

10-8-2014

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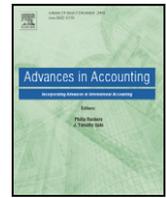
Laan Smith, Joyce van der, Gouldman, Andrea L., and Tondkar, Rasoul H. "Does the adoption of IFRS affect corporate social disclosure in annual reports?" *Advances in Accounting, incorporating Advances in International Accounting* 30 (2014) 402–412. <http://dx.doi.org/10.1016/j.adiac.2014.09.015>

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Contents lists available at ScienceDirect

Advances in Accounting, incorporating Advances in International Accounting

journal homepage: www.elsevier.com/locate/adiac

Does the adoption of IFRS affect corporate social disclosure in annual reports?

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ARTICLE INFO

Available online 8 October 2014

Keywords:

Corporate social disclosure
IFRS
Stakeholder theory

ABSTRACT

In this exploratory study we investigate the impact of the implementation of IFRS on corporate social disclosures (CSD) within the context of stakeholder theory. We measure the level of CSD in annual reports using a disclosure instrument based on the United Nations Conference on Trade and Development report "Guidance on Corporate Responsibility Indicators in Annual Reports". We find that IFRS adoption had a differential effect on CSD based on a firm's institutional setting i.e., the stakeholder–management relationship prevalent in their institutional environment. Firms in the stakeholder countries did not have a significant change in the level of CSD following the mandatory adoption of IFRS while firms from the shareholder countries experienced a significant increase over the same period resulting in shareholder countries providing an overall higher level of CSD after IFRS adoption than stakeholder countries. These findings suggest that firms' reactions to the requirements of IFRS and the stakeholder pressure to provide additional CSD are influenced by institutional environment. Further, our results provide support for the use of stakeholder theory to predict the level of CSD.

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1. Introduction

In September, 2009 the Group of Twenty (G-20) Finance Ministers and Central Bank Governors representing the leading industrialized and developing economies met to discuss global economic issues. One of the results of that meeting was a call for countries to "redouble their efforts" and complete the convergence process with International Financial Reporting Standards (IFRS) by 2011 (Whitehouse, 2009). While the US and several other countries did not meet the 2011 deadline, they are moving in the direction of convergence. According to the IASB over 120 countries currently require or permit the use of IFRS (IASB, 2010).

Over the same period that the world has been moving toward adoption of IFRS there has also been increased interest in corporate social disclosure (CSD), traditionally defined as the information provided on the effects of the firm's operations on employees, suppliers, customers, and communities (Clarkson, 1995; Gray, Kouhy & Lavers, 1995; McVea &

Freeman, 2005; Spence & Gray, 2007).⁴ Reflecting this interest, the largest global companies increased their CSD by 30% over the three year period 2005 to 2008 (KPMG, 2008). While there are many disclosure channels for public CSD (e.g., standalone corporate sustainability reports, company websites, press releases, and annual financial reports or annual reports) calls for more integration of CSD in annual reports have been made by corporate stakeholders (KPMG, 2008; Social Investment Forum, 2009) and researchers (Hubbard, 2009). Bjorn Stigson, president of the World Business Council for Sustainable Development, stated that "sustainability reporting must be a part of the management of business performance. Increasingly this information should not be in separate sustainability reports but part of broader annual performance reports" (KPMG, 2008). From a research perspective, Bhimani and Soonawalla (2005) argue for an integrative framework for disclosure encompassing corporate financial information alongside corporate responsibility reporting.

The increasing interest in integrated CSD reporting and the move to IFRS affect the disclosure demands that firms face. Full IFRS adoption mandates approximately 4000 disclosures (Leone, 2009). In contrast,

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⁴ CSD has been referred to by many names including corporate social reporting (Gray et al., 1995), corporate responsibility reporting (KPMG, 2008), corporate sustainability reporting (Adams & Whelan, 2009) and environmental, social and governance reporting (Social Investment Forum, 2009). Throughout this paper we use CSD to refer to the information that a company provides on the social and environmental impact of its operations.

CSD is largely voluntary in nature (UNCTD, 2008; van der Laan, 2009). While there is limited empirical evidence on the relationship between firms' voluntary disclosure practices and mandatory disclosure requirements, mandatory and voluntary disclosures are likely interrelated (Bagnoli & Watts, 2007; Dye, 1985; Einhorn, 2005; Francis, Nanda, & Olsson, 2008). Beyer, Cohen, Lys and Walther (2010, p. 335) fortify the need to jointly consider the relationship between voluntary and mandatory disclosure suggesting that "one of the biggest challenges and opportunities facing researchers is considering the interactions among the various information sources". Adding to the literature in this area we attempt to better understand how firms' CSD policies are affected by the mandatory disclosure requirements of IFRS. More specifically, we consider how firms respond to this changing disclosure environment in the context of stakeholder theory.

Stakeholder theory predicts that firms respond to pressure from stakeholders based on the power, legitimacy and urgency accorded the various stakeholder groups (Freeman, Harrison, & Wicks, 2007; Mitchell, Agle, & Wood, 1997; Ullmann, 1985). We question whether firms will respond differentially to IFRS adoption based on the traditional stakeholder–management relationship prevalent in their institutional environment. For firms in countries with institutional environments that are historically more stakeholder-oriented, the adoption of IFRS focuses and expands annual report disclosures on financial information increasing the urgency associated with shareholding stakeholders. Thus, the adoption of IFRS may shift the stakeholder–management relationship in these countries toward a shareholder–management relationship as firms work to meet the increased financial disclosure requirements of IFRS. This shift in focus may be reflected in less emphasis on communication of non-financial information through reduced CSD in annual reports. Conversely, firms from shareholder-oriented countries who have historically focused on their shareholder relationship will not experience the same sense of shareholder urgency upon adopting IFRS. Accordingly, we suggest that these firms are likely to react to stakeholder pressure to provide CSD, increasing the level of CSD in annual reports post-IFRS adoption.

While concern and caution have been expressed over the implications of mandating a single set of global accounting standards both from regulatory (Haller, 2002; Schipper, 2005; Sunder, 2009) and financial statement comparability perspectives, little research has examined the effect that implementation of IFRS will have on non-IFRS disclosures in annual reports.⁵ Therefore, whether the adoption of IFRS affects CSD in annual reports is ultimately an empirical question. To address this question, we examine the level of CSD provided by large European and Australian firms, for the two years prior to (2003–2004) and two years following the adoption of IFRS (2006–2007). Characterizing countries as stakeholder-oriented and shareholder-oriented based on legal origin, code-law and common-law respectively, allows us to infer firms' traditional stakeholder–management relationships. While this legal origin distinction is admittedly a simple measure of stakeholder orientation it has been effective in identifying differential influences on financial reporting (Ball, Kothari & Robin, 2000; Hope, 2003; Jaggi & Low, 2000).

Using a measurement instrument based on the United Nations Conference on Trade and Development's (UNCTD) report "Guidance on Corporate Responsibility Indicators in Annual Reports" (UNCTD, 2008), we find that firms in the shareholder-oriented countries in our sample, the UK and Australia, experienced a significant ($p < .01$) increase in CSD from pre- to post-IFRS adoption whereas firms domiciled in the stakeholder-oriented countries, Belgium, France, Germany, Italy and the Netherlands, did not experience a significant change in the level of CSD over the same period. The results of this study provide useful information to investors and organizations interested in CSD as well as to the IASB as it considers the Disclosure Framework project. These

findings suggest that mandatory disclosures may impact the level of voluntary disclosures within certain institutional settings. Specifically, we contribute to the literature by extending the understanding of the impact of institutional factors on firms' disclosure practices, an area of increasing importance to financial statement users, preparers and policy makers as we move to a global set of accounting standards (Healy & Palepu, 2001). Considering the increasing interest in CSD, our findings, though tentative, highlight the need for further research in this area.

2. Related literature

2.1. Stakeholder theory

Stakeholder theory, as described by Freeman (1984), contends that successful firms effectively manage their stakeholder relationships, defining any group affected by a firm's operations as a stakeholder in that firm. Thus, successful firms consider the interest of groups beyond those that have a financial stake in the firm, i.e., shareholders and creditors, to include non-shareholding groups such as, employees, suppliers, customers, and communities (Clarkson, 1995; Mitchell et al., 1997). Clarkson (1995) proposed evaluating corporate social performance using a stakeholder framework. His work and that of Donaldson and Preston (1995) helped develop stakeholder theory into an operational framework that has been used in accounting literature to evaluate how firms communicate with their stakeholders through CSD (Boesso & Kumar, 2007; Gray et al., 1995; Prado-Lorenzo, Gallego-Alvarez & Garcia-Sanchez, 2009; van der Laan Smith, Adhikari & Tondkar, 2005). In a review of the CSD literature, Gray et al. (1995) conclude that stakeholder theory provides a method of understanding CSD practices within the larger view of social and political theories.

Socio-political theories, including stakeholder theory, imply that the extent of CSD is related to stakeholder pressure. Thus, firms facing greater pressure will provide more CSD. Prior research, primarily as it relates to environmental performance, has provided conflicting results. Some researchers provide evidence consistent with a negative relation between environmental performance and CSD arguing that "companies facing greater exposure, as companies with poorer environmental performances... would be expected to provide more extensive environmental disclosures" (Patten, 2002, 763). Other research finds a positive relation between environmental performance and CSD (Al-Tuwaijri, Christensen & Hughes, 2004; Clarkson, Li, Richardson & Vasvari, 2008; Clarkson, Li, Richardson & Vasvari, 2011). These conflicting results led Clarkson et al. (2008, p. 325) to suggest that "these [i.e., socio-political] theories are not robust in predicting the level of discretionary disclosure".

Given these contradictory results, and the debate over the ability of stakeholder theory to predict the level of CSD, we contribute to this debate and explore this issue within the context of a changing disclosure environment which requires managers to consider competing stakeholder pressures. We argue that a test of stakeholder theory should consider overall CSD in annual reports since changes in the level of CSD may be reflective of shifts in the management relationship with shareholders versus non-shareholding stakeholders. The stakeholder–management relationship is the core of stakeholder theory, as Freeman and Phillips (2002, p. 334) state that "a 'stakeholder theory' is one that puts as a primary managerial task the charge to influence, or manage, or balance the set of relationships that can affect the achievement of the organization's purpose". Balancing the interests of various stakeholder groups requires managers to make trade-offs between conflicting interests.

Determining which stakeholder interests gain management attention depends on the importance attached to the stakeholder group. Ullmann (1985), examining the relation between CSD and social and economic performance, proposed a model with stakeholder power as its theoretical basis. He defined power in terms of stakeholder control of "resources critical to the organization" (p. 552) proposing that the more powerful the stakeholder group, the more attention management

⁵ Soderstrom and Sun (2007) provide a review of the literature on the effect of IFRS adoption on accounting quality in the European Union.

will accord their demands. Building on this work Mitchell et al. (1997) argue that the stakeholders that managers pay attention to are those that have the most compelling combination of the attributes of power, legitimacy and urgency. They define legitimacy based on social acceptance of relevancy and urgency or “the degree to which stakeholder claims call for immediate attention” (p. 867). Supporting this concept of stakeholder identification and salience, Parent and Deephouse (2007) find a “positive relationship between number of attributes and salience” (p. 18).

The attribute of urgency introduces the concepts of time-sensitivity and criticality into the stakeholder–management relationship. A stakeholder must consider its demands as both time-sensitive and important to be considered as urgent by managers. Applying the theory of stakeholder salience to the shareholder–management relationship, Agle, Mitchell, and Sonnenfeld (1999) find that urgency was the “best predictor” of shareholder salience for the CEOs of the large public firms included in their sample. We focus on this attribute since the country-level mandatory adoption of IFRS, with its emphasis on shareholder disclosures, introduces urgency into the shareholder relationship increasing the power of this stakeholder group.

Underlying stakeholder attributes is the understanding that they are dynamic and that the importance placed on the stakeholder relationship will ebb and flow based on management’s perception of these attributes. Further, since management’s views of stakeholder attributes are based on perceptions, they are not objectively determined but are “socially constructed” (Mitchell et al., 1997). As such, we argue that the importance placed on a stakeholder group varies not only over time but systematically based on differences in the institutional setting.

2.2. Institutional setting

Prior research has found that the level and quality of CSD in annual reports varies cross-nationally (e.g., Gray, Javad, Power & Sinclair, 2001) with continental European firms providing higher levels of CSD than non-European firms (Meek, Roberts & Gray, 1995; van der Laan Smith et al., 2005; Williams & Ho Wern Pei, 1999; Zarzeski, 1996). Disclosure research seeking to identify the reasons for these observed cross-national differences has primarily focused on two country-level institutional factors, culture and legal origin (e.g., Douppnik & Salter, 1995; Gray, 1988; Meek et al., 1995; Orij, 2010; van der Laan Smith et al., 2005; Zarzeski, 1996).

Reasoning that cultural values influence management’s perception of stakeholder attributes, van der Laan Smith et al. (2005) find a positive relation between a country’s emphasis on social issues and the level and quality of CSD. They argue that “since societal values influence managerial values, managers in countries that exhibit strong concern with social issues would be more cognizant of and attach greater importance to stakeholder claims” (p. 132). Supporting these results, a cross-national study of 600 firms from 22 countries by Orij (2010) finds an association between CSD levels and the stakeholder orientation of a national culture.

Studies examining the impact of legal origin on disclosure practices have used legal origin to represent the type of corporate governance model that was most prevalent in the reporting country, referring to common-law countries, such as the US, UK and Australia, as having a shareholder-oriented model and code-law countries, such as most continental European countries, as having a stakeholder-oriented model (Ball et al., 2000). This shareholder/stakeholder distinction is primarily based on differences in legal and accounting structures (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 1997, 1998).

In common-law countries these institutional features work to protect and inform shareholders resulting in wide-spread corporate ownership and a focus on the shareholder–management relationship. Jaggi and Low (2000) examining the influence of legal origin on financial disclosures of 401 firms from six countries find evidence of this shareholder focus; firms from common-law countries had higher

financial disclosure levels than firms from code-law countries. Institutional structures in code-law countries provide less investor protection discouraging shareholder ownership while encouraging broader board representation (e.g., banks and employees). As a result, firms in code-law countries tend to accord non-shareholding stakeholder groups the same level of legitimacy as shareholders providing a setting that encourages higher levels of CSD.

Corporate governance systems have also been characterized as shareholder or stakeholder based on the corporate worldview prevalent in the country, contractarian or communitarian (van der Laan Smith, Adhikari, Tondkar & Andrews, 2010; van der Laan Smith et al., 2005).⁶ In contractarian countries “shareholder wealth maximization is the primary purpose of the corporation” whereas in communitarian countries corporations “have social responsibilities not only towards their stockholders but to all other stakeholders” (van der Laan Smith et al., 2005, p. 129). Thus, contractarian societies, such as the common-law countries, the UK and Australia, are labeled shareholder societies and communitarian societies, such as those found in code-law continental European countries, are labeled stakeholder societies.

A general finding from this stream of research is that a country’s institutional features as characterized by the stakeholder/shareholder orientation influence CSD. However, these findings are primarily based on disclosure studies conducted within the context of domestic reporting systems. Sunder (2009) expressed concern over the concept of convergence of accounting standards arguing that variations in reporting systems that developed in particular countries were based on societal norms and cultures. He proposes that prescribing a cross-national set of accounting standards will lead to a “reduction in the fit between the local economic environment and the financial reports” (Sunder, 2009, p. 109), implying a loss of individual country characteristics. In contrast, a study by Yip and Young (2012) suggests that institutional factors remain important after the mandatory adoption of IFRS. They find that the information comparability following the mandatory adoption of IFRS is greater among firms from countries with similar institutional environments than firms from countries with different institutional frameworks. Examining the CSD practices of firms complying with IFRS provides additional insight into the ability of institutional features to influence firms’ behavior.

2.3. IFRS adoption and the disclosure environment

The IASB identifies financial stakeholders as the primary users of general purpose financial statements, specifically, “existing and potential investors, lenders and other creditors” (Conceptual Framework IASB.org, accessed 2011). It follows that financial disclosures are the focus of IFRS which contain more disclosure requirements than most continental European countries’ domestic accounting standards (Daske & Gebhardt, 2006; Ding et al., 2007; Jermakowicz & Gornik-Tomaszewski, 2006). Within this changing financial disclosure environment, the pressure to provide CSD, which is primarily voluntary in nature, continues to increase as evidenced by the overall growth in CSD reporting by corporations through annual reports and standalone reports from less than 1500 in 2002 to over 3500 reports in 2009 (CorporateRegister.com, 2010; UNCTD, 2008; van der Laan, 2009). KPMG in its review of the state of CSD noted that “one of the most significant findings of the 2008 survey is that corporate responsibility reporting has gone mainstream – nearly 80 percent of the largest 250 companies worldwide issued reports, up from about 50% in 2005” (KPMG, 2008).

Disclosure research generally finds that managers have private information about a firms’ operations and if this information is perceived as being desired by shareholders then managers will choose to disclose it, as lack of disclosure will be interpreted negatively (Bagnoli & Watts,

⁶ See Bradley, Schipani, Sundaram and Walsh (1999) for an in-depth discussion of contractarianism and communitarianism.

2007; Healy & Palepu, 2001; Verrecchia, 2001). Given the notable change in the climate for CSD over the last decade this implies that, *ceteris paribus*, managers will react by increasing the level of CSD. However, we believe that the replacement of a country's domestic accounting system with IFRS may differentially change the disclosure environment. Specifically, the impact of IFRS adoption on CSD may be dependent on whether the disclosing firm is in a traditionally stakeholder or shareholder-oriented country.

Research examining the interaction between voluntary and mandatory disclosures indicates that the content and level of mandatory disclosure in financial reports affects the level of voluntary disclosure (e.g., Bagnoli & Watts, 2007; Dye, 1985; Einhorn, 2005; Francis et al., 2008). A general finding from this literature is that increases in mandatory disclosure may lead to decreases in voluntary disclosure (e.g., Bagnoli & Watts, 2007; Dye, 1985; Healy & Palepu, 2001; Verrecchia, 2001), that is, voluntary and mandatory disclosures are possible substitutes. IFRS is based on institutional structures common in shareholder-oriented countries. Given the similarities between the domestic accounting standards in shareholder-oriented countries and IFRS, firms located in these countries will likely already have mandatory disclosure requirements similar to that of IFRS. Managers in these countries may not perceive a shift in urgency associated with shareholding stakeholders upon adoption of IFRS allowing these managers to be more sensitive to changes in the CSD reporting climate. Accordingly, firms from shareholder-oriented countries may be minimally impacted by the adoption of IFRS. In contrast, the domestic accounting standards in traditionally stakeholder-oriented countries share fewer similarities with IFRS and typically mandate far less disclosures than required by IFRS (Ding, Hope, Jeanjean & Stolowy, 2007). When faced with the increased mandatory reporting requirements of IFRS, managers in firms domiciled in stakeholder-oriented countries may perceive more urgency associated with shareholding stakeholders shifting the stakeholder–management relationship toward shareholder claims. This will be reflected with less emphasis on voluntary communication of non-financial information through CSD in annual reports. This argument implies that IFRS adoption will have a differential effect on CSD depending on a firm's stakeholder orientation with firms in traditionally shareholder-oriented countries increasing the level of CSD and firms in traditionally stakeholder-oriented countries reducing the level of CSD.

If the mandatory requirements of IFRS act as a substitute for voluntary disclosures, it is possible that shareholder-oriented firms may reduce their voluntary disclosures with the adoption of IFRS. Dye (1985) also proposes that in certain circumstances a firm may wish to enhance the credibility of its mandatory disclosure by providing collaborating voluntary disclosure, in which case the relationship between mandatory and voluntary disclosures would be complementary. Additionally, the more detailed disclosures required by IFRS may complement some of the voluntary disclosures that were already being made by firms domiciled in the stakeholder-oriented countries (Gigler & Hemmer, 1998). Thus, the adoption of IFRS may not necessarily result in reduced CSD for stakeholder-oriented firms. Given the contradicting predictions and lack of extant research examining CSD practices in the context of an international financial reporting system, whether adoption of IFRS affects the level of CSD in annual reports remains an open question. To explore this issue we focus on the following research question.

RQ: Does the traditional stakeholder or shareholder orientation of a country influence the effect of IFRS adoption on CSD in annual reports?

3. Methodology

3.1. Sample

The sample for our study includes the top fifty European companies and all nine Australian companies included on the 2005 Fortune Global

500 list (Fortune, 2006). We selected Fortune Global 500 companies since size has consistently been identified as a predictor of disclosure level in general (Hope, 2003) and CSD specifically (Gray et al., 2001; Meek et al., 1995). We focused on European and Australian companies since they are subject to IFRS reporting requirements and had similar IFRS adoption timetables. The European Commission required adoption of IFRS in 2005 for publically traded European Union (EU) companies. In line with the EU adoption timetable, the Financial Reporting Council of Australia directed all for-profit entities to fully comply with IFRS in 2005.⁷ To be included in the sample, firms were required to have annual reports available for the four years including 2003, 2004, 2006 and 2007. We selected annual reports from these years to provide a basis for comparison around the 2005 adoption of IFRS. We excluded 16 of the 59 original companies, resulting in a final sample of 43 companies. Companies were excluded for the following reasons. Six companies used US GAAP during the period under investigation (Switzerland (4) and United Kingdom (2)), four companies did not have data available (France (2), Norway (1), and Spain (1)), and six companies used IFRS for financial reporting prior to the mandatory adoption of IFRS (Germany (6)). The companies included in the final sample represent seven countries and six industries with six firms from environmentally-sensitive industries in manufacturing including chemicals and allied products (1), petroleum and coal products (4), and primary metal industries (1).⁸

Following prior research, this study identifies the stakeholder/shareholder orientation of a country based on its legal origin, classifying code-law countries as stakeholder-oriented and common law countries as shareholder-oriented. We recognize that there are a great number of other factors that may distinguish one country from another making the legal origin distinction a simple measure of stakeholder orientation. Thus, our findings should be interpreted with the limitations of this measure in mind. We do note, however, that this distinction has been effective in identifying differential influences on financial reporting (Ball et al., 2000; Hope, 2003; Jaggi & Low, 2000; Simnett, Vanstraelen & Chua, 2009; van der Laan Smith et al., 2005).

Given that the majority of the continental European countries are stakeholder-oriented countries, our sample contains five countries in the stakeholder group, Belgium, France, Germany, Italy, and the Netherlands and two countries in the shareholder group, Australia and the UK. This results in 27 companies in the stakeholder group, approximately 63% of the sample, and 16 companies in the shareholder group, approximately 37% of the sample (see Table 1 for sample descriptives).

3.2. CSD measurement

CSD was measured using a content analysis technique. Content analysis is a method of codifying text into groups or categories thus allowing the material to be transformed into quantitative scales that permit further analysis. Content analysis has been widely used by researchers trying to obtain reliable and valid information from texts (Boesso & Kumar, 2007). The importance of using this methodology for understanding stakeholder reporting practices is emphasized by Guthrie, Petty, Yongvanich, and Ricceri; "Several theoretical lines of inquiry have profited from the application of content analysis as an approach to data collection and analysis. Stakeholder and legitimacy theory are two of the better known" (2004, p. 283).

CSD data was collected from the companies' 2003, 2004, 2006, and 2007 annual reports. The annual report is recognized as a primary method of communicating with financial as well as non-financial stakeholders (Neu, Warsame, & Pedwell, 1998) as evidenced by research observing

⁷ See Jermakowicz and Gornik-Tomaszewski (2006) for a concise history of the IFRS adoption process in the EU and Haller (2002) for a detailed analysis of the process.

⁸ Consistent with Gamble, Hsu, Jackson, and Tollerson (1996), firms were classified as environmentally sensitive based on SIC code. Of the seven environmentally-sensitive firms, two are domiciled in stakeholder-oriented countries and four are domiciled in stakeholder-oriented countries.

Table 1
Sample characteristics.

Country	Number of firms			
	Preliminary sample	Excluded	Final sample	%
Belgium	1	0	1	2.33
France	11	2	9	20.93
Germany	15	6	9	20.93
Italy	4	0	4	9.30
The Netherlands	4	0	4	9.30
Norway	1	1	0	0.00
Spain	1	1	0	0.00
Switzerland	4	4	0	0.00
Total stakeholder orientation	41	10	27	62.79
Australia	9	0	9	20.93
United Kingdom	9	2	7	16.28
Total shareholder orientation	18	2	16	37.21
Total sample	59	12	43	100.00

variations in the quality and level of CSD in annual reports (Boesso & Kumar, 2007; Brown & Deegan, 1998; Freedman & Stagliano, 1992; Gray et al., 2001; Meek et al., 1995; Neu et al., 1998; van der Laan Smith et al., 2005). We argue that corporate reporting through the annual report provides a vehicle for examining shifting stakeholder relationships through the choices managers make in the information they disclose. It is a proxy for the stakeholder pressures perceived by company managers. We believe this argument is consistent with the theoretical origins of stakeholder management which strives to integrate the management of economic and social objectives (Harrison & Freeman, 1999).

To measure the level of CSD in annual reports we developed a measurement instrument containing 68 key indicators obtained from the "Guidance on Corporate Responsibility Indicators in Annual Reports" (2008) prepared by the UNCTD Secretariat (see Appendix A).⁹ The UNCTD report was developed based on discussions with the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and other experts as well as reviews of other existing guidelines such as those issued by the Global Reporting Initiative (GRI). The indicators allow for external verification and are based on performance measures. The indicators are grouped within the following twelve categories: trade, investment, and linkages; employment creation and labor practices; technology and human resource development; health and safety; government and community contributions; corruption; water use; energy use; global warming; ozone-depleting substances; waste management; and, consolidation policy.

We developed our instrument to measure the presence of quantitative performance data since the purpose of our study is to measure the level of high quality CSD. That is, CSD that is verifiable, provides information on actual performance, and is free of management bias. Prior research has found that firms use narrative annual report disclosures to positively shape their image and manage impressions (Cho, Roberts & Patten, 2010; Neu et al., 1998; Smith & Taffler, 2000). Measuring only the presence of quantitative indicators mitigates the bias that may be present in word or sentence counts. There are several reporting guidelines available including, among others, the GRI Sustainability Reporting Guidelines and the International Organisation for Standardisation (ISO) 14000 series. We based our measurement instrument on the UNCTD method since the indicators in this report were developed specifically for communication to stakeholders through an annual financial report following the framework of IFRS (UNCTD, 2008).

The content of each annual report in our sample was analyzed to determine the presence of an indicator and coded 1 for that indicator if it was present and 0, otherwise. The presence of information is easily identified and has been evaluated as an appropriate unit in previous

⁹ The environmental indicators were obtained from the UNCTD 2004 Eco-Efficiency Indicators manual incorporated by Appendix into the 2008 report.

research (e.g., Barth, McNichols & Wilson, 1997; Campbell, Craven & Shrive, 2006; Freedman & Stagliano, 2002; Patten, 2002). By only considering whether the information is reported in the annual report, this measure ignores the quantity and nature of the information disclosed. However, this measurement mitigates forms of researcher bias as it overcomes the problems of allocating a portion of a page, counting words or sentences, and the inherent subjectivity in determining the characteristics of information. Consistent with the presentation in the UNCTD report, no weighting was assigned to the indicators. Thus, the highest score that could be obtained was 68. One researcher analyzed all of the reports and a second researcher analyzed a sample of the reports and checked consistency among the different categories. Inter-rater reliability on the sample reports was over 90%. Any questions or discrepancies were referred to a third researcher for disposition.

3.3. Statistical analysis

Given that the same sample firms were used during all periods under investigation (i.e., "pre-" and "post-mandatory" IFRS adoption) we use a repeated measures ANOVA controlling for company within the stakeholder and shareholder groups to examine the change in CSD after adoption of IFRS.

4. Results

4.1. Descriptive statistics

Descriptive statistics (mean and standard deviation) on the CSD scores and firm-level variables are provided in Tables 2, 3, 4, and 5. Tables 2 and 3 describe the firms domiciled in the stakeholder-oriented countries and Tables 4 and 5 present the firms domiciled in shareholder-oriented countries.

As shown in Tables 2 and 4, stakeholder countries had a higher level of mean CSD than the shareholder countries in 2003 however, this relationship reversed in 2004. Immediately prior to adoption of IFRS in 2004 and after adoption of IFRS in 2006 and 2007 firms in the shareholder countries provided more CSD than firms in the stakeholder countries.

Overall, using our measurement instrument, there is a low level of CSD in all years. The mean CSD for the shareholder and stakeholder countries in 2003 was 15.19 and 16.26, respectively. Therefore, on average the shareholder countries reported on approximately 22% of the 68 possible indicators and the stakeholder countries reported on approximately 24%. Although higher, we also observe a low level of CSD in 2007 for the shareholder countries (19.63 or 29%) and the stakeholder countries (15.81 or 23.3%). We believe that the low level of reporting is due to using performance based indicators in the measurement instrument. This finding is similar to Morhardt, Baird and Freeman (2002) who examined the extent to which the 1999 environmental reports of the 40 largest global industrial companies met reporting guidelines and noted that the lowest scores (13.4%) were from application of the ISO 14031 guidelines. They concluded that "most companies have not embraced the idea of reporting on environmental condition indicators" (p. 225).

In planning the research design, consideration was given to cultural and firm-level variables identified in prior research as influencing CSD (Hope, 2003; Hossain, Perera & Rahman, 1995; Hussein, 1996; Jaggi & Low, 2000; Kim & Kim, 2010; Meek et al., 1995; Raffournier, 1995; Riahi-Belkaoui, 2001; van der Laan Smith et al., 2005; Watson, Shrive & Marston, 2002; Zarzeski, 1996). The use of the same sample firms for multiple years in a repeated measures model with company included maintains the culture and industry variables constant across every firm. Additionally, the use of a repeated measures model mitigates the need for including net income and financial leverage in the final model.¹⁰

¹⁰ While net income and financial leverage may have changed during the period evaluated, as a practical matter the assumption of control over these variables appears reasonable as variations in these variables may be due to company level factors (Baldwin, 1984).

Table 2
Components of corporate social disclosure (stakeholder).

	2003 Mean (Std. Dev.) (Firms)	2004 Mean (Std. Dev.) (Firms)	2006 Mean (Std. Dev.) (Firms)	2007 Mean (Std. Dev.) (Firms)	2003/2007 Change Mean (Std. Dev.)
Total corporate social disclosures	16.26 -8.54 27	13.7 -6.35 27	15.33 -6.31 27	15.81 -7.62 27	-0.45 0.92
Trade, investment and linkages	1.26 -0.45 27	1.11 -0.32 27	1.04 -0.19 27	1.15 -0.36 27	-0.11 0.09
Employment creation and labor practices	4.15 -2.21 27	3.74 -2.16 27	3.59 -1.80 27	3.56 -2.04 27	-0.59 0.17
Technology and human resource development	1.41 -1.15 21	1.22 -0.89 21	1.30 -1.14 20	1.26 -0.98 21	-0.15 0.17
Health and safety	0.70 -0.82 13	0.56 -0.75 11	1.00 -1.07 14	0.89 -1.05 13	0.19 -0.23
Government and community contributions	1.15 -0.36 27	1.11 -0.32 27	1.15 -0.36 27	1.22 -0.42 27	0.07 -0.06
Corruption	0.74 -0.53 19	0.81 -0.48 21	0.89 -0.42 23	0.93 -0.27 25	0.19 0.26
Water use	0.67 -1.18 8	0.44 -0.93 7	0.63 -1.04 10	0.93 -1.44 15	0.26 -0.26
Energy use	0.67 -1.00 11	0.48 -0.70 10	0.81 -0.68 18	0.81 -0.83 16	0.14 0.17
Global warming	0.78 -1.09 11	0.52 -0.70 11	1.07 -0.78 21	1.00 -0.88 18	0.22 0.21
Ozone-depleting substances (ODS)	0.22 -0.80 3	0.04 -0.19 1	0.07 -0.27 2	0.11 -0.42 2	-0.11 0.38
Waste management	1.15 -1.68 12	0.63 -0.93 12	0.70 -1.14 12	0.85 -1.23 14	-0.30 0.45
Consolidation policies	3.37 -1.55 26	3.04 -1.65 26	3.07 -1.47 27	3.11 -1.42 27	-0.26 0.13

While not a direct focus of our study, concerns have been voiced about the length of annual reports under IFRS having a constraining effect on CSD (Corporate Register, 2010). Therefore, it is interesting to note the change in the number of pages in the annual reports from 2003 to 2007, the period two years prior to and two years after adoption of IFRS. As shown in Tables 3 and 5, the mean number of pages in annual reports in the stakeholder (shareholder) countries increased from 184.44 (173.25) pages in 2003 to 223.15 (213.06) pages in 2007. Paired *t*-tests analysis (two-tailed), not reported, of the difference in mean number of pages reveal a significant ($p < 0.05$) increase in pages across this period in both shareholder and stakeholder groups.

4.2. Overall results

The linear model upon which the repeated measures analysis of variance is based takes the following form:

$$Y_{i(j)(k)} = \mu + \eta_{i(j)} + b_k \tag{1}$$

where:

$Y_{i(j)(k)}$ a measurement of CSD for the *k*th reporting period (i.e., “pre-” and “post-mandatory” IFRS adoption) on the *i*th company of type *j*,
 μ overall mean effect,

Table 3
Firm-level variables (stakeholder).

Variable	2003 (Std. Dev.)	2004 (Std. Dev.)	2006 (Std. Dev.)	2007 (Std. Dev.)	2003/2007 Change
Net income (€m)	2965.93 -4392.48	4317.22 -6093.31	5401.89 -5834.07	6175.41 -6523.79	3209.48 -2131.31
Leverage (total liabilities / total assets)	0.78 -0.14	0.77 -0.15	0.75 -0.17	0.75 -0.17	-0.03 -0.03
Number of pages	184.44 -84.73	178.22 -74.87	207.19 -96.98	223.15 -111.34	38.71 -26.61

$\eta_{i(j)}$ effect of *i*th company nested in levels of different firms, and
 b_k effect of reporting period.

As shown in Table 6, the influence of company is significant in all cases indicating that the level of CSD is related to unmeasured factors unique to each firm. Accordingly, we conclude that the use of a repeated measures ANOVA model is appropriate as it allows us to control for these unmeasured firm-level factors and focus on the effects of IFRS adoption. Since stakeholder orientation, as measured by legal origin is constant during all periods, we ran the model separately for the stakeholder and shareholder firm groups to capture the potential variation in CSD as a result of the adoption of IFRS based on stakeholder-orientation.¹¹

Table 6 presents the *F*-value results of the repeated measures ANOVA for the stakeholder-oriented and shareholder-oriented firms. The adjusted R^2 for the models were 0.684 and 0.473, respectively. Overall we find that the level of CSD in annual reports from our sample firms increased after IFRS adoption as evidenced by the positive coefficient for reporting period (pre-IFRS adoption versus post-IFRS adoption). However, the increase in the level of CSD from stakeholder countries was not statistically significant whereas the level of CSD in annual reports significantly increased after the adoption of IFRS for firms domiciled in shareholder-oriented countries. In answer to our research question these results imply that IFRS adoption differentially affects CSD in annual reports dependent on whether the disclosing firm is from a traditionally shareholder or stakeholder-oriented country.¹² Accordingly, stakeholder orientation does matter when considering the effect of IFRS adoption on CSD in annual reports.

To further analyze the year to year variation in CSD for our sample firms, we conducted paired samples *t*-tests within the stakeholder and shareholder groups. Table 7 presents the paired-samples *t*-test results for the differences in CSD means between each year of the sample period and 2003/2004 and 2006/2007 combined for CSD and the components of CSD for companies in the stakeholder group and separately, for those in the shareholder group. From 2003 to 2004, the year prior to adoption of IFRS, stakeholder countries experienced a significant ($p < 0.05$) decline in the level of CSD while the shareholder countries experienced a marginally significant ($p < 0.10$) increase. After adoption of IFRS, in 2006 and 2007 both the stakeholder (not statistically significant) and shareholder ($p < 0.10$) countries experienced increases in the level of CSD.

As shown in Table 7, statistically significant increases from 2003/2004 to 2006/2007 were observed for the shareholder countries in the mean level of disclosure for the following components of CSD; corruption ($p < 0.10$); water use ($p < 0.05$); energy use ($p < 0.01$); global warming ($p < 0.05$); waste management ($p < 0.05$) and, consolidation

¹¹ Since other country-level factors (i.e., culture, level of investor protection, strength of regulation, ownership structure, etc.) and firm specific variables (i.e., industry) are constant across every firm, we were unable to control for them in our model as these variables are a linear combination of all company indicator variables making their effects non-estimable in a model with company included.

¹² Results (untabulated) remain unchanged when the environmentally sensitive firms are excluded from the analyses.

Table 4
Components of corporate social disclosure (shareholder).

	2003 mean (Std. Dev.) (Firms)	2004 mean (Std. Dev.) (Firms)	2006 mean (Std. Dev.) (Firms)	2007 mean (Std. Dev.) (Firms)	2003/2007 change mean (Std. Dev.)
Total corporate social disclosures	15.19 -4.22 16	15.94 -4.64 16	17.44 -8.73 16	19.63 -10.18 16	4.44 -5.96
Trade, investment and linkages	1.44 -0.63 16	1.44 -0.63 16	1.44 -0.81 16	1.56 -0.81 16	0.12 -0.18
Employment creation and labor practices	3.50 -1.03 16	3.38 -1.03 16	3.25 -1.29 16	3.19 -1.47 16	-0.31 -0.44
Technology and human resource development	0.50 -0.63 7	0.69 -0.87 8	0.56 -0.81 7	0.69 -0.87 8	0.19 -0.24
Health and safety	1.00 -0.73 12	1.06 -0.68 13	1.06 -0.93 12	1.31 -0.79 14	0.31 -0.06
Government and community contributions	1.69 -0.48 16	1.75 -0.45 16	1.75 -0.45 16	1.75 -0.45 16	0.06 0.03
Corruption	1.00 0.00 16	1.00 0.00 16	1.06 -0.44 15	1.31 -0.60 16	0.31 -0.60
Water use	0.19 -0.54 2	0.38 -0.62 5	0.56 -1.09 5	1.13 -1.54 10	0.94 -1.00
Energy use	0.63 -1.03 7	0.69 -1.08 7	1.06 -1.24 10	1.19 -1.28 12	0.56 -0.25
Global warming	0.44 -0.81 5	0.69 -0.70 9	0.88 -1.03 9	1.13 -1.15 11	0.69 -0.34
Ozone-depleting substances (ODS)	0.06 -0.25 1	0.06 -0.25 1	0.00 0.00 0	0.31 -0.79 3	0.25 -0.54
Waste management	0.56 -0.63 8	0.63 -0.72 8	1.31 -2.15 8	1.38 -1.86 10	0.82 -1.23
Consolidation policies	4.19 -1.42 16	4.19 -1.33 16	3.81 -5.05 16	4.69 -1.62 16	0.50 -0.20

policies ($p < 0.10$). The stakeholder countries experienced statistically significant increases from 2003/2004 to 2006/2007 in the mean level of disclosure for the following components of CSD; health and safety ($p < 0.05$); corruption ($p < 0.10$); energy use ($p < 0.10$); and, global warming ($p < 0.05$). Additionally, a significant ($p < 0.10$) decrease was observed in the trade, investment and linkages component for stakeholder countries.

Results of the ANOVA with repeated measures and paired-samples t -tests presented in Table 7 indicate that CSD increased significantly ($p < 0.05$) in the shareholder countries from the period prior to the adoption of IFRS (2003–2004) to the period following the adoption of IFRS (2006–2007) as well as from 2003 to 2007. However, the minimal

Table 5
Firm-level variables (shareholder).

Variable	2003 (Std. Dev.)	2004 (Std. Dev.)	2006 (Std. Dev.)	2007 (Std. Dev.)	2003/2007 Change
Net income (€m)	1933.53 -5977.18	3321.80 -7327.10	5636.24 -9712.32	6806.52 -8537.38	4872.99 -2560.20
Leverage (total liabilities / total assets)	0.75 -0.23	0.75 -0.22	0.77 -0.20	0.77 -0.20	0.02 0.03
Number of pages	173.25 -91.24	180.19 -89.76	219.69 -96.78	213.06 -86.56	39.81 4.68

Table 6
 F -value (Sig.) results of the repeated measures ANOVA.

Source of variation	Stakeholder ^a (n = 27)	Shareholder ^b (n = 16)
Firm	4.726 (.000)	9.634 (.000)
Reporting period	0.345 (.559)	8.110 (.007)

^a Adjusted $R^2 = 0.684$, F -statistic = 9.538, $p = 0.000$.

^b Adjusted $R^2 = 0.473$, F -statistic = 4.563, $p = 0.000$.

change in CSD in the stakeholder-oriented countries was not significant in either of these periods.¹³ We believe these results suggest that a country's stakeholder/shareholder orientation influences firms' reactions to adoption of IFRS. Firms in shareholder-oriented countries are responding to the increased pressure to provide more CSD while firms in stakeholder-oriented countries did not have a similar response.

4.3. Additional analyses

We recognize that there are other institutional factors that may distinguish one country from another that the legal origin distinction of stakeholder orientation does not capture. To further substantiate our findings, we considered (1) firms that adopted IFRS early, (2) countries that experienced changes in CSR disclosure requirements during our sample period, and (3) environmentally sensitive industry membership.

Six of the EU companies identified on the 2005 Fortune Global 500 list prepared their 2003 and 2004 annual reports following IFRS. All of these firms were from Germany, a stakeholder-oriented country. However, given their use of IFRS for their 2003 and 2004 annual reports we would expect these firms to react to the pressure to provide CSD similar to the shareholder-oriented country firms, as these firms had already moved to a shareholder-oriented reporting system. Therefore, we should see a significant increase in the level of CSD after adoption of IFRS for these control firms. Results of a repeated measures ANOVA, not reported, reveal that the mean level of CSD for the control firms increased significantly ($p < 0.01$) from the period prior to the adoption of IFRS (2003 and 2004) to the period following the adoption of IFRS (2006 and 2007). These results further support our finding that firm reactions to the mandatory disclosure requirements of IFRS are influenced by the disclosing firm's previous reporting orientation, stakeholder or shareholder.

Two countries, Belgium and the UK, had changes in their CSR disclosure requirements from 2003 to 2007. In October 2006, the Federal Action Plan for CSR went into effect in Belgium to advance CSR and encourage its use in management. During that same year, the London Stock Exchange began requiring all listed companies to disclose information on material environmental, workplace, social, and community dealings (IRI, 2014). We excluded the firms domiciled in these two countries and re-ran the ANOVA with repeated measures. Consistent with our previous findings (not tabulated), after adoption of IFRS, in 2006 and 2007 both the stakeholder (not statistically significant) and shareholder ($p < 0.10$) countries experienced increases in the level of CSD. Six of the firms included in our sample were in environmentally sensitive industries including chemicals and allied products (1), petroleum and coal products (4), and primary metal industries (1). Four of these firms were domiciled in stakeholder-oriented countries and the remaining two were domiciled in a shareholder-oriented country. It is possible that the firms in environmentally sensitive industries faced more stakeholder and institutional pressure to provide CSD than firms in other industries. To determine if the environmentally sensitive firms influenced our results we removed these firms and reran our analyses. The findings from our main analyses remain unchanged

¹³ A paired samples t -test was also run for each individual country in the stakeholder sample. The findings were consistent with the stakeholder grouping. The results are not presented but are available from the authors upon request.

Table 7
Paired-samples *t*-test results: difference in means (*t*-statistic) within groups.

Components of corporate social disclosure	Stakeholder				Shareholder			
	2003/2004 (n = 27)	2006/2007 (n = 27)	2003/04 2006/07 (n = 54)	2003/2007 (n = 27)	2003/2004 (n = 16)	2006/2007 (n = 16)	2003/04 2006/07 (n = 32)	2003/2007 (n = 16)
Total corporate social disclosures	-2.56 (-2.319)**	0.48 (0.437)	1.19 (0.44)	-0.44 (-.225)	0.75 (1.539)*	2.19 (1.626)*	5.94 (2.000)**	4.44 (2.449)**
Trade, investment and linkages	-0.15 (-2.126)**	0.11 (1.803)**	-0.185 (-1.55)*	-0.11 (-1.363)*	0.00 (0.000)	0.13 (1.464)*	0.13 (0.565)	0.13 (1.000)
Employment creation and labor practices	-0.41 (-1.462)*	-0.04 (-.214)	-0.74 (-1.14)	-0.59 (-1.344)	-0.13 (-0.620)	-0.06 (-.0180)	-0.44 (-0.835)	-0.31 (-0.837)
Technology and human resource development	-0.19 (-1.154)	-0.04 (-.296)	-0.07 (-.22)	-0.15 (-.642)	0.19 (1.861)**	0.13 (1.464)*	0.06 (0.293)	0.19 (1.379)*
Health and safety	-0.15 (-1.072)	-0.11 (-1)	0.63 (1.74)**	0.19 (0.866)	0.06 (0.324)	0.25 (1.464)*	0.31 (0.771)	0.31 (1.321)
Government and community contributions	-0.04 (-0.440)	0.07 (1)	0.11 (0.9)	0.07 (0.811)	0.06 (1.000)	0.00 (0.000)	0.06 (0.436)	0.06 (0.565)
Corruption	0.07 (1)	0.04 (0.57)	0.26 (1.43)*	0.19 (1.727)*	n/c	0.25 (2.236)**	0.38 (1.567)*	0.31 (2.076)**
Water use	-0.22 (-1.140)	0.30 (0.969)	0.44 (1.14)	0.26 (0.719)	0.19 (1.000)	0.56 (1.952)**	1.13 (1.928)**	0.94 (2.390)**
Energy use	-0.19 (-1.154)	0.00 (0)	0.48 (1.44)*	0.15 (0.625)	0.06 (0.565)	0.13 (0.522)	0.94 (3.033)**	0.56 (2.764)**
Global warming	-0.26 (-1.427)*	-0.07 (-.493)	0.78 (2.45)**	0.22 (0.947)	0.25 (1.464)*	0.25 (0.939)	0.88 (2.206)**	0.69 (2.300)**
Ozone-depleting substances (ODS)	-0.19 (-1.154)	0.04 (0.44)	-0.07 (-.40)	-0.11 (-.648)	n/c	0.31 (1.576)*	0.19 (0.899)	0.25 (1.291)
Waste management	-0.52 (-2.009)**	0.15 (0.745)	-0.22 (-.38)	-0.30 (-1.730)	0.06 (0.436)	0.06 (0.113)	1.50 (2.257)**	0.81 (2.030)**
Consolidation policies	-0.33 (-1.472)*	0.04 (0.57)	-0.22 (-.42)	-0.26 (-.838)	0.00 (0.000)	0.19 (0.565)	0.81 (1.544)*	0.50 (1.195)

n/c = no change in the mean for the two time periods compared.

*** $p < 0.01$ based on a one-tailed test.

** $p < 0.05$ based on a one-tailed test.

* $p < 0.10$ based on a one-tailed test.

when these firms were excluded. Given the small sample size we were unable to conduct specific analyses of these firms.

5. Conclusions

In this study we explore the impact of the adoption of IFRS on CSD in annual reports within the context of stakeholder theory. Examining the annual reports of companies in the EU and Australia around the 2005 IFRS adoption date we find that adoption of IFRS had a differential impact on CSD in annual reports based on firms' institutional setting. Firms domiciled in traditionally shareholder-oriented countries responded to the increasing interest in CSD by providing significantly more CSD post-IFRS adoption as compared to the pre-adoption period. Whereas firms domiciled in traditionally stakeholder-oriented countries appeared to shift their focus away from CSD to shareholder demands, i.e., more financial disclosures, resulting in no significant change in the level of CSD after IFRS adoption. Further after IFRS adoption the overall level of CSD provided by shareholder countries was higher than that provided by stakeholder countries reversing the position found prior to IFRS adoption. Following stakeholder theory we believe that these results, although preliminary, reflect changing stakeholder-management relationships as firms appear to shift disclosure priorities in response to the mandatory adoption of IFRS.

The traditional institutional environment in stakeholder-oriented countries encourages managers to accord non-shareholding stakeholders the same level of legitimacy as shareholding stakeholders. This is reflected in accounting systems that require fewer financial disclosures than what is typically found in shareholder-oriented countries. The adoption of IFRS, with its focus on financial disclosures, creates a sense of urgency associated with the stakeholder-management relationship in stakeholder-oriented countries. This same sense of urgency does not appear to be experienced in shareholder-oriented countries.

This differential shift in the focus associated with the shareholder group manifests through the differential change in the level of CSD provided in annual reports between shareholder and stakeholder-oriented countries. The findings from this study suggest a relation between mandatory and voluntary disclosures and also imply that the adoption of IFRS differentially affects the level of CSD in annual reports dependent on whether the disclosing firm is from a traditionally stakeholder or shareholder-oriented country. Further, our findings suggest that stakeholder theory provides a basis for predicting the level of CSD.

Our results should be interpreted with certain limitations in mind. First we considered only the largest firms over a relatively short period of time in which the financial reporting environment was in transition. Results in a more stable reporting environment may be different. Second, our distinction between stakeholder and stakeholder-oriented countries based on legal origin does not reflect all institutional differences which may influence financial reporting between countries. Finally, the content analysis of the annual reports requires judgment that may be subject to researcher biases. While we attempted to mitigate these biases through our research design they remain a concern with any content analysis study. Given these limitations our findings should be viewed as tentative.

We do believe our findings on the impact of IFRS on CSD extend cross-national accounting research by drawing attention to country-level influences on CSD under IFRS. Further, our findings provide support for the use of stakeholder theory to predict the level of CSD; firms appear to be reacting to stakeholder pressure to provide CSD but it is muted by the institutional environment. Thus, these findings have interesting implications for regulators as they consider disclosure issues and for preparers and users of IFRS based financial statements. The oft quoted axiom "what gets measured gets managed" (attributed to Peter Drucker) appears to reflect the shifting disclosure patterns between financial disclosures and CSD.

Acknowledgement

The authors thank Marshall Geiger, Karen Green, and the workshop participants at the 2012 International Journal of Accounting Symposium, 2010 American Accounting Association International Section Meeting, and Virginia Commonwealth University for their thoughtful comments and feedback.

Appendix A

CSD in Annual Report Data Collection Instrument

Trade, Investment and Linkages

1. Total revenues or Income (proceeds)
2. Value of imports vs. exports
3. Total new investments
4. Local purchasing

Employment Creation and Labor Practices

- 5a. Total workforce
- 5b. By employment type
- 5c. By employment contract
- 5d. By gender/women
- 5e. By geographic area
- 6a. Employee wages and benefits
- 6b. Breakdown by employment type
- 6c. By gender/women
- 7a. Total number and rate of employee turnover
- 7b. Broken down by gender
8. Percentage of employees covered by collective agreements

Technology and Human Resource Development

9. Expenditure on R&D
- 10a. Average hours of training/year/employee
- 10b. Broken down by employee category
- 11a. Expenditure on employee training/year/employee
- 11b. By employee category

Health and Safety

12. Cost of employee health and safety
13. Work days lost due to accidents, injuries, and illness
- 13a. Management position on employee health issues

Government and Community Contributions

14. Payments to Government (taxes paid)
15. Voluntary/social contributions to civil society (amount)

Corruption

- 16a. Number of convictions for corruption related laws
- 16b. Amount of fines paid/payable
- 16c. Management position on corruption/ethics

Eco-Efficiency Indicators

Water use

- 17a. Water consumption/net value added
- 17b. Accounting policies adopted on water use.
- 17c. Total water received
- 17c1. By source and use category

- 17d. Total water consumption
- 17d1. Total return flow
- 17d2. Water consumption per category
- 17e. Qualitative info on the wastewater treat tech
- 17f. Managements' position on the water use policy

Energy use

- 18a. Energy requirement /unit of net value added
- 18b. Accounting policies adopted on energy use
- 18c. Amounts of energy source recognized during the period
- 18d. Total energy required/recognized during the period
- 18e. Management's position on the energy use policy

Global warming (greenhouse)

- 19a. Global warming contribution/unit of net value added
- 19b. Accounting policies for global warming gases
- 19c. Amount of global warming gas recognized by category
- 19d. Total global warming contribution
- 19e. Management's position on energy use and global warming targets

Ozone-depleting substances (ODS)

- 20a. Dependency on ODS per net value added
- 20b. Accounting policies adopted for ODS
- 20c. Amount of ODS recognized during the year
- 20d. Total ozone depletion contribution recognized in the year
- 20e. Managements' position on ODS and the Montreal Protocol

Waste management

- 21a. Waste generated per unit of net value added
- 21b. Accounting policy adopted on waste
- 21c. Total amount of waste recognized during the period
- 21d. Quality of waste recognized
- 21e. Classification of waste recognized
- 21f. Treatment technology recognized
- 21g. Energy recovery in waste-to-energy schemes
- 21h. Mgmt.'s position on waste mgmt. policy

Consolidation Policies

- 22a. Names of all subsidiaries, investments in associates and joint ventures (JVs)
- 22a1. Descriptions of all subs, investments in associations and joint ventures
- 22b. Magnitude of control (% of voting shares)
- 22c. Consolidation method used in financial statements
- 22d. Eco-efficiency of all consolidated entities regardless of method of consolidation
- 22e. Management discussion on financial and environmental aspects of consolidation methodology applied
- 22f. Management discussion on the financial and environmental aspect of mergers, acquisitions or divestures in the period
- 22g. Management discussion on sustainable projects/growth/objectives

Data and indicators based on the United Nations Conference on Trade and Development Guidance on CR Indicators in Annual Reports (2008) and Manual for the preparers and Users of Eco-efficiency Indicators (2004).

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