meet investor needs?[2] Our study leverages a key strength of field research, which is that it "can be used effectively for testing and refining existing theories, including the interpretation of certain data regularities when multiple theories can be used to interpret the data" (Kenno et al. 2017, 78). We collect data from semi-structured

[2] We began by asking about external stakeholders broadly, but our interviews revealed that investors are the primary stakeholders who use and could benefit from AC disclosures. Thus, we focus on perspectives from the investment community, which includes investors as well as parties who help interpret information for investors (e.g., proxy advisors, analysts, etc.). For brevity, we use "investors" to refer to this group of stakeholders.

interviews with 30 AC members from 29 U.S. publicly traded companies. Additionally, AC perspectives were supplemented using five interviews with a matched sample of proxy disclosure preparers (i.e., a general counsel, corporate secretary, or CFO) and 14 interviews with investment professionals. The participants' backgrounds are rich with experience and diverse perspectives, allowing us to gain insights across various company sizes, industries, and AC disclosure choices.

Our analysis of the interview data reveals that the AC disclosure drafting process is largely explained by isomorphism (DiMaggio and Powell 1983; Deephouse 1996). Isomorphism suggests that ACs adopt disclosure strategies that follow existing norms in order to convey to stakeholders that their oversight actions legitimately meet their basic fiduciary duties (Cho and Patten 2007).[3] Notably, we distinguish two forms of isomorphic ACs—coercive and mimetic. First, in relation to coercive isomorphism, we identify companies providing boilerplate AC disclosures that only meet the SEC's minimum requirements (13 of 29 companies). These AC and disclosure preparer respondents describe a compliance-oriented focus and believe that few investors desire additional information. Compared to mimetic respondents, these respondents discuss more potential costs to expand disclosures (e.g., litigation risk, misinterpretation, and disclosures going unused) and perceive that the costs outweigh the benefits, which ultimately leaves them with little motivation to enhance disclosures. Due to the lack of voluntary disclosure, this group would represent the baseline in prior archival research.

Second, we identify companies that align with mimetic isomorphism by voluntarily adopting AC disclosures that conform to peer practices or follow standardized language recommended by the Center for Audit Quality (CAQ) and large accounting firms (14 of 29

[3] Previous research describing AC disclosure processes have concluded that management is the party responsible for final AC disclosure decisions (Turpin and DeZoort 1998). However, our participants describe a collaborative disclosure process that ends with the AC having final approval authority over AC-specific information. Thus, we discuss our findings from the perspective of AC decision-making, rather than solely management decision-making. Our supplemental interviews with proxy disclosure preparers affirms that this is a reasonable choice.

companies). However, investors note that these enhanced disclosures lack meaningful AC-specific insights, which is important because AC oversight can vary from symbolic to substantive (Beasley et al. 2009; Hermanson et al. 2024). Although mimetic AC respondents are more inclined to view transparency as a perceived benefit of expanded disclosure, they acknowledge uncertainty about whether the changes they make are useful to shareholders. Contrary to some archival studies, we conclude that these ACs are not "signaling" their quality because the disclosure changes are not made proactively for investors' benefit, and the AC does not receive feedback about the effectiveness of these changes (Connelly et al. 2011). This distinction is crucial, as signaling theory assumes that disclosure signals are intentionally sent to convey valuable information to investors, which contrasts with the more reactive approach of conforming with peers that we observe.

Based on the interview data, our review of proxy statements, and discussions with CAQ staff who draft their annual AC transparency report, we conclude that disclosure changes aligned with signaling theory are likely very rare. Therefore, on average, signaling is unlikely to explain variation in voluntary AC disclosures. Through careful recruitment of ACs that provide company-specific AC disclosures, we are able to provide insights from two ACs whose disclosure changes align more with signaling theory (2 of 29 companies).[4] These two respondents proactively sought feedback from investors, identified a legitimacy gap between investors' disclosure needs and their perceptions of the investors' needs, and attempted to narrow the gap through enhanced disclosures. The enhancements were most drastic in one instance when the AC chair and general counsel who implemented the process developed unique disclosures that provide detailed context about how the AC operates. Specifically, they update the AC disclosures each year to include a discussion

[4] To clarify, we do not mean to imply that 2 out of 29 is the proportion of signaling ACs in the broader population. In Section 6, we call for future archival researchers to develop techniques to help distinguish signaling from mimetic isomorphism on a larger scale.

about company-specific risks that the AC focused on, along with how the AC responded to the risks (e.g., meeting with different members of management, training AC members). While disclosure research highlights the potential negative effects of detailed disclosures that can obfuscate bad news (Li 2008), our investor respondents report that so little is currently provided about ACs that they are not worried about obfuscation or information overload.

Further, consistent with isomorphism, investor respondents confirm that, despite modest improvements over the past decade, AC disclosures are still not sufficiently detailed to evaluate AC performance or distinguish AC quality. Because investors are unable to differentiate symbolic versus substantive AC oversight from existing disclosures, it is difficult for them to use disclosures to develop perceptions of AC legitimacy. If companies were made aware of investors' frustration about the paucity of AC disclosures, then we would expect more of them to implement strategies that close this legitimacy gap between ACs' disclosure actions and investors' expectations (Ashforth and Gibbs 1990; Archel et al. 2009). Receiving direct investor feedback would enable ACs to gauge the benefits of expanded disclosures more accurately, helping them to justify or alleviate the perceived costs (e.g., concerns about potential litigation risk or information overload). However, our investor and AC respondents highlighted institutional barriers within the shareholder engagement process that make direct feedback challenging.[5] Therefore, we conclude that the AC disclosure cycle is broken: investors cannot make informed decisions or provide feedback without company-specific disclosures, and companies continue to follow isomorphic practices, believing that the absence of investor feedback indicates that disclosures are adequate in their current form.

Future research is needed to examine the types of disclosures that can close this legitimacy

[5] Traditionally, investors can provide feedback through voting, engagement, or pricing (Healy and Palepu 2001). However, market reactions to AC disclosures and voting outcomes on AC director elections will be confounded by other governance-related information simultaneously released in the proxy statement (Fee et al. 2023).

gap by allowing investors to distinguish ACs' effectiveness over time and across companies. To provide an initial step in this direction, we highlight the three common disclosure themes that our investor respondents believe would meaningfully convey ACs' oversight effectiveness: (1) discussing how the ACs' background, skill sets, and qualifications fit with company-specific risks; (2) clearly delineating AC responsibilities, with additional context for annual issues (as opposed to time-invariant oversight discussions); and (3) going beyond boilerplate discussion to provide context that "tells the story" of the AC's oversight culture. While investors voiced these desires, future research can explore the efficacy of these suggestions.

Collectively, this study contributes to practice and research in several ways. Regarding practice implications, the evidence in our study informs regulators, investors, and professionals about the key factors affecting AC disclosure decisions. Instead of merely highlighting investors' dissatisfaction with current disclosures, we provide a path toward improvement by identifying the lack of investor feedback as a potential cause and calling for future research to examine the types of AC disclosures that would benefit investors. In contrast to proposals for more AC disclosure regulation, our data suggests that voluntary disclosures—like those developed by the two signaling AC respondents—are more likely to generate company-specific information that distinguishes high- from low-quality AC oversight. This will only be possible if the barriers to engagement are addressed, enabling investors to proactively offer direct feedback and ACs to actively seek it.

In contributing to AC disclosure research, our findings help reconcile the contradictory interpretations found in prior archival studies on voluntary disclosure changes. Our field data provides a nuanced understanding, showing that many, if not most, ACs make voluntary disclosures mimicking their peers through isomorphic practices without intending to convey AC-specific quality. Thus, it is difficult for research to make informative conclusions using current AC disclosures as proxies for AC quality. We also provide insights into how coercive and mimetic

ACs hold different perceptions of the benefits and costs of enhanced disclosures, which potentially explains why some ACs voluntarily mimic industry trends while others stay firmly rooted in minimum disclosure requirements. Our study is conducted at a particularly important time when AC responsibilities have evolved to include cybersecurity, ERM, and sustainability reporting. However, the current emphasis in AC disclosure research on financial reporting and external auditor oversight overlooks the evolving responsibilities that may either help ACs manage their workload—through additional skill sets, the use of consultants, and longer meeting times (Cunningham et al. 2025)—or hinder their ability to effectively perform their core duties (Ashraf et al. 2024). By opening the black box of the AC disclosure process, we expect the takeaways from our analysis will inspire new areas of research.

2 | BACKGROUND

2.1 | AC disclosure requirements

The SEC first adopted rules requiring companies to disclose information about the existence and composition of their ACs in the 1970s (SEC 1974). Those rules have since expanded to include other information relevant to evaluating AC performance, such as the number of meetings held, preapproval policies for non-audit services, fees paid to the external auditor, and AC member independence (SEC 1978, 1999a, 2003).[6] Consistent with the SEC's definition of ACs' primary responsibility, these disclosure rules focus primarily on financial reporting and external auditor oversight. For example, the AC report in the proxy statement must state whether the AC:

- reviewed and discussed the audited financial statements with management and the external auditor;
- discussed specific matters with the auditor as required by the auditing standards;
- received the required written communications concerning auditor independence; and,

[6] The SEC does not explicitly require ACs to have a charter but does state that "audit committees that have their responsibilities set forth in a written charter are more likely to play an effective role" (SEC 1999a). In contrast, the NYSE and Nasdaq listing standards require that ACs adopt a formal written charter that is reviewed for adequacy on an annual basis (SEC 1999b, 1999c).

- recommended to the board of directors that the audited financial statements be included in the company's annual report (SEC 1999a).

In 2010, companies also began disclosing the board's role in oversight of risk management under Regulation S-K Item 407(h) (SEC 2009). This disclosure requirement is particularly relevant to AC disclosures, as many ACs have taken on oversight responsibilities related to risk management, cybersecurity, and sustainability reporting (CAQ and Deloitte 2022). However, Shannon and King (2023) note that Item 407(h) is "less prescriptive than other Regulation S-K disclosure requirements," leaving companies with significant leeway in complying with the standard.

In 2013, the Audit Committee Collaboration—a professional collaboration including the National Association of Corporate Directors (NACD), The Director's Council, and the CAQ—issued a "Call to Action" to enhance AC reports because "greater transparency about the audit committee's roles and responsibilities is one way of increasing investor confidence, and an opportunity to communicate more clearly to shareholders about audit committee-related activities" (ACC 2013, 2). Following this call, the CAQ began tracking voluntary proxy disclosures across 12 categories related to external auditor oversight in their annual AC transparency report. As reported in Figure 1, the CAQ observed an average of 20% (14%) of S&P 500 (S&P Small Cap) companies voluntarily providing this information in 2014. These numbers increased slightly but have since leveled off, averaging 35% (22%) in 2021.

The SEC responded to these calls to improve AC disclosures by requesting public feedback on 74 ways in which mandatory disclosures could expand. In doing so, the SEC stated that "some have expressed a view that the Commission's disclosure rules for this area may not result in disclosures about audit committees and their activities that are sufficient to help investors understand and evaluate audit committee performance, which may, in turn, inform those investors' investment or voting decisions" (SEC 2015, 1). Highlighting that existing disclosures may not

meet their needs, most investors supported the proposed changes. However, companies voiced several concerns, such as how the proposed disclosures would lead to the construction of boilerplate language, information devoid of context, information overload for investors, and potential costs without obvious benefits (Grossman et al. 2024). Although no formal action has been taken, stakeholders remain interested in this topic, as it was a key focus area in a recent SEC Investor Advisory Committee meeting (Gerut 2023).

2.2 | Prior research on AC disclosures

Early studies on the content of AC disclosures in the U.S. focus on small samples of approximately 100 to 150 companies in the period immediately following SOX (Carcello et al. 2002; Rezaee et al. 2003; Pandit et al. 2006) and generally conclude that most ACs comply with mandated disclosure requirements. They also highlight diversity in the content and location of disclosures. Motivated by calls for expanded AC disclosures (ACC 2013; SEC 2015), several recent studies examine trends and consequences of voluntary AC disclosures. These studies typically measure voluntarily expanded disclosures based on their relative length or the presence of specific types of disclosures tracked by the CAQ and Audit Analytics. Although variation exists across companies, within-company variation appears minimal (i.e., AC disclosures are "sticky" [Reidenbach 2024, 1018]). These studies tend to use one or more theories—including agency theory, institutional theory (including specific references to isomorphism and organizational legitimacy theory), and signaling theory—to motivate their hypotheses and interpret their archival findings.

Conclusions from these archival studies on AC disclosures can generally be classified into one of two opposing groups: legitimacy management or signaling. Legitimacy management studies question whether AC disclosures truly reflect variation in AC activities (i.e., window-dressing) and highlight cases where disclosure enhancements *follow* reputation-damaging events rather than serving as *ex ante* signals of AC oversight quality. For example, DeZoort (1997) surveys AC

members and finds that their reported activities do not align with AC disclosures. Further, when examining a voluntary disclosure regime, Böhm et al. (2016, 129) conclude that AC charters "may function primarily as vehicles to gain external legitimacy via front-stage impression management, but not as a means for informing legitimate interest groups about the committees' actual responsibilities, nor as an instrument for providing authority, direction, and discipline to audit committee members." Sahyoun and Magnan (2020) support this conclusion, noting that voluntary AC disclosures are more extensive when banks engage in higher levels of earnings management. Moreover, using textual attributes of AC reports within the proxy statement, Draeger et al. (2023) report that only companies with incentives to manage their legitimacy are more likely to increase voluntary AC disclosures (i.e., larger companies in response to the SEC's 2015 concept release and restating companies after the revelation of this negative event).

In contrast, signaling studies conclude that voluntarily expanded AC disclosures serve as real signals of oversight quality. These studies tend to draw their conclusions based on positive associations between voluntary AC disclosures and financial reporting quality, AC effort (measured by the number of AC meetings), or stock market reactions. For example, Downes et al. (2022) report lower discretionary accruals, fewer restatements, and a reduced likelihood of meeting the consensus analyst forecast following an audit partner change at companies that disclose AC involvement in the partner selection process relative to those that do not provide this disclosure. The authors interpret these findings as evidence that "ACs use this voluntary disclosure to signal an increased level of involvement" (Downes et al. 2022, 50). After showing that a more comprehensive measure of voluntary AC disclosure is positively associated with similar financial reporting proxies, Bratten et al. (2022) document that disclosure increases are associated with positive market reactions. They conclude that "new information reported about the audit committee's oversight activities sends a positive signal to investors" (Bratten et al. 2022, 2). Other

studies in this category include Pandit et al. (2006), Böhm et al. (2016) [only in the context of a stringent mandatory disclosure regime], O'Shaughnessy (2022), and Reidenbach (2024).

In sum, while these archival studies shed light on variation in AC disclosures across companies and over time, questions about how ACs and investors perceive these changes and whether previous findings are externally valid remain unresolved.

2.3 | Theoretical lens

Following positivist field research in accounting (e.g., Beasley et al. 2009; Cohen et al. 2017; Bills et al. 2018; Hayne and Vance 2019; Free et al. 2021), we entered the field with "broad knowledge of potential theories that can provide potential explanations of the patterns observed" (Malsch and Salterio 2016, 5). Ultimately, we identified institutional isomorphism as the theory that best fits our data (Meyer and Rowan 1977; Deephouse 1996). Isomorphism suggests that companies' main disclosure strategy is to follow existing norms, ensuring that their AC appears legitimate to investors. Legitimacy is defined as "a generalized perception or assumption that the actions of an entity (i.e., the AC) are desirable, proper, or appropriate within some socially constructed system of norms" (Suchman 1995, 547). Within our setting, the system of norms relates to the fiduciary agreement between directors and investors in which investors elect directors to oversee companies' risk management. Since investors lack private information about AC effectiveness, they use disclosures as a tool to gain insight into ACs' oversight activities and evaluate their performance.

DiMaggio and Powell (1983) identify three forms of isomorphic strategies used to obtain legitimacy: coercive isomorphism that derives from regulatory demand; mimetic isomorphism that involves mimicry and herd behavior due to uncertainty in the environment; and normative isomorphism that arises from information networks that encourage professionalism and moral actions. Isomorphic behaviors allow companies to convey legitimacy while also preserving resources and flexibility (Ashforth and Gibbs 1990), which can be especially appealing when

uncertainty exists about expectations in the external environment. Given the ambiguity surrounding voluntary AC disclosure expectations, ACs may attempt to enhance their legitimacy and minimize their operational and litigation-related costs through isomorphism by adopting a compliance focus (i.e., coercive), emulating peers' disclosures due to uncertainty about the needs of shareholders (i.e., mimetic), or developing disclosures based on formal professional education and training about investors' expectations (i.e., normative). Over time, isomorphism leads to a convergence of homogeneous behaviors among peers. For example, due to the ambiguity within laws, Holder-Webb and Cohen (2012) show that companies engage in an isomorphic strategy when compiling their Codes of Conduct. Their results suggest that boilerplate language confers a degree of legitimacy that reduces an organization's potential litigation-related costs.

Notably, legitimacy expectations are not static and can evolve over time (Ashforth and Gibbs 1990). For example, if a peer company begins disclosing more information about AC oversight, then investors may expect to see similar details at the focal company. As another example, investors may expect ACs to disclose additional details about their cybersecurity oversight in response to environmental changes that introduce new cybersecurity risks. Maintaining legitimacy often requires scanning the external and internal environments to understand whether changes have occurred to influence investor expectations. A legitimacy gap arises when differences exist between the AC's perceptions of its disclosure behavior and the investors' expectations of the AC's activities and related disclosures (Sethi 1979). At the extreme, widening legitimacy gaps could lead to litigation or AC members losing their positions. Therefore, once ACs discover that a legitimacy gap may exist, we expect them to employ strategies to narrow this gap by changing their disclosure behavior to align with investors' expectations or attempting to change investors' perceptions about their current disclosure behavior (Sethi 1979; Archel et al. 2009). These actions are more consistent with signaling theory, which predicts that certain

companies will proactively generate specific disclosures to signal the substantive nature of AC oversight to investors (e.g., Spence 1973; Connelly et al. 2011).[7] Overall, to maintain legitimacy in the eyes of investors, ACs must be aware of investors' fiduciary and disclosure expectations.

3 | RESEARCH METHOD

3.1 | Sample

We purposefully sought a diverse representation of AC members based on the nature of AC-specific disclosures, company demographics (size, industry, listing exchange, scope of AC responsibilities, ISS governance score), and director demographics (gender, age, professional background, year of first AC appointment, number of total AC appointments).[8] To ensure sufficient exposure to AC disclosure processes, we primarily targeted AC chairs but also invited a few AC members once we gained comfort that they were adequately involved in their committees. We began with a pool of university alumni and social connections and carefully considered our sampling criteria before inviting individuals to participate. For example, we decided not to interview four individuals because their backgrounds did not fit our sampling plan. We actively sought references to other AC members (i.e., snowballing) from those who were not valid matches for our study as well as those who were invited to participate. We also worked with the CAQ and the corporate governance centers of two large accounting firms to obtain the names of potential

[7] While institutional isomorphism aligns with the majority of our data, two observations align more closely with signaling theory, which we discuss further in Section 5.2.

[8] In preparation for the project, we read proxy statements for a variety of different companies. Specific to AC disclosures, we observed five different types of information: (1) information related to committee leadership structures and director biographical information; (2) information related to AC responsibilities and allocation of risk oversight; (3) the AC report; (4) information related to external auditor oversight (separate from the AC report); and (5) the AC charter, which is referenced in the proxy but separately disclosed on the company's investor relations website. Information for items (3) and (4) typically appear near each other in the proxy, with standard typesetting and minimal formatting variation. In contrast, we noted differences regarding the location and formatting of information for items (1) and (2). We further noted variation in item (5) since companies use differing levels of detail to describe similar types of oversight activities; however, this document tends to focus more on the AC's core responsibilities. To identify potential participants, we reviewed Audit Analytics data that categorizes the extent to which ACs discuss a variety of auditor-oversight topics in their AC report. We also used SEC Analytics Suite to identify companies with longer DEF 14A filings and those with greater use of graphics and pictures based on the ratio of file size to text length.

participants. Finally, we cold-contacted professionals via LinkedIn to fit specific sampling strategy attributes; of the 11 AC members that we cold-contacted, four agreed to participate in our study. We stopped recruiting at the point where the insights learned no longer contributed to the overall body of knowledge, such that saturation was achieved.

After completing each interview, we debriefed both the insights obtained individually and in relation to all previous interviews. This discussion allowed us to consider whether saturation was reached at various intervals (Malsch and Salterio 2016; Dai et al. 2019). After completing approximately 14 to 15 AC interviews, we concluded that saturation was reached for ACs at focal companies whose disclosures were primarily limited to minimal requirements. However, we still needed additional input from ACs at companies with various forms of voluntarily enhanced AC disclosure to ensure we captured all perspectives. At this point, we also started gathering input from disclosure preparer and investor participants to triangulate our evidence until we no longer gleaned substantial amounts of new information.[9]

In total, between September 2021 and April 2022, we interviewed 30 AC members from 29 U.S. publicly traded companies ("focal" companies), five preparers of proxy disclosures, and 14 professionals from the investment community. For brevity, we refer to these participants as AC respondents (our primary sample, "AC-*n*"), disclosure preparer respondents ("P-*n*"), and investor respondents ("I-*n*"), respectively. Participants were asked to respond based on their personal experiences and viewpoints; all individuals were either still active in their role or had completed their work in that role within the previous two years (i.e., only three out of the 49 total participants

[9] While saturation is difficult to quantify, 20 to 30 interviews tend to be a common point of saturation in other recent qualitative studies related to governance and external auditor topics (Clune et al. 2014; Dodgson et al. 2020; Free et al. 2021; Obermire et al. 2021). Moreover, after distributing a working paper version of our study, we were invited to participate as panelists in several professional webcasts, a podcast, and a meeting with the SEC's Investor Advisory Committee. We failed to identify any conflicting themes from the AC members, disclosure preparers, investors, and other professionals in these panel discussions that would lead us to believe our analysis was incomplete.

were in the latter category). For each interview, we asked AC and disclosure preparer participants to focus on the focal company but invited them to compare with other experiences that they deemed relevant. Table 1 provides a list of our 49 participants, the role discussed during the interview, and the interview length. The interviews averaged 72 minutes with ACs (of which an average of 30 minutes represents data used in a separate paper; refer to Cunningham et al. [2025]), 50 minutes with disclosure preparers, and 45 minutes with investors.

As designed, our interview sample is rich with experience and offers diverse perspectives. Regarding our AC participants: 50% are female; average age is 65 (range of mid-40s to upper-70s); average tenure is 7.4 years at the focal company (range of 1 year to > 15 years); average experience is 10 years as an AC member of a public company (range of 1 year to > 20 years); and participants currently or previously served on the ACs of 2.8 unique public companies on average (range of 1 to 7). The 29 focal companies for our AC participants are geographically dispersed across the U.S. and represent financial services (6), consumer cyclical (5), industrials (8), energy (2), healthcare (2), real estate (2), technology (2), consumer defensive (1), and basic materials (1). The focal companies vary in terms of market capitalization (6 small cap; 10 mid cap; 12 large cap; 1 no longer listed) and employees (range of < 500 to > 100,000 employees). Nineteen are listed on the NYSE, while 9 are listed on Nasdaq; the company that is no longer listed was previously on Nasdaq. In terms of governance characteristics, the companies have an average ISS Governance QualityScore of 4.6 (range of 1 to 9); 23% have a dual CEO-chairman; 85% of board members are independent (range of < 50% to > 95%); and 87% engage one of the Big 4 auditors.[10]

Our disclosure preparer participants (i.e., general counsel, corporate secretary, or CFO)

[10] To ensure we do not identify any companies or participants, we generalize the upper/lower ends of these ranges. Two interviewees requested that they speak about their experiences collectively as opposed to focusing on one focal company. In those cases, we report company demographics related to the company used to initially target the respondent for potential participation.

represent three large cap and two mid cap companies that are matched with five of the AC focal companies. These participants have 18 years of experience involved with governance and proxy disclosures on average (range of 16 to 20 years). Diversity in their roles highlights how smaller organizations often rely on the CFO or another member of management to lead proxy disclosure processes, while larger organizations may have a dedicated legal team. Investor respondents represent a variety of perspectives from the investment community: proxy advisors, investor advocacy organizations, analysts, and three different institutional investment firms. The institutional investment firms each held more than $100 billion in net assets/assets under management as of March 2022; one is an asset manager, and two are pension funds.[11]

3.2 | Interviews and coding

Prior to conducting interviews, this study was reviewed and approved by the Institutional Review Boards at the universities in which the authors are employed. Each interview was attended by at least three of the four coauthors. One coauthor led most of each interview for consistency and to reduce concerns about overwhelming participants.[12] The interviews were conducted via Zoom, with one exception conducted over the phone. Only three interviewees declined recording, all of whom were disclosure preparer participants; for these three interviews, one research team member led the interview while at least two research team members took detailed notes. For the recorded interviews, we used a professional transcription service, and each transcript was reviewed for accuracy by a research assistant and at least one of the coauthors.

Our semi-structured interview began with an initial set of questions related to their career

[11] We use $100 billion as a cutoff to avoid identifying respondents, following McCahery et al. (2016).

[12] This interviewer was able to establish rapport early in the interview and maintain it throughout. We pre-planned a second coauthor to step in towards the end of the interview to ask questions where potentially contradicting information was received (e.g., they said that they believed disclosures were important in general but could not describe situations where they strategically revised disclosures to be more helpful to investor users). This approach often elicited more candid and thorough responses to previous questions.

that established trust and rapport and allowed participants to speak openly with few interruptions. We then integrated additional follow-up questions to gain a deeper understanding of the participants' experiences (Kenno et al. 2017). We developed our draft script for the interviews after identifying relevant research and practitioner publications. Before beginning the interviews, we received feedback from a qualitative researcher not associated with the project, the CAQ research advisory board, and professionals from two large accounting firms' corporate governance centers. As is common in qualitative research, we adjusted the script after identifying themes that emerged from the first few interviews. Our primary concern in collecting data was to ensure that respondents provided sufficient detail for analysis without feeling a desire to aggrandize. As needed, we asked respondents to expand upon their answers by providing examples. Participants frequently described negative aspects of their disclosures and uncertainty about who uses the disclosures, reducing concerns about an inability to share both positive and negative experiences.

To analyze the data collected, we used NVivo software to divide the interview transcripts into separate sections ("nodes"): the goal of AC disclosures, the process for crafting AC disclosures, engagement with investors about AC disclosures, benefits and costs of AC disclosures, and usefulness of specific disclosure examples. All four coauthors coded four AC interviews, one disclosure preparer interview, and one investor interview. We then met to discuss and reconcile any potential differences and divided the remaining interviews between the four coauthors. Each transcript was then reviewed by a second coauthor in NVivo for accuracy; any identified differences were discussed and reconciled. For each node, one coauthor reviewed the data in detail and systematically recorded observed themes with potential theories in mind. A second coauthor reviewed the relevant quotes captured by the first coauthor and evaluated the original data to determine whether any themes were missing. It was during this process that isomorphism—including an analysis of the different types (coercive, mimetic, and normative)—emerged as

capturing the primary patterns in our data. However, we also noted a couple of observations that do not fit neatly into this theoretical lens, and we highlight these instances in Section 5.2. We further verified the reasonableness of our analysis by distributing a detailed summary of our findings to all participants, with a link to the full version of the paper. We received positive feedback from several participants and received no requests for corrections.

4 | HOW COMPANIES DETERMINE THE LEVEL OF DETAIL IN AC DISCLOSURES

From our interviews, we recognize how being a high-quality AC can be costly—the AC has to work longer hours, ask challenging questions, actively engage with management outside of formal meetings, and access training to keep up with the evolving landscape (DeFond et al. 2005; Hermanson et al. 2024; Cunningham et al. 2025). An AC chair highlighted this cost as follows:

> *To be an effective audit committee member in today's environment, one needs to invest time in being thoughtful and up to speed on what's going on. I think there needs to be ongoing development both in terms of technical skills and level of engagement.* (AC-12)

If ACs do not invest extra time and resources into fulfilling their responsibilities, they will have less value-added content to disclose to investors. Because mandatory disclosure requirements are limited, ACs have significant leeway to voluntarily disclose detailed information that can help them establish legitimacy. Detailed company-specific disclosures allow investors to differentiate AC effectiveness across companies by making assumptions about the levels of AC effort and oversight substance. Speaking broadly about disclosures, an investor corroborated this perspective:

> *Nothing scientific to back this up, but in my experience, the willingness to disclose is in direct proportion to the quality of the governance in a lot of cases. Which sort of makes sense because if you're confident in how you're governed, how you're structured, what you do, and how you make decisions, then you're more willing to disclose.* (I-10)

Given the potential value of expanded disclosures, we organize the following subsections to answer our research questions. In Section 4.1, we begin by describing the process companies use to draft their disclosures, which highlights opportunities for ACs to actively engage in

establishing legitimacy. Our primary data analysis begins in Section 4.2, where we apply the theoretical lens of isomorphism to interpret patterns in our data. To diagnose why companies often follow isomorphic disclosure strategies, we discuss respondents' perceptions of the benefits and costs of voluntary disclosure in Section 4.3. Our analysis reveals the need for more direct investor feedback to help ACs narrow legitimacy gaps, which we detail in Section 5. Finally, we discuss the key findings and related implications from our analysis in Section 6.

4.1 | The AC disclosure process

In our analysis, we focus primarily on AC disclosures in the proxy statement as opposed to the charter because all respondents indicate that the proxy includes the most relevant information. For example, an investor respondent highlights how s/he uses current disclosures by stating:

> *The proxy statement is the disclosure I look at most often. When there are high-level responsibilities detailed in the proxy statement, in addition to the board make-up of the audit committee right next to it, it makes it a lot easier, rather than going in to find the charter. When I'm looking at a company, I'm not always going into the audit committee charter, but I am always going into the proxy statement.* (I-12)

As summarized in Figure 2, the AC disclosure process involves only a few individuals and contrasts with typical financial disclosure processes that involve larger reporting groups and disclosure committees. We observed substantial variation in AC involvement within our sample, with just over half of the AC respondents discussing how they proactively reach out to management throughout the year with suggested updates, and the remaining stating they are not actively involved. Those not actively involved either believe management already has good disclosure processes in place or do not see a need to get involved because they perceive that investors do not use the disclosures.

Unanimously, AC and disclosure preparer respondents stated that management (e.g., general counsel, corporate secretary, finance department personnel such as the CFO, or investor

relations) drafts the initial disclosures.[13] Management typically begins the process in the fourth quarter by reviewing whether the prior year's disclosures need to be updated based on changes in SEC requirements, listing exchange rules, or proxy advisor guidelines.[14] During this review, management engages AC members by sending them a questionnaire to assess whether updates are needed to their bios (e.g., new certifications) and the AC's primary responsibilities. For example, an AC respondent explained the AC's process for reviewing their responsibilities: "We go back; we look at the meetings for the last year to say, 'Where have we really spent our time?'" (AC-30). Consistent with prior research that finds AC disclosures tend to be sticky on average, respondents acknowledge that this process rarely results in major overhauls. However, this process is important because AC responsibilities can evolve over time (e.g., oversight of ERM, cybersecurity, or sustainability reporting), prompting a decision on whether to disclose new risk oversight areas. Further, even when responsibilities remain static, how ACs provide oversight during the year may change (e.g., meeting frequency and length, consultant use, director education topics), leaving room for potential updates to AC disclosures. An investor specifically referenced looking for these types of annual changes in disclosure by stating:

> *Everybody wants to put more stuff on the audit committee's plate and most audit committees don't have much time. There's only so many hours in the day or each meeting. And if you're going to start adding all that on the audit committee's plate, something's going to get dropped. So I would love more insight into that in the disclosure.* (I-7)

Despite investors' desire for timely information, respondents reveal that companies often delay reporting new AC oversight areas until they mature, with one AC chair calling the disclosures "a lagged process" (AC-12). We confirmed this sentiment for many of the AC respondents by reviewing their historical disclosures before each interview and comparing the timing of disclosure

[13] This is consistent with findings in prior archival research on the association between voluntary disclosure decisions and the existence of a general counsel in the top management team (Kwak et al. 2012). Moreover, Brown et al. (2019) highlight the role of investor relations officers (IROs) in corporate communications.

[14] See also Section 4.2.2 for a discussion of peer benchmarking and use of consultants by mimetic isomorphic ACs.

changes with when each respondent mentioned the AC began overseeing a specific area. When asked why disclosures were lagged, respondents explained that they preferred to wait and see how significant a risk might become or ensure that risk oversight remained with the AC. This aligns with research suggesting that boards may temporarily assign a risk to the AC, which is later reassigned (Cunningham et al. 2025).

When questioned whether management allows the AC to suggest new disclosures, an AC respondent stated, "oh, the board rules. If you say you want something in there, unless they say, 'Oh no, we don't do that, it's wrong,' then it goes in" (AC-11). Most disclosure preparer respondents expressed similar sentiment; for instance, one of these respondents noted that "if the AC is active and asks questions about whether the proxy disclosures are best in class, then that also drives how much goes into the proxy" (P-2). Once management has a completed draft that includes any new updates—often with informal feedback from the AC chair—it is circulated to the entire AC for their review and approval. The final approval process usually occurs during a year-end AC meeting prior to the release of the proxy statement.

Notably, our interviews reveal that it generally only takes one person—either the AC chair or the disclosure preparer—to feel strongly about disclosure enhancements for them to occur. Reflecting on the differences in disclosures of the two ACs that s/he sits on, an AC respondent stated that—outside of company size and industry—the fundamental differences are driven by the AC chair: "Two full pages versus half a page [of AC disclosure]. … S/he [the other AC chair] had a very different philosophy than me; it's not wrong, it's just different" (AC-13). Another respondent noted that support from the disclosure preparer to implement changes is very valuable:

> *[General Counsel Name] plays a big role. Without her/him, this wouldn't be possible. … We talked about what topics were most important to us, or most distinctive in our process over the past year. Then s/he took it upon himself/herself to basically draft it.* (AC-25)

In sum, while our interviews affirm that ACs can—and some indeed do—have a significant

influence on the AC disclosure process, they also reveal that disclosures can be incomplete and delayed. This finding raises doubt about the validity of prior archival research that uses voluntary disclosures as a proxy for AC quality.

4.2 | Isomorphic disclosure changes

To analyze each focal company's disclosure behavior, we collectively examined our interview data and the respective proxy statements over the past five to ten years. This analysis identified the following behavior types: 13 companies that reflect the minimum SEC requirements (coercive isomorphism); 14 companies that reflect voluntary improvements based on benchmarking against other companies to be consistent with existing disclosure norms (mimetic isomorphism); and two companies that do not fit neatly into isomorphic practices (refer to Section 5.2).[15]

4.2.1 | Coercive isomorphism

Among respondents in the coercive isomorphism group, we observed a compliance-oriented focus with little emphasis on disclosing additional information. For example, when asked about the primary goal of AC disclosures, an AC respondent succinctly answered: "compliance" (AC-4). Another AC chair explained that when updating disclosures, s/he asks management "to go to outside legal counsel to ask, 'Are there any changes that we need to make from their standpoint?'" (AC-13). This AC chair further elaborated that s/he adopts a "straightforward approach" in which the company only needs to disclose the AC's "basic responsibilities … say that we did that, put that in our report, and move on" (AC-13). S/he also emphasized that including more than what is required is "overkill" since different trends only represent items that are "in vogue" at various points in time (AC-13).

[15] We also considered the third type of isomorphism, normative isomorphism, which involves societal and professional development of desirable disclosures from formal education or training, upon which organizations then converge. We analyzed our data with normative isomorphism in mind but did not identify any instances reflecting ACs receiving formal education or training about voluntary disclosure behavior.

This focus on minimum requirements was echoed by the disclosure preparer at this company, who stated, "Without question, the very first thing as a securities lawyer is compliance. You always start from a compliance mindset…" (P-5). Consistent with this mindset, the respondent claimed to have conducted a benchmarking review within the past year and found no additional information to include in the AC disclosures. Our research team observed, however, that the disclosures reflected only the minimum SEC requirements and did not incorporate recommendations from professional sources (e.g., the CAQ). As a result, the benchmarking exercise was likely focused solely on compliance issues. Another AC chair illustrated this coercive isomorphic approach, stating, "the culture, I'm happy to report, is one of trying to achieve best practices without killing ourselves to be thought leaders" (AC-15). Yet, we observed that the actual disclosures did not align with "best practices" recommended by the industry. Ultimately, these respondents perceive that only mandatory disclosures are needed for the AC to appear legitimate.

4.2.2 | Mimetic isomorphism

In contrast, respondents in the mimetic isomorphism group expressed a desire to expand disclosures to confer AC oversight legitimacy. However, they were uncertain about what information would be useful to investors. As a result, these respondents referenced benchmarking to peers or industry best practices during their AC disclosure process, and we confirmed that their disclosures followed these practices. An AC chair discussed their comprehensive benchmarking process as follows:

> *I look at proxies for our peers, and then I also look at, the CAQ does a proxy review, a couple of the [accounting] firms do a proxy review. I go through those every year. I also send them off to the individuals within the company who update the proxy, and I send them to the attorneys who oversee that process. Then we typically have a conversation at some point to say, "Is there something else we want to be changing?"* (AC-26)

The disclosure preparer respondents highlighted a variety of benchmarking sources, whether it involved looking at large companies with "significant governance resources" (P-1) or companies

that respondents cited as being known for good disclosure practices. They also cited relying on consultants to provide summaries of peer trends or on publications that aggregate AC disclosure trends. When referring to the benefits of doing so, a disclosure preparer stated: "I wouldn't think to add all of these things myself unless I had someone telling me to do so. If I don't have these trend reports, then I don't have as good of disclosures" (P-2).

Due to their lack of awareness of investors' needs and pressure to exceed the bare minimum based on peer disclosures, several AC chairs in this group requested that our research team inquire about investors' perspectives and whether they read AC disclosures. Highlighting this pressure to conform, an AC chair stated: "I saw that other companies were doing it; we didn't want to be an outlier and not doing it" (AC-20). The paired disclosure preparer also emphasized the influence of disclosure trend publications, stating "If 80% of the Fortune 100 or S&P 500 are saying something, then it's probably worth including. I never want to be a trailblazer to be the first to say something but also don't want to be the last" (P-2). These perspectives illustrate how industry trends and recommendations can create mimetic pressures, leading some ACs to conform to their peers in order to appear legitimate, without fully understanding the rationale behind those choices.

4.3 | Diagnosing the current environment based on perceived disclosure benefits and costs

To better understand why the current environment tends to exhibit isomorphic behaviors, we analyze coercive and mimetic respondents' perceptions of the benefits and costs of more granular disclosures. We follow intuition from prior disclosure research, which predicts that companies are only incentivized to voluntarily expand disclosures when the perceived benefits exceed the perceived costs. A mimetic AC respondent highlighted this need by stating: "I can't deny that [disclosure] transparency is a good thing, but it's also very costly" (AC-11).

4.3.1 | Perceived benefits of enhanced AC disclosures

The most commonly cited perceived benefits of expanded disclosures include (1) increased

transparency and (2) the opportunity to signal AC quality and provide comfort about the effectiveness of its oversight. About half of the AC respondents cited transparency, while some mentioned the potential to signal quality and provide comfort.[16] We also encountered a few respondents who could not identify any potential benefits of enhanced disclosures. For example, a coercive AC respondent replied, "I'm struggling with a benefit. Yeah, I don't see much benefit to it [enhanced disclosures]" (AC-4). Table 2 provides illustrative quotes from AC and disclosure preparer respondents on these commonly cited perceived benefits. It also includes quotes that reflect investors' perceptions of the benefits of enhanced disclosures as well as their reactions to the responses that we received from the AC and preparer respondents.

All parties agree that the AC holds private information about its fiduciary activities that could be useful to investors. Consistent with these views, respondents recognize transparency as a key benefit of more granular disclosure, which can demonstrate ACs' oversight effectiveness.[17] However, as noted in Table 2, investor respondents were more critical of the state of current disclosures and questioned whether they are, in fact, transparent. We also observed a noticeable disconnect between AC/preparer and investor respondents when discussing the perceived benefit of signaling and providing comfort. While AC/preparer respondents were optimistic about the potential to signal their quality, investor respondents were skeptical, believing that ACs/preparers are not willing to be forthcoming enough to achieve this benefit. These disconnects in respondents' perceptions highlight the existence of a legitimacy gap, as many ACs and disclosure preparers believe their current disclosures provide these benefits.

[16] Within this section, we follow the convention used in Westermann et al. (2015) to provide some sense for the frequency of perceived costs and benefits cited by respondents. Specifically, we use the term "most" when referring to a percentage of AC responses greater than 60 percent, "about half" between 41 and 60 percent, "some" between 21 and 40 percent, and "few" for fewer than 20 percent.

[17] Consistent with this perspective, a recent example at JPMorgan Chase & Co. highlights where enhanced transparency around a racial equity audit allowed investors to evaluate the board's actions and voice concerns about AC-related oversight thereof (Lee 2023).

4.3.2 | Perceived costs of enhanced AC disclosures

When asked about the costs of providing enhanced disclosures, four themes emerged: (1) litigation risk, albeit with disagreements about the magnitude of this concern; (2) the potential for disclosures to be misinterpreted; (3) the risk of information overload (i.e., burying critical information among mundane details); and (4) the belief that disclosures will go unused, either because investors are satisfied with current disclosures or because regulators are not mandating expansions.[18]

About half of the AC respondents cited potential litigation risk concerns because granular disclosures could serve as a "roadmap for litigation" (AC-11) or "fodder for some plaintiff attorney if or when we had a problem" (AC-20). Aside from some ACs who explicitly stated that litigation risk was not a key concern, AC respondents tended to view this risk as more serious than their disclosure preparer counterparts. Consistent with prior governance research (Brochet and Srinivasan 2014; Street and Hermanson 2019), disclosure preparers recognized the potential for litigation risk but emphasized that it only exists if AC disclosures exaggerate AC roles or include inaccurate statements, which is unlikely to occur when stringent disclosure review processes exist. Investors' responses acknowledge that litigation risk can arise with any disclosure; however, unlike the AC respondents who were concerned about litigation risk, investors did not indicate that they would use expanded disclosures to pursue litigation unjustly. Instead, investors expressed a desire to better understand ACs' roles and suggested that more granular disclosures could serve as a litigation defense, helping them to distinguish when ACs should and should not be held accountable for company failures.

[18] To ensure that we did not bias respondents to think only in terms of costs from a quantitative perspective, we worded the question as follows: "What disadvantages or challenges do you foresee if the disclosures were expanded to include more granular information?" We entered the field aware of the potential cost associated with the additional resources needed to draft expanded disclosures. However, few AC and preparer respondents raised this concern, and the respondents who did express this concern did not suggest that it affected their decision to expand the disclosures. Other costs identified in previous disclosure research include proprietary costs and competition (Leuz and Wysocki 2016), but none of the respondents raised these concerns for disclosures about AC oversight.

Responses related to the potential for disclosure misinterpretation, information overload, and the belief that expanded disclosures would go unused were cited by some AC respondents. In each of these areas, we noted conflicting perceptions between AC/preparer and investor respondents. For example, the AC/preparer respondents expressed concern that investors may misunderstand or overreact to additional information, believing it suggests that new risks exist. However, investors counter that such information would not be misinterpreted, as they currently lack even basic details about ACs' annual activities. Investors also stated that if the expanded information is not provided, they will be forced to make assumptions about AC oversight that could be incorrect. Similarly, investors strongly reject concerns about information overload, citing the brevity of current AC disclosures, especially compared to other proxy disclosures. AC/preparer respondents' suggestion that they do not expand disclosures due to a lack of investor interest resulted in a key point of discontent with investors. While investors admitted that they may not use the disclosures on a regular basis, they argued that additional information about ACs' oversight quality should be provided so they can use it to make key decisions when needed.[19] This disconnect between AC and investor perceptions on AC disclosure usage is exacerbated by institutional barriers to providing feedback, which we diagnose further in Section 5.2.

4.3.3 | A comparison across coercive and mimetic isomorphic disclosers

To explore why companies may have chosen to shift from coercive to mimetic isomorphism and provide voluntary disclosures, we compared the perceived benefits and costs for each group and quantified the counts in Table 3. Our data suggest that mimetic disclosers were able to identify more potential benefits than their coercive discloser counterparts. Further, consistent with their

[19] This sentiment aligns with previous research from a survey of 143 institutional investors that reports 39% of respondents exited a portfolio in the past five years because of dissatisfaction with an investee's governance quality and that 81% list "inadequate corporate governance" as a top reason for triggering shareholder engagement (McCahery et al. 2016).

decision not to expand disclosures to follow industry trends, AC respondents with coercive disclosures were more likely to answer "none" when asked about the perceived benefits of voluntarily expanding AC disclosures. AC respondents with mimetic disclosures were more likely to mention the potential benefit of transparency, which investors indicated was very important. When weighing relative benefits and costs, AC respondents with mimetic disclosures were less likely than those with coercive disclosures to cite most types of costs—except for information overload—which may explain why they voluntarily disclose additional information. This is further supported by mimetic disclosers being more likely to answer "none" when asked about the perceived costs of voluntarily expanding disclosures. Moreover, while the counts for litigation risk are roughly similar across the groups, we highlight that AC respondents with mimetic disclosures were more likely to explicitly state that litigation risk is *not* a primary concern relative to those with coercive disclosures. Thus, perceptions of coercive respondents align more with existing research that argues "litigation makes it potentially costly for firms to voluntarily provide disclosures" (p. 552) whereas perceptions of some mimetic respondents are more consistent with research indicating that "disclosure could also reduce litigation risks and expected litigation costs, which, in turn, would be a benefit" (p. 553) (Leuz and Wysocki 2016).

5 | A LEGITIMACY GAP IN AC DISCLOSURES

While ACs perceive that they appear legitimate through their current isomorphic disclosure behavior, our investor respondents indicate the opposite—which results in a legitimacy gap that many ACs are unaware of. Signaling theory suggests that "high-quality actors (i.e., ACs) will be less likely to signal when receivers (i.e., investors) fail to confirm the effectiveness of their signals" (Bergh et al. 2014 pg. 1349). Given the importance of ACs receiving feedback on the effectiveness and relevance of their prior disclosures, we asked all of our respondents to share their experiences receiving and providing feedback on AC disclosures.

5.1 | Barriers to direct investor feedback

As described in Section 4.3, there are several disconnects between AC/disclosure preparers' perspectives and investors' perspectives about the current disclosure environment. Based on our analysis, we diagnose that these disconnects are largely driven by the lack of direct investor feedback on AC disclosures. While market reactions to proxy disclosures and voting outcomes on AC director elections can potentially provide indirect feedback, shareholder engagement is the most direct form of feedback available to investors and companies. In general, AC and disclosure preparer respondents acknowledge the value of engagement between companies and investors, stating that "engaging with our investors is a critically important piece of what our job is" (AC-29). Investor respondents expressed similar views about the importance of engagement. For example, an investor respondent stated:

> *If there's any question on how these issues [company risks] are being overseen, we would like to talk to directors themselves. Especially if it's not clear in the disclosure, just getting an understanding of who and how the risks are being overseen.* (I-12).

Despite its importance, investors often discussed the difficulties of getting in contact with directors, expressing that being able to speak with an AC member "just doesn't happen" (I-10). Another respondent suggested that "it's really limited, the company will [only] speak to the top institutional investors" (I-2). This argument is consistent with extant research by Brown et al. (2019) that implies companies do not have time to engage with all members of the investor community and typically prioritize the largest investors. Other investors highlighted the inhibiting role that the general counsel could play in orchestrating engagement. For example, a respondent stated that "general counsels manage that very, very carefully; we weren't allowed to speak with the audit committee without a member of legal there" (I-5). Moreover, the legal team may remove investors' ability to communicate directly with ACs as the following respondent indicated: "If an investor does raise an audit-related concern, typically, it'll be the corporate secretary that will reply

on behalf of the audit committee" (I-2). AC respondents acknowledged these barriers and admitted that companies could do a better job initiating engagement with investors; specifically, an AC chair stated, "I would welcome it if we did get some direct communication [between the AC and investors]. … That's one area where I think not only our company but maybe all [focal company's industry] and all publicly traded institutions could be a little more proactive" (AC-8).

Given these barriers, it is not surprising that most AC members expressed that an investor had never directly questioned them about their disclosures. For example, an AC chair stated:

> *In almost 20 years of serving on public companies—and all of those [companies] had disclosures in the audit committee report—I've never had an analyst or an investor question about those topics. That includes when the management team goes to and presents at conferences and things like that; they don't get questions about that either*. (AC-24)

However, instead of considering institutional barriers in the engagement process as a reason for the lack of investor feedback, several AC and disclosure preparer respondents attributed the absence of investor questions to various other factors. First, some assumed the lack of feedback was due to disinterest in the disclosures. For instance, after being asked whether s/he received questions about AC disclosures, a disclosure preparer stated:

> *Only in the context of risk. I mean, it's interesting. Big picture, after SOX, it was all audit committee. … Everything was so audit committee-focused. I think in the last few years, maybe the last five years at least, what I've experienced is that has really shifted now to either compensation, corporate responsibility, or human capital management, which sits in the other committees [for this company]. So, that's what the focus has been on. I feel like I'm always talking about compensation or the oversight role of the nom/gov committee or that type of thing. So, it's almost like the AC has gotten a pass in a way.* (P-3)

Second, respondents perceived the lack of feedback as an indication that investors believed the disclosures were sufficient, as one AC respondent put it, "I'm sure that if somebody had been concerned that we weren't disclosing enough, then we would've heard about it" (AC-16). Third, respondents explained that investors do not understand the AC's role enough to warrant engagement. For example, an AC chair stated: "it would be great if institutions, especially buy-

side investors, had a better feel for what boards and ACs did and understood it a little better" (AC-9). Finally, respondents assumed that investors trusted ACs' credentials, a point highlighted by this AC chair when stating, "I think that there is a presumption out there on the investor's part that audit committees are competent and are doing their job" (AC-7). Another respondent further confessed that "there's a lot of faith in what the auditors do, so I think people almost just take it as a given that everything's okay, that it's not a fruitful place to engage" (AC-30).

As previously discussed in Table 2, investors firmly refute the first three lack-of-feedback explanations: refer to their responses in "disclosures will go unused" regarding a lack of interest, "increase transparency" regarding the disclosures being sufficient in their current state, and "misinterpretation" regarding investors not understanding the AC's role. While investors counter the concerns about misinterpretation, ACs and preparers may be justified in assuming that investors do not understand their role. However, investors' lack of understanding could stem from insufficient disclosures. For example, the current trend of boilerplate or outdated disclosures fails to communicate the AC's evolving responsibilities and related oversight activities. We note that investor respondents also refute the final explanation—that investors do not evaluate ACs' oversight activities because they are comfortable with AC members' credentials. An investor emphasized:

> *This gets back to the point of it [AC oversight quality] being a credence good. I'm just supposed to trust you? You've given me no information, so how do I trust you? You give me a bio, I vote. Trust has been established? No. Trust hasn't been established.* (I-5)

Underlying these disagreements about the lack of investor feedback, we identified dissatisfaction among AC and disclosure preparer respondents regarding their perception of how investors use the AC disclosures. AC respondents were most concerned that investors primarily rely on proxy advisors and use check-the-box evaluation processes. For example, an AC chair described how the AC added a few additional details to the disclosure based on benchmarking

against peers "so that we would not get a point knocked off by ISS or Glass Lewis" (AC-11).[20] However, this AC chair felt the expanded disclosure offered no real value:

> *It has zero to do with whether or not they [institutional shareholders] invest in our company. … If they could demonstrate that when the corporate governance group says, "vote no" for one of the board members that their department that actually makes the investment decisions says, "oh, wait a minute, we need to sell some shares," then I would be convinced.* (AC-11)

Another respondent highlighted how her/his company expanded disclosures about sustainability expertise in the AC in response to increased investor interest (these types of changes are discussed further in Section 5.2). However, s/he expressed frustration that these disclosures would likely go unused by investors and proxy advisors who have not yet incorporated such qualitative information into their analyses:

> *As long as the investors, particularly the investor commentators like ISS and Glass Lewis, would actually read them [expanded disclosures], as opposed to applying a formula. And I understand they've got 14,000 public companies to assess how to vote on. And when you get to that, you get to algorithms pretty quickly. But to do this job well, it can't be algorithms. It's qualitative as much as anything.* (AC-27)

Despite this frustration, the respondent acknowledged that not all investors rely solely on quantitative scores for their analysis, which is why her/his company was willing to expand disclosures for those investors who incorporate qualitative information into their governance evaluations. An investor respondent stressed this perspective in the following statement:

> *Thoughtful investors, they look beyond the scores. They look to see what kind of insights, what kind of information can be gathered from what's behind the scores and what companies are saying. And they want to look directly to company disclosures. They don't want to look to these providers. They would prefer to have the company tell their story effectively, and we wouldn't have to have somebody else creating their own interpretation and opinion around it.* (I-6C)

Acknowledging that her/his investment firm may be able to incorporate company-specific data

[20] Refer to Hayne and Vance (2019) for a discussion of how proxy advisors form their policies and aggregate quantified information. ACs are not unfounded in this concern of overreliance on proxy advisors as we had one institutional investor who declined participation in the study with an email stating: "We really do not dig into this deeply. We rely on our proxy advisor ISS's point of view on this issue. I'm afraid I can't be of assistance to you and your project."

into their formulas over time, an investor stated:

> *I would also say that as practices like that [expanded disclosures] become more common, if that stopped being boilerplate and suddenly most companies had some deeper insight into what audit committees are saying, then it is something that we could potentially scale up and actually integrate into the model.* (I-7)

Thus, to alleviate AC and disclosure preparer concerns, it would be helpful if proxy advisors updated their data collection and aggregation practices because many investors rely on proxy advisors to reduce information processing costs. As indicated by an investor respondent, investors wish to "cast their vote in an informed way, and that might be based on information that's funneled through ISS or others" (I-1).

In sum, the lack of direct investor feedback and the resulting isomorphic disclosure behaviors cause legitimacy gaps that present several consequences. First, companies provide so little substantive, company-specific information about AC oversight that investors are not adequately engaging with ACs or are unable to engage due to institutional barriers. Second, since AC disclosures often lag actual practices, investors may not fully understand the scope of evolving responsibilities that ACs oversee, including key business risks like cybersecurity and ERM processes. Finally, investors might overlook the effort involved in maintaining high-quality AC oversight, such as continuing education and pre-meeting preparation. Absent feedback to resolve the legitimacy gap, we expect that these frustrations expressed by both parties will likely continue.

5.2 | Outliers with substantive disclosure changes after seeking investor feedback

To lend some validity to our claim that direct investor feedback could mitigate the current lack of informative disclosures, our data revealed two instances in which such feedback triggered disclosure updates. These two AC respondents sought direct feedback from investors, which resulted in significant disclosure enhancements that better align with investors' expectations. In the first case, the AC chair was able to attend an investor conference that provided opportunities

to engage with a variety of investors. Prior to attending the conference, this AC chair assumed that it was not necessary to provide details about certain AC activities and responsibilities because it seemed obvious that shareholders would know about the AC's involvement in the matters. However, consistent with our investor respondents' expressions, s/he received feedback at the conference that investors did not want to make assumptions about AC oversight. After receiving this feedback, the AC chair better understood the legitimacy gap and made significant changes:

> *At that point, I took [Company Name's] audit committee disclosures from two paragraphs to two and a half pages. I went down the CAQ list of all of the little things. I went to the corporate secretary, and I said, "Look, we need to change how we're going about this. This is what the investors want. So we're going to meet every one of them."* (AC-27)

In the second instance, an AC chair also sought feedback from a variety of investors, stating:

> *I have engaged with these people. Not representing the [Company Name] board but in broader forums about governance and stewardship [e.g., ICGN, CII, NACD]. … It has given me an opportunity to have more structured dialogue with some of the leading institutional investors to attend events and talk with them. And I know them through my prior professional career as well. I really feel as if I've got some insight into the limitations of using public disclosures when you're an institutional investor.* (AC-25)

Given that s/he felt passionate about the AC's high-quality work, this insight resulted in her/him advocating for unique disclosures:

> *I think that the more transparency we can have about the functioning of the audit committee—if you will, the personality of the audit committee—the better. Otherwise, their [investors'] perspective is very much limited to the black and white that they read, what's on their screen, and what they hear from the management team at the quarterly earnings call and investor meetings. They have no real ability to appreciate the personality of the board committees, the nature of the dialogue, the level of intensity, the level of commitment that individual directors and committees have to their work. ... So we incorporated [description of unique disclosure]. That struck me as pretty great, actually, if I may say so. I mean, I was really happy with it. To me, it delivered some value. You might talk to some institutional investors who say, "nope, s/he's all wrong; we don't care." But that would surprise me.* (AC-25)

These two cases demonstrate how feedback helps ACs to recognize gaps in legitimacy, prompting them to enhance their disclosures with more meaningful information that aligns with

investor needs.[21] Notably, for ACs to narrow the legitimacy gap, they must recognize that a gap exists—feedback is one mechanism that provides this information. In these two cases, we observe the AC engaged in feedback-seeking through inquiry (Ashford and Cummings 1983) rather than assuming the absence of direct feedback meant investors were uninterested or satisfied with the disclosures. While the purpose of disclosures that result from feedback is to make the AC appear legitimate, they differ from isomorphic disclosures. Specifically, these disclosures are provided on a timely basis—as opposed to in response to negative events like restatements—and allow high-quality ACs to differentiate themselves from others.[22]

We observe that feedback-seeking requires significant time and effort, making it costly and not accessible to all ACs or investors. Thus, it would likely be more cost-effective if shareholders provided direct feedback through clearly communicated expectations in their voting policies, engagement opportunities, and actual voting outcomes. However, as noted previously, these forms of feedback may not be available to all companies or investors, and they require more expansive disclosures than currently provided. While ACs have received less attention in recent years, some respondents predict that this focus may change in the near future: "I do believe it goes in waves. Investors focus on different topics. My prediction is it's coming back around to the audit committee" (P-3).

5.3 | How AC disclosures could meaningfully evolve

Since most AC respondents did not receive investor feedback, we identified a need to explore

[21] For both of these cases, we reviewed the historical disclosures and verified that the disclosure changes align with the detailed description provided by respondents. In the case of AC-25, the unique disclosures provide a detailed discussion about time-varying, company-specific risks that the AC focused on each year along with how the AC responded to the risks (e.g., description of meetings with different members of management, training for AC members, etc.). We provide additional examples of how disclosures could meaningfully evolve in Section 5.3.

[22] An alternative explanation for our findings is that our coercive and mimetic isomorphic disclosers are low-quality ACs. We refute that explanation because we spent the first half of each interview learning about how the AC's responsibilities have evolved over time and how they manage these evolving responsibilities. While we certainly observe variation in tactics for managing evolving responsibilities, most respondents indicated sincerity in their fiduciary responsibilities and the time dedicated to AC work.

which types of disclosures would help high-functioning ACs convey their effectiveness. Table 4 summarizes the three major themes that our investor respondents recommended (i.e., the inclusion of company-specific information related to AC members' backgrounds and qualifications, ACs' responsibilities, and ACs' oversight culture) as well as illustrative quotes with more details. We supplement the investor quotes with feedback from ACs about the potential for further improving AC disclosures. As shown in Table 4, there are synergies between investors' recommendations and ACs' recognition of the potential benefits of such expansions. We hope that future research can provide more systematic identification of useful themes and exemplars such as through surveys, experiments, and textual analysis. Future research can then explore investor reactions to these disclosures, as shareholders may not fully utilize the enhanced disclosures they claim to need.

A natural question that remains is whether more regulation is needed to encourage these types of AC disclosure improvements. Regarding the potential for a more stringent mandatory regime, an AC respondent described the risk as follows:

> *When you make something like this mandatory, it becomes very cookie-cutter. I'm sure there are different nuances across companies, and I think you get a better result if you let the companies tell their story the way they think is relevant for them*. (AC-16)

Repeatedly, we heard this message that a one-size-fits-all disclosure could not be used across companies. Ultimately, our data leads us to believe that enhanced disclosures will be most effective under a voluntary regime in which companies have access to direct investor feedback. While regulators have differing views, this sentiment aligns with a recent statement by SEC Commissioner, Hester Peirce, prior to an Investor Advisory Committee meeting:

> *I hope that one theme in the conversation will be the value of principles-based disclosure and the value of affording companies the discretion to make disclosures based on what is material to their particular circumstances. Principles-based disclosure rules do not prescribe corporate disclosure, but instead provide the framework within which companies make material disclosures to investors. … Clear and comprehensive disclosure should be our goal, not homogenization for its own sake.* (Pierce 2025).

6 | CONCLUSION

This study contributes to prior research by providing novel evidence on how companies communicate AC oversight activities, bridging a gap between prior archival studies with contradictory conclusions. Our analysis reveals that many companies adopt an isomorphic strategy by mimicking one of two types of peers: the set of companies providing the minimally required boilerplate AC disclosures (coercive), or the set of companies voluntarily providing standardized language recommended by the CAQ and other large accounting firms without understanding why it is helpful to investors (mimetic). In both groups, most ACs fail to tell a company-specific "story" that provides substantive information about AC oversight. The isomorphic strategy is operationally efficient because ACs can choose which level of disclosures they want to mimic without feeling the pressure to lead disclosure practices innovatively. Our findings align more closely with archival research that focuses on legitimacy management and provide nuanced insights into the perceptions of AC members and disclosure preparers as they make these disclosure decisions. Although we highlight two instances of ACs engaging in signaling, our findings suggest that, on average, expanded AC disclosures examined in prior archival research are not driven by proactive signaling. As a result, we hesitate to interpret expanded disclosures in the current environment as a signal of AC quality. Our observations indicate that AC members—perhaps rationally—often resist expanding disclosures until they better understand whether and how investors will use them. This reluctance does not imply weak AC oversight but rather a need for greater clarity on the purpose and value of expanded disclosures.

Our study also contributes to existing research and practice by identifying that isomorphic behaviors are driven by the lack of feedback from investors—the primary stakeholders of AC disclosures. The lack of feedback causes a legitimacy gap that leaves ACs feeling that investors are not using their disclosures, and investors feeling that disclosures are not useful enough. We

recognize that efforts to close this gap can be costly; however, it would be more cost-effective if shareholders provided direct feedback through clearly communicated expectations in their voting policies and engagement opportunities. In Table 5, we summarize our key findings, highlighting how the disclosure attributes and mentalities differ across groups (i.e., coercive, mimetic, and signaling) as well as how the need for investor feedback and the potential implications of our study also vary across these groups.

We urge future research to employ a variety of methods to further identify disclosure themes that can help investors distinguish AC effectiveness. For instance, researchers could gather survey data to capture a broader range of investor feedback and use experiments to assess the impact of specific disclosure recommendations on investor judgments and decision-making. As expanded disclosures gain prominence, researchers could perform normative descriptive studies—building on earlier work using small samples (Carcello et al. 2002; Pandit et al. 2006; Holder-Webb et al. 2008)—with the aim of developing machine learning techniques to analyze AC disclosures from the broader population. The latter step is especially important, as proxy advisors and certain investors must rely on machines to evaluate many companies' disclosures, rather than depending solely on hand-coded assessments. Moreover, we encourage future archival researchers to develop textual analysis techniques that enable them to distinguish signaling from mimetic isomorphism based on the degree of company-specific information (e.g., using textual analyses to calculate similarity scores compared to examples in CAQ [2021] or relevant peers).

While direct investor feedback is vital for helping AC members understand company-specific disclosure needs, our study documents that institutional barriers prevent this from occurring more frequently. Therefore, future research is needed to explore more efficient methods

for enabling direct investor feedback on AC disclosures.[23] Our evidence also suggests that there is a belief that the ACs have received a "pass" in recent years. Therefore, future research is needed to better understand the events or conditions that drive changes in investor expectations regarding AC performance and related disclosures. This is particularly important as the AC takes on an evolving set of responsibilities, including cybersecurity, ERM, and sustainability reporting.

Collectively, our findings should be of interest to companies evaluating their governance disclosure practices, investors seeking enhanced disclosures, regulators considering how rules can improve current market frictions, and academics interested in corporate governance and overall disclosure quality. While enhanced disclosure requirements have the potential to improve the information environment by standardizing available data, failure to encourage companies to tell their unique oversight story will likely lead to continued frustrations for both ACs and investors.

[23] One potential example is the U.K. Financial Reporting Council's recent launch of a website that "provid(es) conversation starters aimed at promoting better engagement between investors and audit committees" (FRC 2023). We expect that this initiative was developed based on potential recognition of inadequate AC disclosures and, thus, the need for investor feedback.

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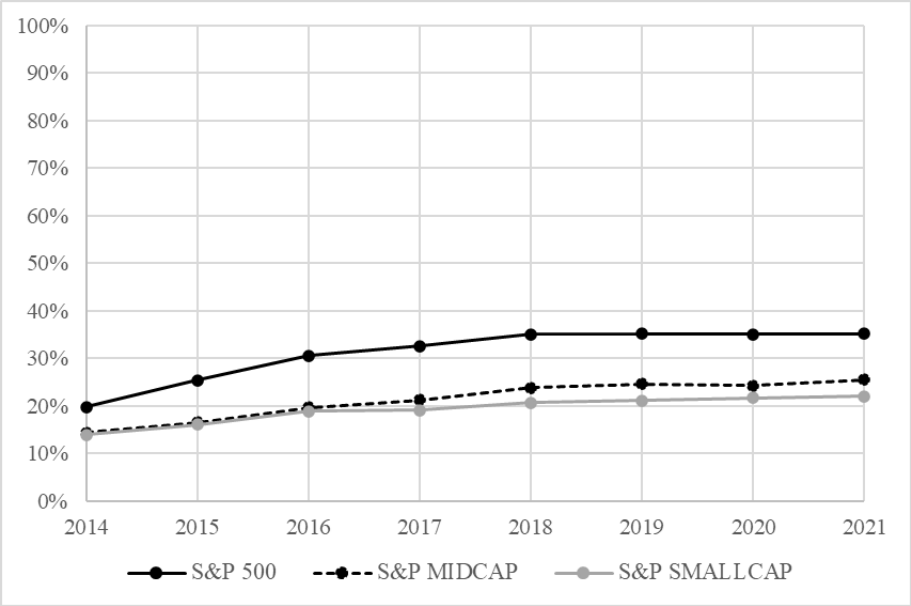
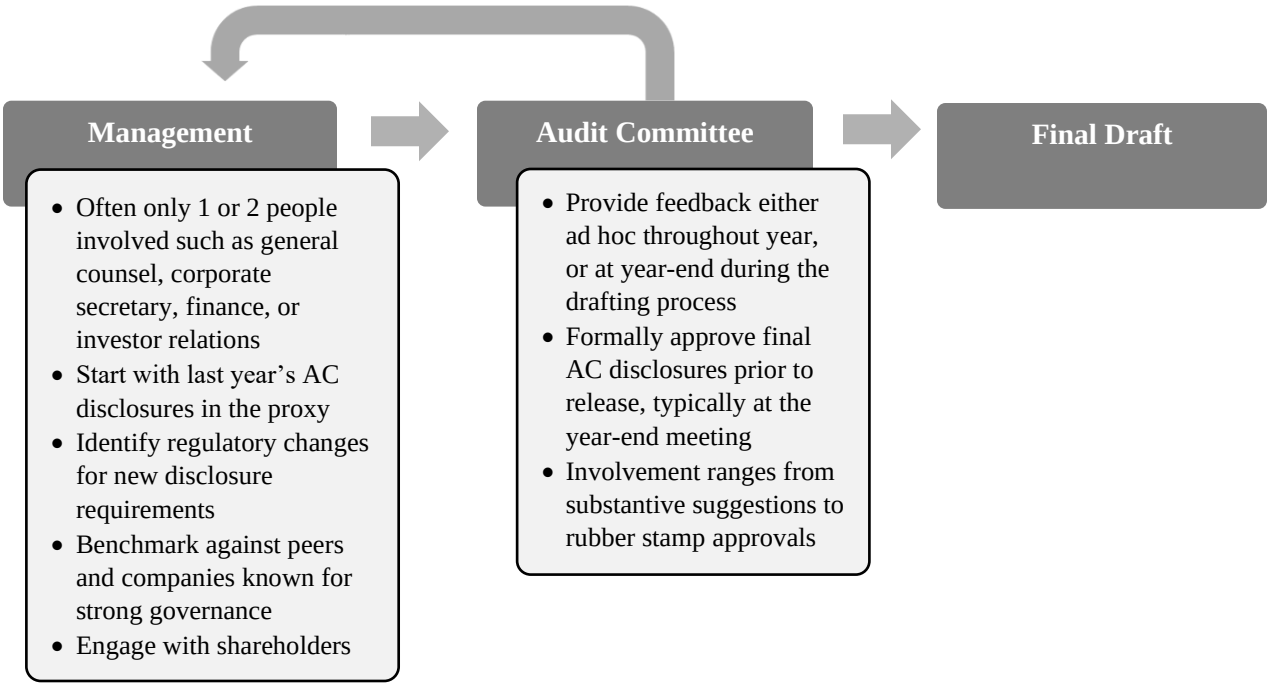
FIGURE 1 Average of CAQ AC transparency report scores



Notes: Each data point represents the average of the percentages reported for the 12 external auditor oversight categories using the data reported in CAQ (2021). The categories represent data associated with greater transparency about the AC's roles and responsibilities. The CAQ began gathering and reporting this data in 2014.

FIGURE 2 The AC disclosure process



Notes: Some ACs have also engaged with shareholders, but our data suggests that such interactions are rare.

TABLE 1 Interview details

Participant Number	Participant Role	Focal Company Size	Interview Length (minutes)	Disclosure Type
Audit Committee (AC) Participants:				
AC-1	AC Member	Small Cap	80	Coercive
AC-2	AC Chair	Small Cap	75	Coercive
AC-3	AC Chair	Mid Cap	65	Coercive
AC-4	AC Chair	Delisted	60	Coercive
AC-5	AC Chair	Mid Cap	80	Mimetic
AC-6	AC Member	Mid Cap	75	Coercive
AC-7	AC Chair	Large Cap	55	Coercive
AC-8	AC Chair	Mid Cap	70	Mimetic
AC-9	AC Chair	Mid Cap	100	Coercive
AC-10	AC Chair	Large Cap	55	Mimetic
AC-11	AC Chair	Large Cap	75	Mimetic
AC-12	AC Member	Mid Cap	70	Coercive
AC-13	AC Chair	Large Cap	70	Coercive
AC-14	AC Chair	Large Cap	75	Mimetic
AC-15	AC Chair	Mid Cap	55	Coercive
AC-16	AC Chair	Large Cap	65	Mimetic
AC-17	AC Chair	Small Cap	95	Coercive
AC-18	AC Member	Large Cap	70	Coercive
AC-19	AC Chair	Small Cap	90	Coercive
AC-20	AC Chair	Mid Cap	75	Mimetic
AC-21	AC Chair	Small Cap	55	Coercive
AC-22	AC Member	Large Cap	60	Mimetic
AC-23	AC Chair	Large Cap	85	Mimetic
AC-24	AC Chair	Small Cap	75	Mimetic
AC-25	AC Chair	Mid Cap	85	Signaler
AC-26	AC Chair	Mid Cap	65	Mimetic
AC-27	AC Chair	Large Cap	80	Signaler
AC-28	AC Chair	Large Cap	65	Mimetic
AC-29	AC Chair	Large Cap	85	Mimetic
AC-30	AC Chair	Mid Cap	60	Mimetic
Other Participants:				
Disclosure preparers:				
P-1	GC, Corporate Secretary	Mid Cap	45	Signaler
P-2	Board Secretary & SEC Counsel	Mid Cap	50	Mimetic
P-3	EVP, GC, and Secretary	Large Cap	45	Mimetic
P-4	CFO and Treasurer	Large Cap	45	Mimetic
P-5	Corporate VP, GC & Secretary	Large Cap	65	Coercive

Disclosure users ("Investor"):

I-1	Shareholder Advocacy	35	N/A
I-2	Shareholder Advocacy	55	N/A
I-3	Proxy Advisor	N/A – Written	N/A
I-4	Institutional Shareholder	45	N/A
I-5	Shareholder Advocacy	50	N/A
I-6 (A,B,C)	Institutional Shareholder	50	N/A
I-7	Corporate Governance Research Firm; Indexer	30	N/A
I-8	Shareholder Advocacy	50	N/A
I-9	Proxy Advisor	50	N/A
I-10	Sell-side Analyst	50	N/A
I-11	Sell-side and Buy-side Analyst	35	N/A
I-12	Institutional Shareholder	40	N/A

Notes:

- The AC participants ("AC" references) represent our primary sample. All participants in our primary sample serve on the AC of at least one U.S. publicly traded company. AC interviews consisted of two parts: 1) understanding ACs' evolving responsibilities and how ACs manage increasing workloads; and 2) understanding AC disclosure choices. This paper uses the AC data from the second part of the interview, which averaged approximately 43 minutes. Interviews of AC participants occurred between September 2021 and March 2022.
- We also conducted interviews with other participants that represent the views of others involved in disclosure preparation ("P" references) and users of the disclosures ("I" references). The participants involved in disclosure preparation generally include general counsels and corporate secretaries. The users of disclosure generally represent the investor perspective; however, we also note that shareholder advocacy participants represent professional organizations that create guidelines for voting and engagement policies and those that communicate with regulators on behalf of the investment community. These interviews of other participants occurred between January 2022 and April 2022.
- One of the participants from the investment community only agreed to respond via written responses (I-3). Thus, we sent our interview script questions via email and the individual provided detailed comments in response.
- For one of the institutional investors (I-6), we were able to gain insights from three different employees involved in the investment and engagement process. They asked to conduct the interview together, so we asked follow-up questions to capture any potential agreement or disagreement across individual participants (I-6A, I-6B, I-6C). Because their backgrounds varied, different perspectives were offered.
- Large Cap indicates market capitalization of more than $10 billion; Mid Cap between $2 and $10 billion; and Small Cap less than $2 billion at the time of the interview. One participant is classified as "Delisted" since the company was no longer listed at the time of the interview.

TABLE 2 Perceptions of potential benefits and costs of expanded AC disclosures

	AC and Disclosure Preparer Perceptions	Investor Perceptions
POTENTIAL BENEFITS		
Increase transparency	*I think you have got to start from the standpoint that your responsibility is to your shareholders. And so, to me, that means you should default to be as transparent and inclusive of information as you can. You don't want to just be verbose and not have any substance to it. …But, I think more is better. I mean more in the sense of if it's worthwhile information, and I think shareholders deserve to be informed. You should tell the world what you're doing and how you're doing it. And they [shareholders] can judge that. And if they don't like it they can kick you out. I mean, you're their representative. And so why should you keep things from the world,* (AC-5) *It's the notion of crafting your wording accurately but not in a way that takes on unnecessary risk. ... You want to be transparent.* (AC-20) *I just think that being fulsome about what we do is helpful. [Then goes on to describe peer benchmarking to make sure that company is meeting peer expectations in terms of length and transparency]* (AC-29)	**On the benefits of transparency**: *For the organizations that do a good job [of disclosing], I think it's a lot easier for us as investors to assess and price the risk. So, they're really doing themselves a favor by effectively communicating the important information to us; that way, we're not guessing, we're not making assumptions, we don't need to make assumptions.* (I-6C) *If companies aren't disclosing enough, that was a negative. … If you don't have disclosures, we can't say that they [AC members] are doing the right thing. If there's a failure, we assume the worst-case scenario in those cases when we didn't have sufficient disclosure.* (I-9) **On whether current AC disclosures are transparent**: [Stated in a sardonic tone:] *I think the primary goal is to meet the minimal legal requirement and not provide any productive information whatsoever. I mean, it appears to be written by lawyers and not by an audit committee that wants to actually share what they do.* (I-4) *Just read them; they're compliance oriented. They're really telling you that they [AC members] have checked the boxes. We did this, we did this, we did this. And they don't tell you anything qualitative about what they did. If there were issues, they don't bring them up in there.* (I-10)
Signal quality and provide comfort	*It's probably a little self-serving that you want to demonstrate that the AC is doing good work and discharging their fiduciary responsibility. ... I think it would reduce the possibility that the question would come up to say, "what's the audit committee doing and why aren't they doing this?" I think it positions you in a good way.* (AC-10) *High-functioning audit committees work incredibly hard. They are looking in a variety of places and in detail, "deep in the weeds" looking at risks, looking at areas such as cyber. There's value in telling that to shareholders. It's helpful to convey that to outsiders when the audit committee is really involved.* (P-2) *I think it helps from a broader sort of investor perspective. … They [investors] certainly want to know that companies have strong management teams, but also strong boards who are engaged and*	**On whether current AC disclosures are considered a "signal" of AC quality**: *It's difficult to know in advance which committees are doing a substandard job. That only becomes apparent (to a certain degree) after the fact—after there is an accounting restatement or a risk oversight failure.* (I-3) **On whether expanded AC disclosures could be useful in serving as a "signal" of AC quality:** *If it [expanded disclosure] was genuinely substantive? Yes. If it was just fluff—saying nice things about a process, including a lot of the detail but not really being substantive about the actual impact that they had, that resulted in better financial reporting or better, whatever their issue they're focusing on—then I wouldn't view that as valuable. With*

	aren't just sitting there. So, I think that is both a benefit and a challenge. If you can tell that story, then you're going to expand your investor base. You're going to, from my perspective, reduce the risk of shareholder proposals or activists. (P-3)	*everything these days, you've got to try to see through the words that are there to determine what is genuinely of substance.* (I-10)
POTENTIAL COSTS		
Litigation risk	*If you start putting a lot of information in there [proxy disclosures], and for some reason, you don't address some event that occurs, then you're putting yourself at risk. Someone can say, "Well, you said all these other things; why did you not bring this up as an issue? You weren't keeping the shareholders fully informed."* (AC-2) **Counterargument that litigation risk should <u>not</u> be a key concern:** *I don't want to overemphasize the litigation. I'm just saying you can't be reckless with stuff [AC disclosures]. … It's not like you sit around and say, 'Oh my God, we can't do this because we're going to get sued'* (AC-5) *You want to keep your language accurate, tailored, and reasonable. … Some litigation risk exists if there is too much puffery, which is why I go back to the records to make sure that we actually did what we say.* (P-2) *There is always a potential threat of shareholder litigation, including too much or not enough information could be harmful. But what's really going to save you from a litigation perspective will be evidence about what we actually did—for example, what's documented in the minutes about what the board did to consider the issue.* (P-5)	**On how AC disclosures can affect litigation risk**: *The litigation risk is real, but I think there's a comfortable meeting place where you give investors more information and still do not run the risk.* (I-4) *From their [ACs'] own point of view of protecting their own behinds, I think they want to show the world that they've taken this seriously. So, if there's nothing in the disclosure item and they just said, "We've looked at it and we're fine," then if something goes wrong, I don't think they've covered their butt, that they're not guilty of negligence. But if they've said, "This is all the steps we've done," and it still happened, I think in some ways they've covered themselves.* (I-11) **On how AC disclosures could be used in litigation**: *It [AC disclosures] gives us the opportunity to think about board accountability. So where we would see a company having failed in their audit committee duties by not disclosing something and then a controversy happening, I think it's a little bit easier to hold them responsible for that.* (I-6B)
Mis-interpretation	*I don't know that you need to go into further detail because I mean, if companies went into a laundry list or buckets of things, it would probably frighten a lot of people who say, "Oh my God, look at what they've got." When the reality is, they're nuisance things.* (AC-19) [Following a discussion about potential expanded disclosures on partner selection:] *That's definitely too granular. Probably because there's a possibility it could get misunderstood or misinterpreted. Depending on the way it's written, someone might conclude that, "Oh, we want a partner that caters to what we want." That's not what I'm saying at all.* (AC-10) *I don't know if the stakeholders would understand, I mean, unless they're like us in the profession.* (P-4)	**On whether there is concern about misinterpretation**: *Don't leave it to us to fill in the blanks because we're probably going to do it incorrectly.* (I-6A) *And so when we're talking about more disclosure, is it really more, or is it updated? Is it relevant? Is it material for us to understand what you're actually doing? And so that's what we want to know.* (I-6B)

Information overload	*It may get to the point that it's too much information, and if it's not targeted information, then shareholders may lose interest. Lots of times, if it's not something that's going to catch your interest, and you're going to continue to spend your time on it, you're going to say, "Oh, this is too much information, I'll deal with it later, I'll read it later." And you never come back and do that.* (AC-2) *I generally think more disclosure is better than less. But the problem with more extensive, exhaustive disclosure is that the most important facts or factors can get buried in the detail. So, that's the push-pull between comprehensiveness and being concise.* (AC-15)	**On whether information overload is a risk in expanded AC disclosures**: *Is there an information overload? Are the disclosures too complex for investors to process, for example? I feel that neither of those applies, in my opinion, to what's currently out there regarding audit committees and audit-related disclosures. I think this is more of an area for enhancement, not diminishment.* (I-9) *Audit disclosures tend to be much less bloated than, say, what the governance committee puts out. So, I think that there's probably room to expand if anything*. (I-7)
Disclosures will go unused	*I think the disclosures right now are appropriate. The question is what benefit would more [disclosures] add to an investor or an analyst or ISS or Glass Lewis? I don't know if they're looking for more.* (AC-22) *You've heard my views on the importance of the audit committee's role. But I just don't think we have, frankly, enough of the constituencies there to jump at starting to disclose this stuff [more detail on AC responsibilities].* (AC-21) *I think the demand is pretty low.* (P-5) *To be honest, I don't know if there is a disadvantage or a challenge necessarily. I think maybe it just hasn't happened because it's not required. And so we're doing what is required and not being pressed to do more. … We're going to do what's required and that should be sufficient because that's what the regulators are looking for.* (AC-19)	**On the ACs' perception that enhanced disclosure is unnecessary because investors will not use the additional information**: *I don't think that's the right way to do it. They should disclose just because they should. We may or may not use it, but when we need it, we want it to be there. I get a little bit... I don't know what the right word is, but when I hear companies use that argument... And we've heard it before. We've heard it like, "No one's going to read it, so I'm not going to disclose it." Well, you do it anyway because that's part of that transparency.* (I-6 A) *In general, the disclosure is good to have there so that if there are any potential issues, we can identify them and identify how they're being overseen. But as far as normal course, we're not scouring these disclosures.* (I-12) **On whether companies should wait for more regulation to expand disclosures**: *For us, regulation is a minimum standard. So, companies that go for the regulation are just hitting the minimum and so we want companies that will go beyond that.* (I-6A)

TABLE 3 AC respondents' perceived benefits and costs of expanded AC disclosures by discloser type

Panel A: Potential benefits

	Coercive	Mimetic	Total
Increase transparency	3	8	11
Signal quality and provide comfort	4	3	7
Total count of potential benefits	7	11	18
Stated that there are no potential benefits	4	1	5

Panel B: Potential costs

	Coercive	Mimetic	Total
Litigation risk	7	5	12
Misinterpretation	6	3	9
Information overload	3	6	9
Disclosures will go unused	5	2	7
Total count of potential costs	21	16	37
Stated that there are no potential costs	0	2	2
Stated that litigation is not a primary concern	2	5	7

Notes:
- Respondents were asked to reflect on the benefits and disadvantages or challenges they could foresee if their AC disclosures were expanded to include more granular information. If a respondent needed an example of what a more granular disclosure might look like, we described anonymized examples that we noted in practice—such as companies that disclosed more details about the major risks the AC focused on during the year.
- Due to time limitations and the need to explore other interesting themes, we were unable to ask one of the AC respondents in the mimetic discloser group about their perceptions of potential benefits and costs of expanded AC disclosures. Therefore, the maximum count for each row in the "Mimetic" column is 13. The maximum count for each row in the "Coercive" column is also 13 since we were able to obtain data for all respondents in this group.
- Given that we only conduct interviews with a small number of disclosure preparer respondents, we do not provide counts of their perceptions of the benefits and costs. Similarly, we do not include counts for the two signaler respondents.

TABLE 4 Suggestions for AC disclosure enhancements

Potential AC Disclosure Themes	Example Quotes from Respondents
Discuss how the background, skill sets, and qualifications of the AC fit specifically with the needs of the company	Add more context around *why* the AC is built with the right people and skills: *Who's on the AC, what's their experience? We take it for granted now because I think ACs, over time, have been upskilled in a big way. … But it's important to say who's there so that the reader can make their own judgments about "is this a committee who has the kind of experience that gives me comfort that they are carrying out their responsibility in a thorough way?"* (AC-18) Demonstrate that the AC is invested in maintaining and improving skill sets as oversight areas evolve: *One thing, when we talk about AC disclosure, would be what did they do in the last year from a professional development standpoint? What kind of things did they do to build knowledge of the committee members? It gets back to that story of what they did and how they are trying to improve themselves.* (I-6A) … *Just to piggyback on the remark. That's particularly useful and interesting when you look back at what the organizational strategy is and emerging risks. How well is that being covered off—whether it's a stated risk or risk that we believe the company is facing—to see whether the AC is on top of this.* (I-6C)
Clearly delineate which responsibilities the AC is taking on, with additional context for annual issues (as opposed to time-invariant risk oversight discussions)	Clearly delineate responsibilities: *Probably the most important thing for me would be a really clear understanding of the key non-financial risks that we keep hearing about—climate being the big one, cyber, human capital management to an extent—but understanding what the AC's role is in those non-financial risks, how the AC members see that evolving, and to what extent it [the risk] is being delegated elsewhere or retained at the full board level.* (I-7) Discuss relative use of time/effort in overseeing different risks: *I would probably add a little bit more. Here's a primary risk, and here's how we spend our time and allocation. Because when you see all of this boilerplate disclosure, for lack of a better term, if I'm an investor, I may wonder, "Wow. The financial statements, is that 80% of your time? 10% of your time? How should I think about this from a focus and time perspective?" (AC-14)*
Expand beyond boilerplate discussion to provide context that "tells the story" of the AC oversight culture	Provide additional context that is unique to the AC and reflects their story and/or their level of engagement during the year: *To be honest, it is very difficult for shareholders or proxy advisors to know [how ACs are performing]. Companies disclose how often the AC met in the last fiscal year but do not disclose the length of those meetings, or the items on the agenda, or how engaged the committee members were in the discussions. Even knowing which areas of risk oversight are the province of the AC does not tell us how much time the committee spends on any of those areas.* (I-3)

TABLE 5 Summary of key findings

Coercive Isomorphism (13 of 29)	Mimetic Isomorphism (14 of 29)	Signaling (2 of 29)
Disclosure Attributes • Provide minimal SEC-mandated information • Boilerplate disclosures	*Disclosure Attributes* • Provide additional information to meet disclosure norms (e.g., industry benchmarking) • Boilerplate disclosures	*Disclosure Attributes* • Provide time-varying information to signal AC oversight effectiveness • Company-specific disclosures
Reasons • ACs and/or disclosure preparers have a compliance-focus • ACs and/or disclosure preparers perceive that the costs of expanded disclosures outweigh the benefits • ACs and disclosure preparers are not aware of investors' need for additional information	*Reasons* • ACs and/or disclosure preparers have a desire to be consistent with peers • ACs and/or disclosure preparers perceive that the benefits of expanded disclosures outweigh the costs, but are uncertain about what types of expanded disclosures would be most useful or how they would be used • ACs and disclosure preparers are not aware of investors' need for company-specific information	*Reasons* • ACs and/or disclosure preparers have a desire to showcase their AC's high quality • ACs and/or disclosure preparers perceive that the benefits of company-specific expanded disclosures outweigh the costs • ACs and/or disclosure preparers are aware of investors' need for company-specific information
Relevant Feedback from Investors • Current disclosures do not meet their needs (i.e., ACs and disclosure preparers need to become aware of the legitimacy gap)	*Relevant Feedback from Investors* • Current disclosures do not meet their needs (i.e., ACs and disclosure preparers need to become aware of the legitimacy gap)	*Relevant Feedback from Investors* • Current disclosures meet their needs, but ACs should regularly update (i.e., ACs and disclosure preparers should remain aware of the legitimacy gap)
Potential Implications • Investors are not able to distinguish company-specific AC oversight effectiveness • Additional regulation would likely be necessary to encourage this group to expand their disclosures	*Potential Implications* • Investors are not able to distinguish company-specific AC oversight effectiveness • Additional details may be untimely (e.g., disclosures of expanded oversight roles may only appear after being seen in peers' disclosures) • Expanded disclosures could be possible with more feedback from investors about their disclosure needs	*Potential Implications* • Investors can monitor AC effectiveness more easily (e.g., whether AC members' continuing education aligns with key risks or whether key risks appear to be adequately overseen) • Companies should continue to seek direct investor feedback to ensure that disclosure changes align with investor needs • Direct investor feedback can be costly and may not be available to all investors and/or companies