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Assessment of Managerial Tone in Annual General Meetings for Corporate Governance

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Abstract*— The process of corporate governance depends on narrative disclosures as its essential element yet existing theoretical frameworks study only scripted one-way communication methods. The research presents a process-based framework which enables the implementation of Real-Time Governance Signaling during Annual General Meetings (AGMs). Our research presents the AGM as an essential institutionalized environment which serves as a disclosure platform that produces different results from analyst-mediated earnings calls because of its legal requirements and diverse stakeholder presence. The governance pressure which organizations experience, leads to two different types of executive narrative conduct, which manifest through Managerial Tone and Linguistic Strategy. The interactive format of AGMs displays tonal changes that occur during meetings as a conditional proof of accountability, which differs from the fixed nature of scripted reports. The research demonstrates that companies with inadequate oversight mechanisms will use deceptive tactics when public scrutiny increases, which market participants will perceive as signs of agency risk. The research establishes a method to assess unscripted executive responses through advanced NLP techniques, which develop a dialogic system for accountability, that determines its impact on equity capital costs.

Index Terms: *Corporate Governance, Annual General Meetings, Textual Analysis, Managerial Tone, NLP, Information Asymmetry*.

I. INTRODUCTION

The main method which corporate managers use to meet their obligation of accountability to stakeholders consists of narrative disclosures. Financial statements deliver numerical information while the narrative section supplies essential details which help stakeholders understand the situation. The disclosure literature contains a major gap because it depends excessively on unchanging official documents.

The research investigates Annual General Meetings (AGMs). Previous studies treat AGMs as equivalent events to earnings calls whereas we demonstrate that the AGM functions as a separate major governance framework. The AGM serves as a mandatory accountability platform where managers present their decisions to institutional investors retail shareholders and regulators while elective earnings calls require analysts to control most of their content. Organizations lose control of their narratives because this process reveals genuine governance signals which formal documents conceal.

II. LITERATURE REVIEW

Current research establishes that "tone" carries economically meaningful information. However, by focusing on scripted media, the literature assumes that managers have near-perfect control over the narrative "filters." We integrate the findings of Chang (2023) regarding NLP in financial forecasting to suggest that the interaction between participants provides a more robust signal than the text in isolation. We move beyond "word counts" to theorize how the structural responsiveness of language signals governance quality.

Authors	Year	Title	Methodology Used	Pros	Cons
Hájek.et.al[1]	2016	Predicting Abnormal Bank Stock Returns Using Textual Analysis of Annual Reports – A Neural Network Approach	Neural Networks + Textual Analysis	Captures nonlinear relationships; early AI application in finance	Limited interpretability; bank-sector specific
Abou-El-Sood.et.al[2]	2022	Abnormal Disclosure Tone, Earnings Management and Earnings Quality	Tone analysis + Regression models	Links tone with earnings quality; strong accounting contribution	Possible endogeneity; dictionary-based tone limitations
Li.et.al[3]	2020	Incorporating Stock Prices and News	Sentiment analysis + Machine	Integrates price and sentiment data;	Market-specific;

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Authors	Year	Title	Methodology Used	Pros	Cons
		Sentiments for Stock Market Prediction: A Case of Hong Kong	Learning	improved prediction	short-term focus
Xing.et.al[4]	2018	Intelligent Asset Allocation via Market Sentiment Views	Sentiment-based Portfolio Optimization	Practical portfolio application; NLP integration	Model complexity; sentiment quality dependence
Yu.et.al[5]	2025	Unlocking Financial Statement Fraud Detection: Tracking Disclosure Changes via Representation Learning	Deep Learning + Representation Learning	Advanced AI; dynamic fraud detection	High computational cost; low interpretability
Black.et.al[6]	2025	Textual Uncertainty in Financial Disclosures and Information Asymmetry Among Investors	Uncertainty Index + Regression	Strong theoretical base; links tone to asymmetry	Measurement subjectivity; causality issues
Bask.et.al[7]	2024	Media Sentiment and Stock Returns	Sentiment scoring + Time-series regression	Direct return impact evidence; broad media data	Media bias risk; short-term reaction bias
Ambatipudi.et.al[8]	2023	An Instructive Guide for Extracting Digital and IT Competence of Firms Using Natural Language Processing on Earnings Call Transcripts	NLP + Text Mining	Innovative competence measurement	Indirect market impact; keyword sensitivity
El-Sayed.et.al[9]	2021	Investigating Abnormal Disclosure Tone in Corporate Narratives	Panel Regression + Tone Metrics	Emerging market evidence; abnormal tone focus	Sample limitation; tone measurement sensitivity
Luo.et.al[10]	2019	Tone of Earnings Announcements in Sin Industries	Textual Tone Analysis + Regression	Industry-specific insights; behavioral dimension	Limited sector generalizability
Pouryousof.et.al[11]	2022	The Relationship between Managers' Disclosure Tone and the Trading Volume of Investors	Panel Regression	Links tone to investor trading behavior	Endogeneity concerns
Elshandidy.et.al[12]	2024	Tone of Narrative Disclosures and Earnings Management: UK Evidence	Textual Analysis + Regression	Developed market setting; governance link	Country-specific findings
Marty.et.al[13]	2020	News Media Analytics in Finance: A Survey	Systematic Literature Review	Comprehensive classification of methods	No empirical testing
Koelbl.et.al[14]	2024	Revealing the Risk Perception of Investors Using Machine Learning	Machine Learning Classification	Captures investor sentiment complexity	Model transparency issues
Kim.et.al[15]	2023	Audit Effort on Tone	Tone Ambiguity	Governance	US-specific; proxy

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Authors	Year	Title	Methodology Used	Pros	Cons
		Ambiguity in 10-K Filings	Index + Regression	perspective; audit-quality link	measurement limits
Chakraborty.et.al[16]	2020	A review on textual analysis of corporate disclosure according to the evolution of different automated methods	Literature Review	Explains evolution of automated methods	No empirical validation
Xue.et.al[17]	2024	MD&A Tone and Stock Returns	Tone Scoring + Regression	Direct linkage to stock returns	Short-run market reaction bias
Ye.et.al[18]	2025	Concealment and Detection: Influence of Management Tone on Analyst Forecast Revisions	Textual Tone + Forecast Regression	Analyst perspective; expectation channel	Analyst bias possibility
Chen.et.al[19]	2022	Financial Fraud Detection of Listed Companies in China: A Machine Learning Approach	Machine Learning Classification	High predictive accuracy; emerging market data	China-specific sample
Pouryousof.et.al[20]	2023	Inconsistency in Managers' Disclosure Tone: The Signalling Perspective	Tone Inconsistency Index + Regression	Strong signalling theory framework	Measurement complexity
Pouryousof.et.al[21]	2025	Unravelling the complex link between managers' disclosure of abnormal tone and opportunistic behaviour	Regression + Abnormal Tone Metrics	Connects tone with managerial opportunism	Causality limitations
Malandri.et.al[22]	2018	Public Mood–Driven Asset Allocation: the Importance of Financial Sentiment in Portfolio Management	Sentiment Index + Portfolio Optimization	Behavioral finance integration	Sentiment volatility sensitivity
Xing.et.al[23]	2019	Sentiment Analysis for View Modeling	NLP-based Sentiment Modeling	Framework for sentiment-based investing	Limited empirical validation
Aman.et.al[24]	2022	Effect of Corporate Disclosure and Press Media on Market Liquidity: Evidence from Japan	Panel Regression + Disclosure Metrics	Liquidity focus; dual information channels	Japan-specific sample
Mishra.et.al[25]	2023	ESG Volatility Prediction Using GARCH and LSTM Models	GARCH + LSTM Hybrid Model	Combines traditional & AI models	Model complexity; ESG data limitations
Dang.et.al[26]	2022	Does managerial tone matter for stock liquidity? Evidence from textual disclosures	Textual Analysis + Liquidity Regression	Direct liquidity impact evidence	Possible omitted variables

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Authors	Year	Title	Methodology Used	Pros	Cons
Wang.et.al[27]	2024	The Effects of Manager Sentiment in Financial Disclosure: Perspectives of Operational Efficiency and Market Reaction	Sentiment Index + Market Reaction Analysis	Links operational efficiency and market response	Short-term event-based focus

III. CONCEPTUAL FRAMEWORK

A. Why AGMs Are Different: The Institutionalized Accountability Gap

The Institutionalized Accountability Gap shows how AGMs operate as distinct events from other interactive formats which include earnings calls and activist meetings. The first element of the AGM functions as an established recurring event which creates a common standard that enables different companies to conduct their assessments. The diversity of participants in the event who range from retail investors to government officials makes it impossible for managers to deliver a single prepared statement. The main distinction between the two groups exists because management needs to address shareholder inquiries through their direct responses which become permanent records.

B. Core Constructs: Decoupling "What" from "How"

We argue that Tone and Strategy are two different analytical categories.

- **Managerial Tone (The "What"):** The affective orientation (optimism vs. pessimism).
- **Linguistic Strategy (The "How"):** The structural mechanics (hedging, ambiguity, responsiveness).

Hypothetical Case: When asked about declining margins, a CEO may state, “We remain highly confident in our long-term growth trajectory,” (Optimistic Tone) while simultaneously stating, “Specific cost-structure externalities are being managed through multi-modal strategic pivots,” (Unclear Strategy via high-syllable ambiguity).

C. The Mechanism: From Pressure to Interpretation

The framework follows a sequential path. According to Impression Management Theory managers must handle high mental demands when they defend their positions during actual situations. The stress-induced linguistic instability shows itself through increased Tone Volatility which creates alternating evaluative assessments. The volatility depends on governance pressure because it functions as an internal reaction to external monitoring instead of being a constant character trait. Investors who possess advanced knowledge understand the "unscripted" market fluctuations as an indicator that organization risks exist.

IV. PROPOSITIONS

Theoretical arguments lead to the following testable propositions:

P1: The relationship between governance scrutiny and firm performance establishes a positive connection between executive tone changes and decreased performance and increased regulatory scrutiny.

P2: Under heightened scrutiny, firms with concentrated ownership and weak board oversight will implement Unclear Linguistic Strategies which decrease semantic similarity between shareholder questions and managerial answers.

P3: The existence of institutional investor monitoring leads to Linguistic Responsiveness becoming a more accurate indicator of post-AGM market stability than absolute sentiment levels.

V. METHODOLOGICAL IMPLICATIONS

The researchers used NLP technology as a test measurement tool to evaluate their propositions which lacked any theoretical value. We propose:

1. **Contextual Embeddings (e.g. FinBERT):** To capture semantic differences which arise from shareholder inquiries.
2. **Turn-Level Modeling:** The system calculates metrics for every individual interaction to determine how "unscripted" replies impact the results.
3. **Metrics for Execution:**
   - **Tone Volatility:** The standard deviation of sentiment scores across the manager's turns.
   - **Responsiveness:** Using Cosine Similarity () to measure the semantic distance between a shareholder's question and the manager's response.

VI. BOUNDARY CONDITIONS

- **Cultural Communication Norms:** High-context cultures require people to speak through indirect means. The markets exhibit ambiguous behavior which does not indicate hidden intentions but instead reflects cultural norms of politeness.
- **Firm Size and Ownership Concentration:** The AGM serves as the primary opportunity for stakeholders to challenge managers in companies that practice concentrated ownership.

- **Market Maturity & Enforcement:** Strong regulatory regimes increase the legal significance of narrative shifts which raises the "cost" of linguistic unclear while enhancing the authenticity of resulting signals.

VII. DISCUSSION: THE VALUATION LINK

We end our study by establishing a connection between narrative dynamics and company valuation. The governance risk element of this framework extends beyond conventional asset valuation methods. Investors will require an increased risk premium when managers demonstrate ongoing protective and deceptive conduct during AGMs.

The equation defines the risk premium which investors associate with existing transparency deficiencies. The combination of high values and extended time periods results in reduced P/E multiples and increased capital expenses.

VIII. CONCLUSION

This paper shows how management narrative practices function as a flexible system of organizational control. The study demonstrates how governance pressure affects both evaluative stance and rhetorical behavior through their institutionalized repetition at annual general meetings.

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