

CSR reporting: an institutional perspective

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Abstract: CSR reporting appears as to be one of the most important new worldwide governance practices, as CSR reporting can be regarded as reflecting the evolution of companies' governance systems from a shareholder perspective to reflect broader stakeholders concerns (Igalens and Point, 2009). The aim of this study is to analyse the impact of national institutions on CSR reporting practices. Fifty Australian and fifty French companies have been included, drawn from the Top 100 listed companies for France and Australia. This research has used 2009 Annual Reports, CSR reports and corporate websites as data sources. A number of key conclusions have arisen from this study. First CSR reporting is stronger and CSR practices more transparent in France compared to Australia. This study secondly found that industry characteristics override national characteristics in certain high risk industries. Thirdly that regulation may not act as just a leveller but can provide opportunities for innovation and renewed strategic considerations in regard to CSR especially in the environmental field. The national governance system prioritises the relative place of shareholders versus stakeholders and whether regulation is acceptable or regarded as a legitimate practice to be used in controlling the behaviour and reporting of companies.

Key words: Corporate governance corporate social responsibility, France, Australia, reporting

Introduction

CSR reporting appears as to be one of the most important new worldwide governance practices, with many governance principles now recognizing the importance of addressing issues regarding the well-being of society. CSR reporting can be regarded as reflecting the evolution of companies' governance systems from a shareholder perspective to reflect broader stakeholders concerns (Igalens and Point, 2009). The reporting also displays the corporation's key priorities and accountabilities –to shareholders, and other stakeholders. The relatively recent growth in CSR reporting hence can be considered as a new accountability practice at the very heart of corporate governance, reflecting the corporate values and priorities, through a transparency lens

The traditional emphasis of anglo governance systems on shareholder priorities is often based on contractual agreements and legal responsibilities. Hence reporting, practice and research in regard to the shareholder view of governance is mainly focused on board mechanisms and the relationships between shareholders, managers and directors (Fama and Jensen, 1983; Eisenhardt, 1989). Considering companies' other responsibilities beyond contractual agreements implies the adoption of a more holistic approach to corporate governance (Young and Thyil 2008). Moreover, *“such a view also emphasizes that corporate governance systems themselves are embedded in larger institutional and legal frameworks, and that effective practices are highly contingent on the institutional environment in which corporations and their stakeholders are embedded (e.g. Davis and Useem, 2002)”* (Fiss, 2008). Indeed, the institutional approach to corporate governance suggests that national corporate governance systems are importantly affected by cultural differences (Tricker, 1984, 1990), by the nature of institutions (Crossland and Hambrick, 2005) and economic

systems (Igalens and al., 2007). **In this perspective, the aim of this study is to analyse the impact of national institutions on CSR reporting practices.**

This research thus uses publicly available data from both France and Australia's listed company sectors to explore the differences in CSR reporting in the two countries. It provides a truly international perspective- Australia and France having been chosen as they differ on many dimensions such as common/civil law, share ownership and employment protection. Australia is a liberal-market economy that operates with an anglo corporate governance system based on a principles-based approach whilst France is co-ordinated market economy that operates with a relationship-based corporate governance model.

The overall aim of the paper is to study differences in CSR reporting between France and Australia. The paper first argues of the importance of CSR reporting before proceeding to discuss the influence of national characteristics on these two factors, presenting the hypotheses. The third section describes the methodology whilst the subsequent section uses statistics to show the differences between the two national systems – France and Australia. The fifth section concludes showing the paper's key contribution.

The nature of CSR reporting: a neo-institutionalism view of corporate governance

In this paper, we consider CSR as part of the firm's strategy (Galbreath, 2006) and argue that the choices of directors and managers in relation to this strategic positioning are a component of their corporate governance framework. Indeed, CSR acknowledges that *“although a company has responsibility for economic success and viability, it must also answer to other parties, including employees, suppliers, government agencies communities, and groups with which it interacts. This model*

presumes a collaborative and relational approach to business and its constituents”
(Thorne et al., 2010).

According to this perspective, CSR reporting can be viewed as a renewed practice of governance dedicated to inform stakeholders of companies ‘good’ practices (Merkl-Davies and Brennan, 2007; Godfrey and al., 2003; Yuthas and al., 2004; Clatworthy and Jones, 2001). In this vein Hooghiemstra (2000) argued that social disclosures are principally used to guard a company’s reputation and identity. Whilst Merkl-Davies and Brennan (2007) argued that in particular *narrative* disclosures in annual reports are important and worthy of study as they are increasingly accounting for a larger percentage of the total reporting quantity, and they provide firms with opportunities to overcome information asymmetries by presenting more detail and explanation. They add that managers have the opportunity to present the company performance in the best possible light, and that most information is unregulated, discretionary and based on managerial judgment. As Adam and Harte (1998) concluded, corporate reports shed light on corporations’ attitudes and should be examined in the light of both what they report and what they omit.

CSR reporting and disclosure is effected by many variables such as firm size and industry, and differs from company to company and across national and cultural boundaries (Tagesson et al 2009; Kolk and Pinkse 2010). Tagesson et al (2009) argued that most studies reviewed have found a positive relationship between corporate size and the extent of social disclosures especially in regard to energy consumption and environmental issues. Larger companies have many more stakeholders demanding information than smaller companies and also have a larger more pronounced effect on society. Others have found industry to be the most common variable for explaining the extent and content of reporting. Although

Taggeson et al (2009) went on to caution that industry can be a proxy for size. Whilst others (Kolk and Pinkse 2010) add that country of origin effects the way the debate on corporate governance and CSR develops, with varying degrees of public attention on social and environmental issues as well as government requirements and explicit encouragements.

This new governance practice, mainly based on discourses, hence is impacted by the governance systems in which it is embedded. Indeed, the social forces shaping institutions are increasingly understood as discursive formations which are structured from texts and practices (Phillips, Lawrence and Hardy 2004).

Williamson (2000) acknowledges the embeddedness of corporate governance arrangements in larger, society-wide systems of institutions. Indeed, a major antecedent of governance structures and priorities is a country's national characteristics, as displayed by each country's legal, cultural and values frameworks. As Aguilera et al. (2006, p. 148) stated; "*Recognising that firms are situated within a given society and political tradition, which will influence the decisions of individuals within the firm, one can conceptualise corporate governance as relationships within the firm and between the firm and its environment*". The importance of such macro-external variables is specifically highlighted with the OECD governance principles of 1998 advocating for pluralism, adaptability and flexibility in corporate governance to suit the unique requirements of individual countries. Indeed cultural relativism argues that the standards of conduct vary with the norms and values of the host country; that there is no single moral standard, only local moral practice (Dellaportas, 2005, p. 327). As Monks and Minow (2004, p. 298) stated there can be no "*one size fits all*" approach and countries' governance practices cannot be transplanted or imposed on others any more than cultures and legal systems can". And linking this to CSR

Galbreath (2006, p. 176) for instance argued that [MNC] “*need to consider the nation/state of operation in relation to the home country as differences might drive different approaches to the host countries CSR strategies*”.

When considering links between governance and CSR through CSR reporting, it is generally believed that relationship-based governance systems integrate a wider stakeholder focus into organisational purpose (Franks et al., 2005). Decisions are often made with a long-term focus and based on what is good for the group rather than the individual company (Zattoni et al., 2009). Aligned with institutional theory such relationships are important as a control mechanism for countries with weak market control (North, 1990), whilst boards and managers -often with family ties - take a lateral view of their responsibilities and see these are being directed towards communities and employees. In contrast, anglo systems often rely on legislation to define their responsibilities and use the markets as a control mechanism. Based on agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983), boards are dominated by outsiders and independence is seen to be instrumental in bringing about effective governance. Responsibilities lie primarily towards shareholders. Stylised portraits of the anglo corporate governance systems emphasise the primacy of shareholders as the beneficiaries of financial duties; the importance of equity financing; dispersed share ownership among uncommitted shareholders; active markets for corporate control as a mechanism of managerial flexibility; and flexible labour markets (Jensen and Meckling, 1976; Hall and Soskice, 2001). In exploring this dichotomy between relationship-based and anglo systems of governance and its links to CSR, a comparative international focus has been adopted for this study.

Considering our comparison between France and Australia, in 2007, a team of French researchers analysing the influence of economic systems on CSR showed that Continental European Capitalism is more oriented in reporting towards Labour Issues and Human Rights whereas Market Capitalism countries, such as Australia invest in reporting of ethics and governance as well as in environment and community (Igalens and al., 2007). Reasoning was based on the high level of risks associated with these aspects in companies in Anglo-Saxon countries. However, these conclusions are based on “global economic profiles” which do not capture, precisely, the influence of specific institutions and cultures on the logic of CSR reporting. In particular, Australia is often associated with anglo system of governance whereas its culture and institutions present significant differences compared to the United States. The next section is devoted to a discussion on differences between France and Australia regarding their national governance systems. The impact of these characteristics on CSR reporting in both countries will also be discussed.

An institutional Approach of Corporate Governance: assessing differences between France and Australia

France and Australia have been chosen as they differ markedly in governance characteristics. Hence in this study, contrasting dimensions can be used to uncover the important governance dimensions that effect CSR actions. Notwithstanding this, in general France is referred to as low discretion country whilst Australia is a high discretion country (Crossland and Hambrick, 2005), aspects of which are discussed next.

Previous studies (Franks et al., 2005) have shown France to be operating with a relationship-based governance focus, a dominance of family firms, large state share stakes, strong ties and relationships between firms, and a high concentration of

institutional shareholders such as banks and insurance companies. Boards are dominated by insider directorships and families dominate shareholdings (Crossland and Hambrick, 2005). Its legal tradition arises from civil law. It is often referred to as an “insider dominated” system whereby the corporate sector has controlling interests in itself and whilst outside investors participate in equity returns through the stock market they are not able to exert much control (Franks et al., 2005). Concentrated ownership allows the controlling investor to exert direct control (Franks et al., 2005, p. 374) and as such “*effectively guarantee the ability of the firm to make good on strategic commitments over the long-term*”. The consequence of this is, on one hand, the absence of influence from one main shareholder in the company’s strategy but, on the other hand, a real dependency on financial markets. In such a society “executives are required to take into account the interests of all corporate stakeholders, including employees, customers and society at large” (Crossland and Hambrick, 2005). Linked to this is high employment protection (Crossland and Hambrick, 2005) with labour relations being a traditional focus of CSR (Antal and Sobczak, 2007). Social and environmental reporting is imposed by legislation, which also stimulates philanthropic activities and CSR more generally (Antal and Sobczak, 2007). CSR is also influenced by standards arising from the European Union and French rating agencies (Igalens and Gond, 2005). Its civil law legal tradition and its socialist system of policy significantly influence the vision of CSR within the country. Indeed, it implies a strong participation of the State in the economy (in philanthropy, regulation, promotion of social well-being) and mistrust towards private actors to provide general goods (Antal and Sobczak, 2007). One consequence of these two aspects is, for instance, the regulation in 2001 by the French government of compulsory reporting against CSR for listed companies. Finally, CSR is often considered in France as a

duty for businesses to honour their social contract within the society. This last characteristic, combined with the general mistrust presented above, reinforces scepticism towards managerial actors and risks taken by leaders who would like to become *proactively responsible*.

In contrast, Australia operates within common law traditions which Crossland and Hambrick (2005) argue puts legal constraints on pursuing a particular end, namely maximising shareholder value. Even so they are given almost free rein in terms of the means of achieving this end. Shen and Cho (2005) refer to this as “constraints on the ends” and contrast this with France which they refer to as “constraints on the means”. Ownership is generally dispersed in anglo systems (Crossland and Hambrick, 2005). Although Marshall et al. (2009, p.158) in comparing Australia to other anglo systems argues that share ownership is relatively concentrated with similarities to countries such as France, Spain and Italy (also see La Porta et al., 1999). Anglo systems generally operate with low employment protection although Australia’s system with its arbitration and conciliation system and compulsory nature of award setting has been viewed historically as quite centralised with higher protection than what you would otherwise expect (Marshall et al., 2009, p.159). Although more recently changes to employment law has seen workplace consultation removed from awards, greater powers of unilateral dismissal and the elimination of award terms and rights (Marshall et al. 2009, p.162). As labour laws have leaned away from the US and UK system towards comprehensive labour codes of civil law countries, the scope of bargaining has been constrained and employees not integrated into governance structures as in co-ordinated market economies. Marshall et al. (2009) refer to this as a hybrid system of corporate and labour market systems. Disclosure of social and environmental performance is not required by law although recent changes to the

ASX Guidelines do require publicly listed firms to consider their risk management systems in regard to material effects of environment, ethics, human capital and reputation (ASX 2007). Galbreath (2006) argued that in regard to social aspects of CSR, environmental concerns dominate. Reporting is not prescribed to the same extent as France, but still influenced by regulation and standards such as Sarbannes-Oxley Act, CLERP 9 and ASX (Young and Thyil, 2009), the 100CFO Code of Conduct and the OECD Principles. Similar to the UK, Australia operates from a principles-based approach to governance as opposed to the rules-based approach of the US. This is based on a comply-or-explain system where firms listed on the ASX must comply with the governance principles or explain why they have differed. In this vein the ASX principles state that *“in making ethical and responsible decisions, companies should not only comply with their legal obligations, but should also consider the reasonable expectations of their stakeholders including shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which they operate”* 2007, (p. 21). Indeed Marshall et al., (2009, p.159) argued that questions are being raised as to how Australia should be characterized and cautions against relying on stylized division between the anglo model of liberal-market economy and the relational or co-ordinated market economy of Europe. They concluded (2009, p.166) that there is scope for further studies of national regulatory styles and firm-level practices and hypothesize that in liberal-market economies such as Australia there is scope for greater diversity between firms given lower levels of regulation and greater managerial prerogative.

Table 1 summarizes this discussion.

Insert Table 1 about here

In addition industry characteristics have been found to influence the adoption of a CSR strategy and their reporting of governance and CSR. Tagesson et al. (2009, p.354) argued that corporations in industries whose manufacturing processes negatively effect the environment disclose and report more information than those in other industries. From their literature review they found that mining, oil and chemical companies lead the reporting on environment, health and safety whilst finance and service industries disclose more on philanthropy and social issues. In particular, Jones et al. (2007) concluded from their study of CSR and management of labour in the Australian mining industry that these companies are reporting on innovative workplace systems that would be regarded as desirable from a CSR perspective and reporting on employment policies consistent with partnership-style approaches as part of their CSR reporting practices. Kolk and Pinkse (2010) argued in relation to industry characteristics that a dynamic has unfolded whereby those firms with high environmental and social impacts started using CSR reports early with others such as the financial sector adopting the trend later.

Hypotheses

H1: French corporations are more likely than Australian corporations to report on CSR globally

H2: French companies are more concerned by labour issues in reporting whereas Australian companies are more concerned by environmental and ethics reporting

H3: French companies report more on CSR governance (stakeholder focus) than Australian companies.

H4: The influence of national institutional characteristics on CSR reporting depends on the industry in which companies are embedded in.

Methodology

The objective of this paper is to study the impact of national characteristics (culture and institutions) on CSR reporting between Australia and France. Fifty Australian and fifty French companies have been included, with similar characteristics (especially size, resources and type of ownership). As others have found size impacts on reporting (Tagesson et al., 2009) choosing only the largest listed companies aimed to hold this constant. We selected fifty companies from the Top 100 listed companies for France and Australia by prioritizing industry diversity and the proportion of industries represented in each country. This last choice was consistent with the development of our last hypothesis. Table 2 presents the characteristics of the sample by industry type for each country.

Insert Table 2 about here

This research has used 2009 Annual Reports, CSR reports and corporate websites as data sources. Tagesson et al. (2009) raises questions about the one-sidedness of using only Annual Reports in social disclosure studies and point to the importance of the Internet thereby implying the firm is up-to-date, modern and of high quality. This method has also used by others studying CSR reporting such as Kolk and Pinkse (2010). To analyse these documents, we developed a methodology based on content analysis (Miles and Huberman, 1994). Table 3 displays the coding framework used that arose from the literature review and the data. This coding framework is constructed around reporting on “CSR actions” and is divided into two main categories: CSR domains and CSR governance. Indeed, previous researchers in the field of CSR reporting have shown how reporting on CSR governance could be useful

to distinguish between companies' practices from a superficial reporting to a more substantial one (Morsing and Schultz, 2006; Marais and Reynaud, 2008). Each category was subdivided into different items that were defined by the literature or that emerged following the principles of grounded theory (Glaser and Strauss, 1967). The coding of the reporting was done by the two authors and the aggregation and classification of the items were debated between them. As a result two main categories, nine sub-categories and 101 items were used to categorize the reporting of firms towards CSR. For each firm, we coded the presence of the item as "1" and when absent coded it as a "0". This method of binary coding has been used by other researchers analysing corporate reports (Kolk and Pinkse, 2010; Tagesson et al., 2009). Data have been analysed by generating descriptive statistics and comparisons of means of areas of reporting at different aggregated level using SPSS.

Insert Table 3 about here

Findings

The presentation of the findings will primarily be based on data collected at an aggregated level (categories and sub-categories) in order to confirm, or not, our hypotheses. Table 4 shows the main results of a France/Australia comparison in CSR reporting by considering each main sub category and global CSR reporting.

Insert Table 4 about here

Not surprisingly, the difference in global CSR reporting between Australia and France is significant (at a level of risk of 5%). French listed companies are therefore

more involved in CSR reporting practices than Australian companies. This result validates hypothesis one and can mainly be explained by the impact of French regulation for listed companies (especially the impact of the New Economic Regulation Law of 2001). Even though this finding was predictable, other interesting points are revealed. For instance, we can see in table 4 that France is not significantly different from Australia in *all* CSR areas of reporting at a level of risk of 5%. Indeed, in the area of community and local governance reporting, no difference emerges between the two countries. A strong local community embeddedness of Australian companies could explain this result. These organisations may wish to involve their stakeholders in issues that are affecting their production sites from a risk avoidance perspective. High scores are evident in items Com 3, Water projects, and Com 4, development of local employment for Australian companies, (see table 3); both items of considerable risk at the present time with Australia experiencing drought conditions and a lack of specialized labour. The involvement of community in Australia could also be explained by the traditional “philanthropy and community” engagement of anglo countries according to moral and ethical duties (strong score in Com 6 for Australian companies, see table 3). Finally, French companies are much more involved in CSR governance reporting overall than Australian companies and have devoted a lot of attention to the production of indicators and proof of their “true” CSR commitment. In regard to Australia a lack of prescribed regulation (Jones, Marshall and Mitchell 2007) has meant that companies are not as progressed in their overall reporting and tend to focus on items that reflect their specific conditions, risks or actions. Companies may commit to CSR instruments such as OECD Guidelines for Multinational Enterprises, the UN Declaration of Human Rights and the Global Compact in their public disclosures but it is entirely voluntary with no sanctions for

non-compliance. Although others such as the Dow Jones Sustainability Index or the FTSE4Good do provide for independent verification (Jones et al., 2007). The greater amount of French reporting can be explained by the necessity of developing robust, objective, and “non-contestable” CSR information in a country where scepticism toward firms’ commitment to social well-being is high (Antal and Sobzack, 2007). Moreover, over the years companies have had to show progress in their reporting process which could have had an impact on their effective practices (simultaneous improvement between reporting and effective CSR practices). A phenomenon of mimetism over time and of the necessity to find solutions to develop distinctive practices of CSR reporting compared to competitors could also explained this focus on governance. Our hypothesis 3 is thus supported.

In addition to the above the mentioned differences, table 4 also allows us to identify the main areas of reporting for each country. France is mainly involved in reporting on environment, community, labour issues and finance/governance. Surprisingly, reporting on labour issues is not the strongest area. Different explanations could be advanced to express this phenomenon. First, after many years of experience in reporting in France, CSR is probably now, a global concept with several dimensions. Indeed, the more advanced companies are in their knowledge of CSR, the less disparate and more integrated are the actions in this field (Shrivastava and Hart, 1995). Moreover, the last European or French meetings on environment (e.g. “le Grenelle de l’environnement) can also explain the growing importance of this concern for companies. Finally the focus on community reveals the French view of companies regarding the moral contract with the whole society as important. Recognition of their deeds thus appears fundamental. Similar priorities are evident in the Australian sample with the exception of reporting on labour issues. This difference

is not surprising considering the traditional lower importance of this concern in Anglo countries. Environment is also dominant in reporting within Australian companies which can be explained by the growing necessity of managing potential regulatory impacts in this field as well as heightened government, media and community concerns. Finance and governance reporting remains strong and is probably driven by the influence of the ASX principles and institutional investor priorities. The difference between France and Australia in ethics and the low score of Australia in this area are surprising as we forecasted a strong focus of Australian companies in this area. When we look in detail at the scores on the different items of this category, we can show that this result is explained by a strong gap in reporting on Human Rights (significant difference at a level of risk of 5% between Australian and French companies on Be3 and Be4). This last concern is still not totally integrated in Australian companies' CSR perspective. Our hypothesis 2 is thus only partly supported.

In conclusion, CSR reporting appears quite low in Australian companies. Whilst French companies have developed strong practices in this field especially in governance, Australian companies remain mainly focused on local priorities and environment. These preferences could be explained by a strong domination in Australia of a reactive and risk-avoidance strategy which leads firms to prioritize these areas of reporting to manage reputation risk, avoid stakeholders' complaints or to manage potential regulatory impacts. This conclusion seems supported by our data when we break them by industry (Table 5) (significant difference between industries at a level of risk of 5%). Our hypothesis 4 is thus also supported.

To test our hypothesis about the influence of the level of risk within a sector on the influence of national characteristics on CSR reporting, we coded each industry by "1" if we considered it as a "high risk sector" or by "0" if we considered it as a "low risk

sector”. This classification has been made by the two authors and was also supported by the literature on CSR and industry influences. The energy, chemicals, finance, mining and construction sectors have been classified as sectors with a high potential of risks and CSR challenges. The table below shows that even though there is a strong difference between Australian and French CSR reporting, this disappears within risky industries. Hence those industries classified as “high risk” demonstrate similar CSR reporting in the two countries. The difference is however very strong within sectors characterized by a low level of risks.

Insert Table 5 about here

To explore these industry differences, we decided to take the example of the main represented “risky” and “no-risky” sectors in France and in Australia in order to capture the essence of this observed phenomenon and to offer potential explanations.

If we consider sectors with a high level of risk, the examples of the chemicals and banking industries appear interesting. The chemicals industry (table 6) has been traditionally concerned by a high level of awareness towards environmental and human risks (Sharma, 2000). Since the 1960s, companies within this sector have had to improve reporting on their obligations and actions and improve their practices in preventing potential human and/or environmental disasters. All around the world, chemical companies have reached a high level of accountability, especially after the damages caused to human lives or to natural sites that had been subjected to immense media scrutiny. Reporting in CSR between Australia and France in this sector is thus similar and even sometimes higher for Australian companies (e.g. reporting on CSR local governance or ethics) than for the French ones. This situation is the same for companies involved in mining with many recognizing the necessity to communicate

to their stakeholders or to engage with dialogue/involve them in the company management (Black, 2006). This finding is in line with the ASX comments¹ about the future of CSR reporting in Australia which states that “*Many mining companies have implemented this since they are at the forefront of sensitive issues regarding the environmental impact of their processes.*”. As Jones et al. (2007) have argued it is acknowledged that the mining industry has many dynamics influencing CSR actions: heightened reputational risks due to the finite renewable resources, diverse extraction environment, social impacts on local communities (also see Tilt and Symes, 1999), limited mobility of mining companies and long-term nature of operations with a significant delay in returns, and operations in developing countries (also see Reed, 2002) with NGOs operating as watchdogs (also see Kapelus, 2002).

Insert Table 6 about here

In the banking sector no difference in CSR reporting between French and Australian companies appears (table 7). Moreover in this sector differences are less significant in reporting on labour issues and on business behaviour. This result can also be explained by the specific risks this industry has had to face. Indeed in France as in Australia this sector is characterised by its poor reputation. Over many years this has caused difficulties in retaining staff and in attracting new talent. In Australia the banking sector is confronted with one of the highest industry employee turnover of any industry sectors which threatens companies’ performance. The last financial crisis has not reduced this challenge and firms have had to developed new means to attract and to retain talent within an increasingly professionalized industry. A study in

¹http://www.asx.com.au/resources/newsletters/listed_at_asx/20060523_the_future_of_online_csr_reporting.htm

Business Review Weekly (BRW) in 2010 emphasises this aspect by explaining that in Australia “*retaining top talents will be a key challenge for business in 2011. Employers are tipped to face rising salary demands across the board. Average salary increases of 4 to 5 per cent are expected but employers may have to pay much more to stop their best staff leaving. The hot sectors, according to the managing director of recruitment firm Hays Asia Pacific Nigel Heap are banking, financial services, oil and gas, and mining* (Hearthcote A., p.28)”. Considering the category business behaviour, this industry has also been criticized for its incapacity to contribute to social well-being and to develop products to reduce financial differences within the society (RARE Surveys. 2006). This new aspect of responsibility, highly recognized in France by the development of micro-finance and cooperative banks, encourages firms to develop new business practices and products (RARE Surveys. 2006), pointing to new opportunities that could be acted upon through products and services.

Insert Table 7 about here

However, CSR reporting in some risky sectors do reveal differences between Australian and French companies (table 8), for example, in the case of the energy sector. Indeed. French companies appear much more involved in reporting in community business behaviour and CSR global governance than the Australian ones. How can be this be explained? The answer probably lies in the place of CSR for these companies. Australian firms are mainly involved in a “risk perspective” and report mainly on environment, finance/governance, labour issues, and ethics to limit the “reputation” risks and costs relative to their activity. The situation of French companies is very different as they show strong CSR reporting practices in most of the categories considered in our study. In particular French companies seem to have

developed effective structures of CSR governance and describe in detail their mechanisms of dialogue with their stakeholders. The community involvement reporting is also very strong and acknowledges companies' will to be integrated within the society. However in addition to the risk perspective observed for Australian companies, this commitment reveals a different strategic logic. Indeed, French energy companies are strongly involved in the development of renewable energies and social services to the community (with significant difference between Australian and French energy companies in items Bh2 to Bh7 at a level of risk of 5%) as recommended by the European Union and by the French government. Constraints from government and social stakeholders especially in environment protection and climate change have now been integrated within a competitive logic intended to create new products and services to conquer new markets. In Australia the low scores in reporting against the development of green products and services (see above) but the high level of reporting in community and environmental preservation show the risk priority of Australian companies. These differences could be explained by the radical differences in energy policy between these two countries. Indeed, as underlined in BRW (2010) in Australia *“Generators such as Energex claim a carbon price will provide them with the certainty they need to invest in new generating capacity. But ACCI’s Evans says it would be folly to adopt a policy that most other countries with the exception of Europe are abandoning. He urges the Federal Government to follow the lead of US President Barack Obama and drop its plans for an emission trading scheme. Without corrective action we are headed for the perfect storm of poor energy policy- badly run government energy enterprises, poorly designed and expensive abatements programs to encourage renewables and a carbon pricing model which will skew new generating investment exclusively towards very expensive gas for base load requirements”* he

says.” (Sibillin, p. 29). Conversely in France a high level of risk plus regulation in the energy sector combined with an innovative public policy has pushed companies towards a competitive CSR strategy.

Insert Table 8 about here

However we would argue that the benefits of constraining external pressures in France (e.g. regulatory requirements towards reporting) have also led companies to develop this strategic approach even in sectors not naturally concerned by this and characterized by only a reasonable level of risks. The example of the retail sectors is particularly relevant in this perspective (table 9). A strong difference indeed appears between Australian and French retail companies in the way they are reporting on business behaviour and especially in regard to the development of CSR products and services (significant difference between Australian and French companies in items Bh2 to Bh7 at a level of risk of 5%). French companies like those in the energy sector have started to report on their development of products and services oriented in a social or environmental perspective (ex: Carrefour). The rest of the reporting follows this logic and differences in reporting on governance and labour issues appears significant.

Insert Table 9 about here

Conclusion

A number of key conclusions have arisen from this study. First it is clear that CSR reporting is stronger and CSR practices more transparent in France compared to Australia. This could be due to national characteristics such as the governance system

or regulation which has made reporting mandatory. Indeed the very nature of the French governance system which prioritises a stakeholder perspective may indeed have led to a regulatory approach to CSR reporting. Even if CSR is not regulated directly regulated reporting is a good way to lead social progress within a country.

Secondly similar to other international studies (Kolk and Pinkse, 2010) this study found that industry characteristics override national characteristics in certain high risk industries.

Thirdly that regulation may not act as just a leveller but can provide opportunities for innovation and renewed strategic considerations in regard to CSR especially in the environmental field. It creates a positive dynamic of innovation for all types of industries but especially for the ones characterized by a “low level” of risks.

Fourthly through regulation constraining the ends and not the means companies have had a discretionary space to build their own CSR perspective (Bansal and Roth, 2000). The regulation of CSR in France follows these principles contrary to the French traditional mechanisms of regulation which has constrained the means.

But in doing so there are considerations worth keeping in mind. Firstly there seems to be an importance in how regulation reflects the “national governance systems” in an appropriate way. In Australia over the past 10 years regulatory measures in regard to climate change have been contested alongside the place of CSR and more generally CSR reporting. The national governance system prioritises the relative place of shareholders versus stakeholders and whether regulation is acceptable or regarded as a legitimate practice to be used in controlling the behaviour and reporting of companies.

Secondly in Australia the role of the government, and shareholder and industry associations could be to create standards and models able to generate an innovative process through CSR reporting and CSR without necessarily being regulated by law.

Australia having a governance system that places constraints on ends rather than means allows company discretion in the approach to use. It seems from this research that industry characteristics influence reporting and it could be that in the future the influence of the Labor Government and its seemingly acceptance of climate change and their focus on company behaviour in particular in the area of the executive salaries and the environment may provide another driver to the take up of CSR reporting. The priorities of institutional investors are also key here. In the past investors have focussed on finance and governance but in the future the importance of the environment will push these investors through their fund managers to take note of this area (Young and Thyil, 2011 in press). Aguilera et al. (2006) and Young and Thyil (2009) have noted the importance of this driver especially in the UK.

Thirdly it seems important to consider the nature of industry and the importance of CSR reporting and implementation in foreign markets as there is a great potential for convergence towards a global system of reporting and governance. In this vein Kolk and Pinkse (2010) concluded from their study of Fortune Global 250 companies that for MNEs CSR and governance disclosures merged across national boundaries and industry sectors as the potential for financial risks are regarded as crucial all over the world.

In conclusion this study has shown the importance of looking beyond national characteristics and expanding from a dyadic approach comparing Anglo and relationship systems. Similarities between reporting in the two governance systems have been found as well as the impact of institutions such as government, regulation, associations and industry.

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Table 1. National Institutions: Comparison between France and Australia

	Dimensions	Australia (High-discretion country)	France (Low-discretion country)
Characteristics of the governance system	Legal Tradition	Common Law Constraints on the ends	Civil Law Constraints on the means
	Prevailing Firm Ownership structure	Concentrated ownership	Concentrated ownership
	Labour Market Flexibility	Hybrid moving towards low employment protection	High employment protection
Characteristics of the CSR system	Presence of the state in CSR + Rules on CSR accountability	Disclosure of social and environmental performances is not required by law. Disclosure of risk under comply-or-explain ASX principles.	Social and environmental reporting required by law Philanthropic activities stimulated by legislation Ministerial structures concerning CSR
	Main aspect of CSR	Environment Risk and governance	Labour relations
	Influence of Standards	SOX Act, CLERP 9, 100 CFO Code of Conduct, ASX 2007, OECD Principles	Influence of the European Union + French Rating Agencies

Table 2. Sample of the study by industry type

Name of the sector	Number of companies	
	Australia	France
Energy	5	4
Healthcare	3	1
Financial/Bank	9	7
Retail	10	10
Software and IT services	1	1
Transportation/Infrastructure	1	1
Media	2	5
Gambling, Entertainment, Games	1	2
Chemicals	2	3
Construction	2	4
Mining	9	0
Real Estate Management & Development	3	0
Telecommunications	2	2
Car industry	0	4
Electricity	0	4
Aerospace	0	2

Table 3. Coding framework for CSR reporting

CSR Domains of Actions (sub Categories)	CSR Domains of Actions (detailed categories)	CSR Actions	Code	References or emerging category
Employee conditions	Fight against discrimination	Diversity	Emp1	Waddock & Graves, (2006)
		Disabilities policies	Emp2	Berkley & Watson, (2009)
		Equal Opportunity	Emp3	Kolk & Pinkse, (2009); Tagesson et al., (2009)
	Working conditions	Working conditions (Health, safety)	Emp4	Kolk & Pinkse, 2009
		Risk Management for employees (charter, processes)	Emp5	Kolk & Pinkse, 2009
		Work/life Balance	Emp6	Emerging
	Career development	Education of employees/Human development, Training /Careers	Emp7	Tagesson et al., (2009);
		Responsible management of employment (Employment, employment relationships, changes in number of employees, restructuring)	Emp8	Tagesson et al., (2009)
	Industrial relations	Effective two-way communications with all employees	Emp9	Husted & Allen, (2007)
		Freedom of Association	Emp10	Kolk & Pinkse, 2009
		Collective bargaining	Emp11	Kolk & Pinkse, 2009

		Employee share plan	Emp12	Emerging
Business Ethics		Code of conduct or ethics	Be1	Tagesson et al., (2009);
		Whistleblower function	Be2	Sagebien et al. (2008)
		Child and forced labour	Be3	Kolk & Pinkse, 2009
		Protection of other Human Rights	Be4	Tagesson et al., (2009)
Community issues		Health programmes	Com1	Sagebien et al. (2008)
		School/Education programmes	Com2	Sagebien et al. (2008)
		Water projects	Com3	Kolk & Pinkse, 2009
		Development of local employment	Com4	Sagebien et al. (2008)
		Community infrastructure assistance (labour, supplies, monetary)	Com5	Sagebien et al. (2008)
		Philanthropy	Com6	Brammer & Milligton, (2004)
Environmental issues	Prevention of Pollution	Water pollution prevention	Evt1	Liu (2010); Sharma, (2000)
		Air pollution prevention	Evt2	Liu (2010); Sharma, (2000)
	Climate Change mitigation and action	Global Warming (Emissions reduction initiatives)	Evt3	Liu (2010); Sagebien et al. (2008)
		Ozone Depletion (Emission monitoring)	Evt4	Liu (2010); Sagebien et al. (2008)
	Sustainable resource	Use of scarce resources (water, energy)	Evt5	Liu (2010)

	use	Treatments of wastes/Recycling initiatives	Evt6	Liu (2010); Sagebien et al. (2008)
	Environmental management	Innovative ecological/environmental technologies	Evt7	Liu (2010); Sharma, (2000)
		Strategic Environmental Management (SEM) / Adoption of standards	Evt8	Tagesson et al., (2009);
		Environmental objectives and appraisal	Evt9	Tagesson et al., (2009)
		Expenditures on environmental protection	Evt10	Sharma (2000)
		Risk Management	Evt11	Bansal & Roth (2000)
		Accountability about the corporate strategy of production (Sites, systems, processes...)	Evt12	Bansal & Roth, (2000)
		Partnerships on environmental projects	Evt13	Sagebien et al. (2008)
	Protection and restoration of the natural environment	Reforestation	Evt14	Sagebien et al. (2008)
		Restoration of the sites	Evt15	Sharma , (2000)
		Protection of diversity	Evt16	Sharma , (2000)
		Management of environmental nuisances	Evt17	Sharma , (2000)
Business Behaviour	Consumer Issues	Use of toxic substances	Bh1	Emerging
		% of R&D budget devolved to CSR	Bh2	Emerging

	Marketing Research about Customers CSR needs or expectations	Bh3	Du et al. (2010)
	CSR Products (Green, ethical...)	Bh4	Elkington, (1994)
	CSR advertising towards customers/ Responsible marketing	Bh5	Elkington, (1994)
	Protecting consumers' health and safety	Bh6	Tagesson et al., (2009)
	Responsible contractual agreements	Bh7	Emerging
	Assistance for poor/incapacitated customers	Bh8	Emerging
	Information provided to consumers and Satisfaction with	Bh9	Du et al. (2010)
Socially Responsible Purchasing	Internal Policies (Charter)	Bh10	Leire (2010)
	Setting Purchasing Criteria (social and environmental)	Bh11	Leire (2010)
	Applying Assurance Practices	Bh12	Leire (2010)
	Managing Suppliers Relations	Bh13	Leire (2010)
	Building Internal SRP Capacity	Bh14	Leire (2010)
Fair operating practices	Anti-corruption (Business units analysed for corruption risk, employees trained in anti-corruption policies)	Bh15	Kolk & Pinkse, (2009)

		Responsible political involvement	Bh16	Kolk & Pinkse, (2009)
		Fair competition (Avoidance of anti-competitive behaviour)	Bh17	Kolk & Pinkse (2009)
		Compliance to regulation	Bh18	Bansal & Roth, (2000)
Financial and governance issues	Finance and CSR	CSR investments	Fg1	Tagesson et al., (2009)
		Inclusion in CSR Stock Indices	Fg2	Emerging
		Dialogue with CSR rating agencies	Fg3	Emerging
	Principles of governance	Accountability towards stakeholders	Fg4	Thorne et al. (2010)
		Investor relations	Fg5	Thorne et al. (2010)
		Respect of Governance principles	Fg6	Thorne et al. (2010)
		Shareholders Communication Policy	Fg7	Thorne et al. (2010)
CSR Governance (Sub categories)	CSR governance (detailed categories)	CSR Governance actions	Code	References or emerging category
Global CSR governance	Formalization of the CSR Policy	Strategic Intent toward CSR expressed by the CEO or the Chairman (Any: 0, CEO:1, Chairman:2, Both:3)	Glo_Gov1	Thorne et al. (2010)

	Definition of Objectives	Glo_Gov2	Thorne et al. (2010)
	Expression of the core values of Business	Glo_Gov3	Thorne et al. (2010)
	Measurement of the improvements in the actions	Glo_Gov4	Emerging
	Measurement of the bad results/actions	Glo_Gov5	Morgan et al., (2009)
	Measurement of the outcomes for the firm	Glo_Gov6	Morgan et al., (2009)
	Measurement of the impacts on the stakeholders	Glo_Gov7	Emerging
	Perimeter of reporting	Glo_Gov8	Emerging
	Independent Review of the CSR Policy	Glo_Gov9	Morgan et al., (2009)
Structure of the CSR organization	Presence of a Top Manager in charge of CSR (or Sustainable Development) in the Board	Glo_Gov10	Morgan et al., (2009)
	Sustainability Committee on the Board	Glo_Gov11	Morgan et al., (2009)

	Existence of a global CSR department	Glo_Gov12	Barin-Cruz & Avila-Pedrozo, (2009)
	CSR Charter	Glo_Gov13	Emerging
Governance systems	Training program for the corporate employees in CSR	Glo_Gov14	Barin-Cruz & Avila-Pedrozo, (2009)
	Training programs for the corporate stakeholders in CSR	Glo_Gov15	Barin-Cruz & Avila-Pedrozo, (2009))
	Rewarding CSR at the executive level	Glo_Gov16	Morgan et al., (2009)
	Rewarding CSR for corporate managers	Glo_Gov17	Sharma (2000)
	Existence of functional or cross departmental structures towards CSR	Glo_Gov18	Barin-Cruz & Avila-Pedrozo, (2009)
	Building of a socially responsible culture among the employees (and supported by the CEO)	Glo_Gov19	Thorne et al. (2010)
	Implementation/Use of standards	Glo_Gov20	Morgan et al., (2009)
	Support of CSR internal entrepreneurship	Glo_Gov21	Morgan et al., (2009)
Dialogue with stakeholders	Involvement of the employees in the construction/evaluation of the CSR communication (Reporting)	Glo_Gov22	Morsing & Schultz, (2007)

		Involvement of the external stakeholders in the construction/evaluation of the CSR communication (reporting)	Glo_Gov23	Morsing & Schultz, (2007)
		Involvement of the employees in the CSR audit/control of the enterprise	Glo_Gov24	Morgan et al., (2009)
		Involvement of the external stakeholders in the CSR audit/Control of the enterprise	Glo_Gov25	Morgan et al., (2009)
		Partnerships with Stakeholders at the corporate level (NGOs, State...)	Glo_Gov26	Thorne et al. (2010)
		Annual meeting with the global stakeholders held by the CSR director	Glo_Gov27	Barin-Cruz & Avila-Pedrozo, (2009)
		Publication of a CSR Report	Glo_Gov28	Thorne et al. (2010)
Local CSR Governance	Structure of the CSR Organization	CSR Representatives at part of each subsidiary	Loc_Gov1	Barin-Cruz & Avila-Pedrozo, (2009)
	Governance systems	Rewarding CSR at the local level	Loc_Gov2	Sharma, (2000)
		Support of CSR local internal entrepreneurship behaviour	Loc_Gov3	Morgan et al., (2009)
		Training programs for the local employees in CSR	Loc_Gov4	Emerging
		Training programs for the local stakeholders in CSR	Loc_Gov5	Emerging

	Dialogue with stakeholders	Structures devolved to the dialogue with local stakeholders (committee...)	Loc_Gov6	Thorne et al. (2010)
		Partnerships with stakeholders at the local level (NGOs, State...)	Loc_Gov7	Thorne et al. (2010)
Internal CSR Governance	Structure of the CSR Organization	International committee of CSR	Int_Gov1	Barin-Cruz, Avila-Pedrozo, (2009)
	Governance systems	Voluntary governance tools concerning Workers 'rights at an international level (Codes of conducts, international framework agreements...)	Int_Gov2	Emerging

Table 4. Comparison between Australia and France companies' CSR reporting at an aggregated level

	Mean France	Mean Australia	Signification of the difference
Global reporting	.541	.341	.000
Reporting on labour issues	.611	.408	.000
Reporting on ethics	.545	.395	.005
Reporting on community	.628	.500	.070
Reporting on environment	.656	.451	.000
Reporting on business behaviour	.490	.271	.000
Reporting on finance and governance	.602	.467	.003
Reporting on CSR global governance	.552	.296	.000
Reporting on CSR local governance	.289	.260	.526

Table 5. Comparison between Australian and French companies on CSR global reporting by the level of risks within industries

	Mean France	Mean Australia	Signification of the difference
Global reporting in "high risk" sectors	0.585	0.492	0.392
Global reporting in "low risk" sectors	0.509	0.220	0.000

Table.6. Comparison between Australian and French companies on CSR reporting in the chemicals sector

CHEMICALS SECTOR	Mean France	Mean Australia	Signification of the difference
Global reporting	.510	.563	.740
Reporting on labour issues	.576	.500	.537
Reporting on ethics	.250	.500	.413
Reporting on community	.667	.667	1.000
Reporting on environment	.608	.735	.456
Reporting on business behaviour	.517	.529	.946
Reporting on finance and governance	.810	.571	.239
Reporting on CSR global governance	.506	.500	.980
Reporting on CSR local governance	.143	.500	.160

Table 7. Comparison between Australian and French companies on CSR reporting in the banking sector

BANKING SECTOR	Mean France	Mean Australia	Signification of the difference
Global reporting	.458	.398	.454
Reporting on labour issues	.545	.487	.668
Reporting on ethics	.500	.341	.262
Reporting on community	.524	.667	.174
Reporting on environment	.454	.318	.097
Reporting on business behaviour	.328	.313	.893
Reporting on finance and governance	.653	.472	.113
Reporting on CSR global governance	.497	.286	.060
Reporting on CSR local governance	.163	.299	.208

Table 8. Comparison between Australian and French companies on CSR reporting in the energy sector

ENERGY SECTOR	Mean France	Mean Australia	Signification of the difference
Global reporting	.639	.399	.003
Reporting on labour issues	.5909	.4364	.399
Reporting on ethics	.6250	.3500	.125
Reporting on community	.7083	.4000	.020
Reporting on environment	.7206	.5294	.121
Reporting on business behaviour	.5882	.2882	.040
Reporting on finance and governance	.7143	.5429	.227
Reporting on CSR global governance	.7037	.3630	.047
Reporting on CSR local governance	.4643	.2857	.267

Table 9. Comparison between Australian and French companies on CSR reporting in the retail sector

RETAIL SECTOR	Mean France	Mean Australia	Signification of the difference
Global reporting	.576	.395	.021
Reporting on labour issues	.664	.400	.024
Reporting on ethics	.575	.475	.370
Reporting on community	.650	.500	.154
Reporting on environment	.729	.429	.005
Reporting on business behaviour	.583	.359	.031
Reporting on finance and governance	.471	.529	.606
Reporting on CSR global governance	.575	.285	.007
Reporting on CSR local governance	.357	.186	.091