The Journal of Contemporary Issues in Business and Government
2010 Volume 16, Number 1, pp 26-49

Transparency of Social and Environmental Disclosures by the Top French Companies

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Abstract

An investigation of the top 30 French listed companies reveals an overall 50.6% level of communication with small decreases in the social and environmental disclosures in parallel with the deepening economic recession in France. It is argued that the 2001 French regulations may need more rigorous regulatory enforcement and updated requirements consistent with the well known Global Reporting Initiative (GRI) benchmark list. The communication levels of the main social and environmental categories range from 31.1% for product responsibility issues to 56.7% for labour items. Yet, contentious labour concerns such as health and safety issues and employee turnover data decrease dramatically. Multiple regression analysis finds no support for the legitimacy theory hypotheses that size and profit will affect social and environmental disclosures. Instead, there seems to be more subtle changes in disclosure patterns with less transparency on

controversial labour issues perhaps somewhat masked by the substitution of other less worrisome topics.

Introduction

Traditionally, firms are viewed as having exclusive responsibility towards their shareholders, the owners of the entity. Hence, they feel they are being judged solely in terms of their economic performance. Nevertheless, this direction is blurring as there is a growing awareness over the past few decades on the role of corporations in the society (Hackston & Milne, 1996; Campbell, 2007). Corporate social responsibility has become the focus of increasing attention and a subject of substantial research (Gray et al 1995; Jenkins & Yakovleva, 2006) where it extends beyond historically inherited norms of profit maximization. It is sparked by the idea that firms need to respond not only to the shareholders but also to other stakeholders such as the employees, government, customers, community, suppliers and the general public (Godfrey & Hatch, 2007). Corporate social responsibility covers important broader issues including human rights, health and safety, employee welfare, environmental protection, and ethics as it moves away from a sole economic focus.

Firms are primarily concerned about being sustainable especially in the current wave of stakeholder management where their corporate practices are increasingly being monitored externally (Waddock, 2000). Integration of the social, environmental and economic issues is an important agenda that needs to be considered. According to Jenkins and Yakovleva (2006), the principle of sustainable development is intimately linked in three domains: economic development, environmental protection and social cohesion.

There are also increasing pressures from a wide variety of sources arguing that profit as an all-inclusive appraisal of corporate performance is an inadequate measure of performance. This broader perspective encourages firms to place a higher priority on environmental and social concerns. Further, along with the increase in the stakeholders concerns, firms are voluntarily disclosing information with regard to triple bottom line reporting.

Normally firms opt for voluntary disclosure[1] because there are reputational benefits that can be gained from such transparent actions

(Toms, 2002). Research indicates that many firms have been given credit for being responsible and accountable corporations. The value relevance of non-financial disclosure is able to influence the stakeholders' perception (Lev, 1992) since it provides a strong community presence. Such disclosure may provide intangible benefits through enhanced reputation and goodwill creation, which ultimately is translated into a positive effect on the market value of the firm (Fombrun, 1996; Chauvin & Hirschey, 1994; Fombrun & Shanley, 1990; Bennett, 1998). Empirical findings provide support that voluntary disclosure can reduce the cost of capital (Lev, 1992; Lang & Lundholm, 1996; Lang *et al.*, 2000; Sengupta, 1998; Botosan, 1997; Botosan & Plumlee, 2002).

Continental Europe is the global region showing the most concern from the various stakeholder groups (including governments) about corporate environmental policies, ethical issues, equal opportunities and social concerns (Cormier et al 2005). In most countries, reporting on corporate social and environmental information remains voluntary. France is used as the sample frame for this research; it is worthy of study because it has unique mandatory requirements. Since May 2001 French companies have been required to make information available to investors with regard to social and environmental performance if they want to be listed on the stock exchange (Robins, 2005; Tschopp, 2005). In fact, France is the first country in the world to impose such regulation (Tschopp, 2005). However, the actual regulation is broadly written leaving a great deal of discretion to the firms in interpreting how (and to what extent) to present this extra information. Hence, studying French listed firms, as world exemplars, can generate useful insights into the practice of social and environmental reporting and would greatly add to the collective understanding of disclosure practices.

The Global Reporting Initiative (GRI, 2006) provides a useful conceptual framework for identifying actual corporate action to external stakeholders towards corporate social responsibility reporting. A temporal analysis over two recent fiscal years is presented to depict the recent trends of corporate social responsibility disclosure as exemplified by French listed firms whilst buffeted by the Global Financial Crisis (GFC). Accordingly, the research questions for this study are:

a) What is the level of social and environmental disclosure for French listed firms?

b) Has it changed over time as France ran deeper into economic recession?

c) What are the possible firm-specific factors that explain the varying levels of social and environmental disclosure for French listed firms?

This paper contributes to the existing literature on corporate social responsibility in a number of ways. First, a recent study on multinational sustainability reporting practices conducted by Kolk (2008) reveals that about half (52%) of the Fortune Global 250 is European, mostly French, German and UK firms. As stated above, French companies should be world exemplars of social and environmental disclosures given their rare (albeit vague) regulatory requirements (Tschopp, 2005; Robins, 2005). Second, although voluntary disclosure has been extensively explored in the accounting literature, there are very limited studies that examine French firms. Depoers (2000) indicates that her study is the first one that examine French companies with regard to social and environmental disclosure.

The remainder of this paper is organized as follows. The next section presents the background of the study where a brief review of the theoretical concepts is discussed. Following that, a review of the literature in relation to corporate social responsibility reporting is presented. Next, the research methods are outlined and the test results analyzed. Concluding remarks are then offered.

Literature Review

Various concepts and theories have been advanced to articulate and explain a range of corporate social responsibility phenomena (Hackston & Milne, 1996). Arguably, there is no single theory that is able to fully explain disclosure practices. The most widely used theories are agency theory (Depoers, 2000), legitimacy theory (Gray et al 1995; Campbell, 2000), political economy theory, stakeholder theory (Orlitzky et al 2003; Roberts 1992; Polonsky, 1995) and institutional theory (Campbell & Slack, 2007).

The theoretical perspective adopted in this paper is legitimacy theory. This is widely advocated as the core theoretical explanation for corporate social and environmental disclosure (see, for example, Wilmshurst & Frost, 2000; Coupland, 2006). This theory posits that firms provide ‘voluntary’ external disclosure to bridge the legitimacy gap. Firms need to ensure that their activities and performance are within the norms that are accepted by the community in which they derive the license to operate. To legitimize their activities and perceived social acceptability, firms will disclose extra information as their continued existence depends on the societal acceptance and perceived legitimization.

Global Studies

Hackston and Milne (1996) note that the vast majority of New Zealand corporate social responsibility communication is with human resources, community and environment themes. Consistent with other studies (Alnajjar, 2000; Gao et al 2005) they conclude that size and industry are significantly associated with the amount of social and environmental disclosure.

Wilmshurst and Frost's (2000) Australian mail survey of chief finance officers (CFOs) finds that investor right to information and meeting legal obligations are considered important factors as are competitors' responses to environmental issues and customer concerns. Their results provide support for legitimacy theory in which the firms' public disclosure acts as a means to legitimize their activities so that they are within the boundaries and norms that are acceptable by the community.

Corporate social and environmental reporting can serve as a useful medium to channel information to the social actors. This is because it is able to shape the perceptions of the audience and influence a firm's reputation. Toms' (2002) findings provide strong support that quality of disclosure, institutional shareholder power and low risk are significant determinants of corporate environmental reputation, whereas other variables such as economic performance and size proved to be insignificant. Hasseldine *et al.,* (2005) argue that research and development expenditure and diversification can also significantly influence firm reputation.

Murray *et al.,* (2006) indicate, in UK evidence, that there is no direct relationship between the share price and disclosure. However, their results show that, over a period of time, total social and environmental disclosure is significantly associated with market returns. Their study also highlights a continuing lack of clear theory to explain the putative relationship between disclosure and market performance.

Alsaeed (2006) examines the level of disclosure in the 2003 Saudi Arabian annual reports to assess the influence of firm-specific characteristics with the extent of voluntary disclosure. Twenty voluntary disclosure items are investigated and the findings reveal a very low level of voluntary disclosure and that large firms tend to disclose more information. Alsaeed (2006) suggests the low level of disclosure may be related to the fact that authoritative accounting and reporting bodies in Saudi Arabia are still in an infancy stage and thus such disclosure is totally subject to management discretion.

Coupland (2006) examines corporate and social disclosure in web-based reports in her critical review paper. Her paper focuses on the accessibility of the information on the web, the construction of the web reports, and the role of accounting language as a tool for legitimization. Coupland (2006) concludes that organizations are beginning to articulate a stance to social and environmental reporting as a means of legitimization.

Clarkson *et al.,* (2008) examine 191 firms from five high pollution propensity industries in the US and reports a positive association between environmental disclosure and performance. Their study provides support for economic-based voluntary disclosure theories where superior environmental performers are more credible, focusing on objective and 'hard' measures in disclosing the information rendering it as hard to mimic. In other words, firms with superior environmental performance proactively and voluntarily communicate to the shareholders and other stakeholders about the environmental information. This potentially increases the firm's valuation specifically its environmental performance, placing the firm at a competitive edge. However, Clarkson *et al.,* (2008) show finding that fail to support the prediction of an inverse relationship between environmental performance and the level of discretionary environmental disclosure as implied by the socio-political theories, such as legitimacy theory.

Kolk (2008) explores the extent of sustainability reporting of multinational firms by incorporating corporate governance aspects. Kolk (2008) notes that sustainability reporting has evolved from the more traditional approach that only focuses on environmental concerns to include the social and financial domains. Accordingly, sustainability is defined to broadly include ethical, environmental and social issues. Kolk (2008) argues that the increasing pressures on companies with regard to accountability following financial crises have placed transparency and accountability in a distinct focus. Kolk (2008) concludes that more firms are offering wider sustainability data for broader audiences to increase transparency and accountability.

Liu and Anbumozhi (2009) study the determinants of corporate environmental information arguing that the strategy adopted by the Chinese listed firms tend to be responses-oriented towards the pressure from the government. The role of the other stakeholders (shareholders and creditors) to influence the environmental information disclosure is felt to be less significant. Further, their empirical findings provide important insights revealing that firms tend to be selective in their decision to disclose environmental information. For instance, companies that are located in the relatively developed economic areas tend to disclose information on the emission-related data. On the other hand, firms with better economic performance are more likely to communicate their investment on the environment and pollution control possibly to alleviate concerns and intervention from the government. Liu and Anbumozhi (2009) suggest that more aggressive and proactive legislative and administrative measures should be taken to encourage Chinese firms to be more transparent and accountable with regard to the environment.

The above studies show support for legitimacy theory tenets in seeking to explain corporate social and environmental disclosure. The section below refines the discussion by examining past French-based accounting studies and the extent the Top French companies have sought to legitimize and communicate their social and environmental activities.

French Disclosure Studies

Depoers (2000) examine the economic determinants of voluntary disclosure of 102 French listed firms from various industries. Her findings indicate that size, foreign activity and proprietary costs are significant determinants of voluntary disclosure. These results also support the view that managers make strategic disclosures in which more information is disclosed when firm size and foreign activity are important while remain silent when such disclosures increase the labour pressure and pose a threat to its competitive position. Her findings help to explain both disclosure and non-disclosure.

In France there was a major new regulatory initiative in 2001. According to the New Economic Regulations Law (NRE Law), listed companies are responsible for giving information on the social and environmental impacts their activity generates. This law is not foolproof. Even if firms are broadly required to communicate on numerous topics, the law has never suggested or imposed any specific indicators or any sector-based comparison. In other words, there is little explicit guidance. Thus the French listed companies have a great deal of latitude in terms of interpreting what level of disclosure is provided. Numerous studies have stressed the weakness of the current level of social communication (Alpha, 2008). In 2007 the largest, most politically focused and more media exposed firms (the largest CAC 40 firms) only reported 85% of the requested topics. Overall, Alpha (2008) judges the quality of their social reporting as slowly increasing but is still just over a 50% benchmark figure.

Cormier and Magnan (2007) investigate the impact of environmental reporting on the firm’s financial performance, as measured by the difference between its book value and market value. Three different domiciles are examined: France, Germany and Canada because these three countries employ different reporting models, environmental socio-political contexts and governance regimes. The purpose is to identify the incremental value relevance of environmental reporting in context-specific. The results indicate that the stock market valuation of German companies seems to be moderated by the environmental information. On the contrary, French and Canadian firms’ earnings are not significantly influenced by the stock market valuation.

Cho (2009) presents a case study for a French company, Total SA – one of the largest oil and gas companies in the world – with regard to its environmental disclosure following two major incidents: Erika and AZF Toulouse (these are potentially two notable examples of breach of social contract). Cho (2009) finds support for legitimacy theory in which environmental disclosure is used as a legitimacy device and also as a communication strategy tool to restore public image and enhance a firm’s damaged reputation.

Overall, the above analysis of various global studies reveals that social and environmental issues are considered vitally important by virtually all stakeholder groups. However, with the exception of France, there are very little comprehensive governmental requirements to communicate such vital information. The result is often a low level of social and environmental reporting worldwide. France is used as the data focus of this study as this country is arguably a world leader in seeking transparency of social and environmental disclosures with a historically strong social corporate focus and current explicit reporting obligations for French listed firms.

Research Approach

This study utilizes a positivist empirical research methodology seeking to explain 'what' the level of French social and environmental reporting is and to explain 'why' there may be variances between firms and over time.

The dependent variable is a disclosure index (hereafter referred to as DI) based on the well regarded Global Reporting Initiative (GRI, 2006). This 79-item list is globally renowned and used as the basis for benchmarking for many businesses and accounting studies. The list is composed of six facets: environmental issues (30 items), human resource issues (9 items), labour (14 items), society (8 items), public relations (9 items) and economic items (9 items). Consistent with past literature, each of the 79 items is scored dichotomously (scored 1 if present and 0 if not present) with equal weighting of all items (Marston & Shrives, 1991; Purushothaman et al 2000; Ho et al 2008).

A longitudinal data set of the Top 30 French companies for the two recent years (2007/8 and 2008/9) is garnered to examine possible effects of the deepening Global Financial Crisis (GFC) recession on social and environmental disclosures. Annual reports are the focus of analysis as this medium remains the primary method for the communication of corporate data to the various external stakeholders (Suhardjanto, Tower & Brown, 2008). Examining the level of corporate disclosures is likely to be time sensitive as Tinker and Carter (2003) posit that companies' voluntary disclosures will fall in poor economic periods. The logic is that in tough economic conditions, companies will devote most of their energies on 'core' activities and survival, thus placing less emphasis on perceived 'softer' reporting opportunities. Therefore it is hypothesized (H1) that the overall level of disclosures (DI) will significantly drop between the two years. Two key determinants of disclosure highlighted in the past literature will also be examined; these are firm size (measured as total assets) and profit (calculated as return on assets (ROA). A positive relationship is hypothesized between the social and environmental disclosure index (DI) and size (H2); larger firms seeking governmental favor and legitimacy often disclose more details of their activities (Hackston & Milne, 1996). Based on legitimacy theory, a negative direction is hypothesized between the DI and return on assets and profit (H3). This is because less profitable firms are seeking to restore their perceived legitimacy to the stakeholder groups.

Data Analysis

As shown in Table 1, the French economic context worsened between 2007 and 2008. The deterioration can be shown via various different economic indicators. The economic recession is especially notable in 2008 with obvious falls in GDP, consumer confidence, production and export sales. Prospects in 2009 were even poorer. It can be seen that the Top 30 French firms were reporting within a gloomy business environment and with the expectation of worse times ahead, as shown by the industrial economic climate, consumer confidence, and production or export variations. In relation to unemployment, the slowdown was clearly delayed and was shown to occur in 2009.

Table 1: French Economic Conditions (2005-2009)

	GDP growth (year variation %)	Unemployment ratio (%)	Industrial economic climate	Consumer confidence indicator	Production (year variation %) for industry and food processing industries	Exports (year variation %) for industry and food processing industries
2005	4.0	9.3	101	-112	-	-
2006	4.7	9.3	107	-87	-	-
2007	4.9	8.4	109	-45	1.6	3.2
2008	2.9	7.8	97	-240	-3.4	-0.6
2009	-	9.1	76	-216	-	-

Source: INSEE (translated as the French National Institute for Statistics and Economic Studies) National Statistics Office

Table 2 presents data on the specific financial characteristics of the Top 30 French firms for 2008 and 2007. The average size of these companies increases between 2007 to 2008 by approximately 10%; however their profit levels fell by over half (from 5.89% to a far lower 2.78% ROA figure; statistically, this is a moderately significant difference reduction at p-value 0.054, paired t-test).

Table 2: Financial Characteristics Top 30 French Listed Companies: 2008 and 2007

	2008	2007	Year Change	Statistical Significance (p-value)
Total Assets (mean) in Euros	120,482,673,116	109,668,336,583	+10,814,336,533	0.219
Return on Assets (mean) as %	2.78%	5.89%	-3.11%	0.054***

*Highly significant (p-value < .01); **Significant (p-value < .05); ***Moderately significant (p-value < .10)

As highlighted in Table 3, the Top 30 French listed companies are communicating roughly half of the recommended GRI (2006) social and environmental items to their external stakeholders in their annual reports. However, even though social and environmental disclosures do drop between the two years (falling from 51.7% to 50.6%) this drop is statistically insignificant (paired t-test p-value 0.561), thus H1 is rejected. Falling economic conditions in France are not resulting in a fundamental drop in these broader disclosures.

Table 3: Top 30 French Listed Firms: Social and Environmental Disclosure Index (DI)

	2008 average	2007 average	Change 2008-2007	Paired t-test
	%	%	%	(p-value)
DI-Overall	**50.6**	**51.7**	**-1.1**	**0.561**
DI–LA (Labour)	56.7	64.5	-7.8	0.015**
DI–EN (Environment)	55.4	55.0	+0.4	0.857
DI–EC (Economic)	53.7	53.3	+0.4	0.879
DI–HR (Human	50.4	51.9	-1.5	0.742

Rights)				
DI–SO (Society)	40.4	40.4	0.0	1.000
DI–PR (Product Responsibility)	31.1	28.9	+2.2	0.569

Overall Score and Six Sub-categories' Score for 2008 and 2007. *Highly significant (p-value < .01); **Significant (p-value < .05); ***Moderately significant (p-value < .10)

Table 3 also provides a wealth of detail about various aspects of social and environmental disclosures by French companies in 2007 and 2008. The GRI (2006) classifies its disclosures into six distinct themes. Both years' sample data in Table 3 show the same trend. A slight majority of items is communicated for Labour, Environmental, Economic and Human Rights issue, whilst Society items are revealed 40% of the time and Product Responsibility points at only a 30% rate. Five of the six categories changed by 2.2% or less; there is a surprisingly unchanged communication pattern despite the GFC and worsening French economic woes. The communication of Product Responsibility, Environment, and Economic items rose slightly, whereas Society issues are static and Human Rights disclosures fell.

The notable exception is Labour items. This category drops from 64.5% in 2007 to 56.7% in 2008 (statistical significant difference, p-value 0.015, paired t-test). Its high level in 2007 can be explained by the cultural importance in France of social climate and labour relations and also by the strong role of workers' unions. Its drop in 2008 may reflect French companies' concern about the economy, falling revenues and the increased possibility of labour unrest over job security and wages. It may be that French companies are choosing to reduce their communication on labour issues when their economic environment is uncertain because of the crucial importance of such social data in revealing their potentially controversial future strategic choices.

A higher level of detail of the transparency of social and environmental items by French firms is provided in Appendix 1; this shows the actual disclosure level of each of the 79 GRI items for the Top 30 French listed companies for 2008 and 2007. The key findings are:

- Of the 79 GRI items, 32 items are communicated more over the two year period, 33 less and 14 remained constant.

- The category of Product Responsibility and Society has the most items falling.

- The disclosure of Labour items rose in 9 of the 14 items including Employee Training Hours (up 16.6%). However, this category has by far the biggest fall in communication of items including Health and Safety Formal Agreements (down -30.0%), Employee Turnover Data (-23.3%) and Workforce Representation Health Safety (-20.0%). These items are directly related to management/employee relationships and may well reflect company unwillingness to provide extra data that would better inform the workforce in various negotiations during an economic recession where concessions will be hotly contested.

- The greatest increase for Environmental data is with Materials Used (+16.6%); the biggest decrease is Biodiversity Impact (-23.4). Such changes may signal a move towards more of an economic-only focus by these French companies to better cope with the downturn.

- Six of the nine Economic items stay level or increase, while the largest improvement is with Pension Cost (+10.0%). There are no large decreases.

- Human Rights disclosures increase for Human Rights Supplier Screening (+13.3%) but decrease for Child Labour Prevention (+16.6%).

- Whilst most Product Responsibility items have increased transparency (highest increase Customer Satisfaction Practices 16.7%), two items fell: Product Information Requirements (-16.7%) and Marketing Rules Programs (-13.4).

Overall, the Appendix 1 data reveals a partial trend in the latter part of 2008 to focus more on economic matters but also to show more restraint on open communication of key labour issues such as employee turnover. Two explanations could be proposed. The first one is to say that French GRI communication is not yet fully mature and that French listed firms are only beginning to adopt comprehensive benchmark listings (such as the GRI).

The second possible explanation is the impact of the financial and economic crisis that could have modified corporate communication to be more strategic with economic priorities foremost. Multiple regression[2] analysis is conducted to seek to explain the 2007 and 2008 disclosure patterns for social and environmental disclosures and the change in this communication between the two years. The same 79 point GRI-based (2006) benchmark list is used as the core disclosure index (DI). Table 4 reveals that neither size nor profit are statistically significant predictors of DI; thus H2 and H3 are rejected for the 2007 data, 2008 data and the change between these two years.

Table 4: Multiple Regression Analysis

Year	Model Signifi-cance	Adjusted R Squared	Variable	Unstandardised Coefficients		Standard-ized Coefficients	t score	p-value
				B	Standard error	Beta		
2007	.767	-.053	Constant	0.523	0.040		13.008	0.000
			Size	0.000	0.000	0.077	0.397	0.694
			Profit	-0.193	0.360	-0.104	-0.537	0.595
2008	.607	.036	Constant	0.492	0.037		13.187	0.000
			Size	0.000	0.000	-0.040	-0.210	0.835
			Profit	0.595	0.624	0.182	0.954	0.349
Change	.276	.091	Constant	0.009	0.023		0.410	0.685
			Size	0.000	0.000	0.250	1.350	0.188
			Profit	-0.294	0.382	-0.142	-0.769	0.449

The dependent variable is the aggregate social and environmental disclosures (DI-Overall); this is regressed against the two predictor variables: size (total assets) and profit (ROA). *Highly significant (p-value < .01); **Significant (p-value < .05); *Moderately significant (p-value < .10). Sample size is 30 firms for all models.

None of the overall Table 4 regression models are overall significant and the explanatory power as shown by the adjusted r-squared figure is low (below 10% in all models). No significant explanatory variables are detected; moreover, further analysis (not shown for brevity) finds no additional significant predictors using many of the most common variables in the past literature (Ho et al 2008) of leverage, total profit, industry and auditor[3]. In summary, aggregate[4] social and environmental disclosures (DI-overall) in France are relatively uniform in nature and not effected by their size, profit level or other common financial characteristics.

Concluding Remarks

These Top 30 French companies are constantly under massive public scrutiny as they belong either to CAC 40 or to SBF 120, which are the key prestigious French indexes. They are expected to power the French economy via large sales, major tax payments and high employment of French workers, and yet are still expected to be the very best at community, environmental outreach and related societal obligations. Their corporate communication is often carefully scrutinized by a broad range of stakeholders with the related expectation of transparency and openness. There is a perception that they must meet high level requirements in social and environmental information dissemination.

The 2001 French regulation requires communication of such social and environmental activities but is not very clear about the manner in which firms should communicate. French companies have latitude regarding how they communicate such data to stakeholders. Yet even if specific indicators are not defined by NRE law, French listed firms must comply with the spirit of extensive disclosure. This study examines how these high profile French companies use that latitude to communicate social and environmental activities.

Using the globally respected GRI (2006) comprehensive list of 79 items as the benchmark, the data from this study highlights a mixed message of important social and environment disclosures. Overall, the Top 30 French companies communicate an average of 50.6% of these valued items during the economic woes in 2008; this is down slightly from the 2007 51.7% figure. Thus, it is concluded that the leading companies in France are showing a moderate level of social and environmental reporting. If this level of reporting is deemed too low in meeting societal expectations, the 2001 regulations may need to be strengthened with more detailed specifics vigorously enforced.

The impact of the global recession may have also encouraged some changes in the blend of reporting GRI-style items. The communication levels ranged from 31.1% for Product Responsibility to 56.7% for Labour items. Yet, Labour disclosures dropped the most (-7.8%), especially contentious issues such as employee turnover data and health and safety issues.

Using a legitimacy theme, it is hypothesized that larger companies and/or lower profit firms would communicate more social and environmental issues. Yet, the multiple regressions analysis finds no significant predictors. Financial characteristics do not predict variances in the level of disclosures. The size finding may be explained by the sample frame: the Top 30 French companies, all by definition, have very high total assets, thus variances between these huge entities may be far less than what one may find with a more generalized sample that includes far smaller companies. Table 3 also highlights that ROA does not affect the DI measure. There is a slight negative correlation, but not at statistically significant levels. Instead, there seems to be more subtle changes in disclosure patterns with less transparency on controversial labour issues perhaps somewhat masked by the substitution of other less worrisome topics.

Future research could explore these issues in more depth. For instance, longitudinal trend data in future years will provide more insights on the transparency of disclosures over changing economic times. In addition, a qualitative interview research approach could be conducted that gathers French top management perceptions of the 2001 legal obligation and how they should most appropriately present social and environmental disclosures. Finally, other communication media analysis, such as web site analysis, could be pursued to generate evidence on alternative approaches to provide data to external stakeholders of these valuable societal issues.

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Appendix 1: Global Reporting Initiative (GRI, 2006) Benchmark Figures:

Top 30 French Listed Companies: Overall and Six Sub-categories (2008 and 2007)

Item	2008	2007	% Change	p-value
DI – LA (Labour) [14 Items]	56.7	64.5	-7.8	0.015**
LA 1: Total Workforce Data	96.7	96.7	0.0	
LA 10: Employee Training Hours	93.3	76.7	+16.6	
LA 13: Governance and Employee Details	86.7	80.0	+6.7	
LA 12: Employee Performance Reviews	83.3	93.3	-10.0	
LA 7: Work Related Injuries	76.7	76.7	0.0	
LA 8: Workforce Education	70.0	73.3	-3.3	
LA 4: Percentage Union Employees	66.7	73.3	-6.6	
LA 11: Employee Career Management	60.0	70.0	-10.0	
LA 2: Employee Turnover Data	56.7	80.0	-23.3	
LA 9: Health and Safety Formal Agreements	36.7	66.7	-30.0	
LA 6: Workforce Representation Health Safety	23.3	43.3	-20.0	
LA 3: Full Time Employee Benefits	16.7	30.0	-13.3	
LA 5: Union Minimum Change Periods	13.3	16.7	-3.3	
LA 14: Salary: Men & Women	13.3	26.7	-13.4	
DI – EN (Environment) [30 Items]	55.4	55.0	+0.4	0.857
EN 3: Direct Energy Consumption	96.7	93.3	+3.4	
EN 6: Energy Conservation Initiatives	96.7	93.3	+3.4	
EN 16: Direct Greenhouse Gas Emissions	96.7	96.7	0.0	
EN 18 Greenhouse Gas Initiatives	93.3	86.7	+6.6	
EN 22: Waste Disposal	93.3	80.0	+13.3	
EN 26: Environmental Impact Products	90.0	83.3	+6.7	
EN 8: Total Water Withdrawn	86.7	83.3	+3.4	
EN 29: Environmental Transportation Impact	80.0	80.0	0.0	

EN 4: Indirect Energy Consumption	76.7	63.3	+13.4	
EN 7: Indirect Energy Conservation Initiatives	73.3	70.0	+3.3	
EN 5: Energy Conservation Savings	70.0	83.3	-13.3	
EN 1: Materials Used	63.3	46.7	+16.6	
EN 14: Biodiversity Strategies	60.0	63.3	-3.3	
EN 2: Recycled Materials	53.3	40.0	+13.3	
EN 17: Indirect Greenhouse Gas Emissions	53.3	56.7	-3.4	
EN 13: Habitat Protected	50.0	40.0	+10.0	
EN 11: Biodiversity Land	43.3	50.0	-6.7	
EN 12: Biodiversity Impact	43.3	66.7	-23.4	
EN 9: Water Sources Affected	40.0	33.3	+6.7	
EN 20: Ozone-depleting Emissions	40.0	53.3	-13.3	
EN 21: Quality of Water Discharge	40.0	40.0	0.0	
EN 10: Water Recycled	36.7	36.7	0.0	
EN 30: Environmental Protection Expenditures	36.7	43.3	-6.6	
EN 27: Reclaimed Packaging	33.3	20.0	+13.3	
EN 19 Ozone-depleting Emissions	26.7	30.0	-3.3	
EN 23: Significant Spills	26.7	23.3	+3.4	
EN 28: Non-compliance Environmental Fines	20.0	30.0	-10.0	
EN 24: Hazardous Wastes	16.7	23.3	-6.6	
EN 15: Operations in Conservation Areas	13.3	16.7	-3.4	
EN 25: Water Affecting Biodiversity Sites	13.3	23.3	-10.0	
DI – EC (Economic) [9 Items]	**53.7**	**53.3**	**+0.4**	**0.879**
EC1: Economic Value Generated	93.3	100	-6.7	
EC 8: Infrastructure for Public	76.7	73.3	+3.4	
EC 6: Local Supplier Focus	70.0	76.7	-6.7	
EC2: Climate Change Risk	63.3	56.7	+6.6	
EC3: Pension Cost	60.0	50.0	+10.0	
EC 7: Local Senior Management	53.3	60.0	-6.7	
EC 9: Indirect Economic Impact	43.3	43.3	0.0	
EC 5: Wage Rates	16.7	13.3	+3.4	
EC4: Government Assistance	6.7	6.7	0.0	
DI – HR (Human Rights) [9 Items]	**50.4**	**51.9**	**-1.5**	**0.742**
HR 4: Discrimination Incidents	80.0	73.3	+6.7	
HR 2: Human Rights Supplier Screening	73.3	60.0	+13.3	

HR 5: Support Action for Collective Bargaining	56.7	60.0	-3.3	
HR 6: Child Labour Prevention	56.7	73.3	-16.6	
HR 1: Human Rights Investment Clauses	53.3	53.3	0.0	
HR 7: Compulsory Labour Prevention	53.3	66.7	-13.4	
HR 3: Employee Human Rights Training	46.7	46.7	0.0	
HR 8: Security Personnel Training	20.0	20.0	0.0	
HR 9: Indigenous Human Rights Violations	13.3	13.3	0.0	
DI – SO (Society) [8 Items]	**40.4**	**40.4**	**0.0**	**1.000**
SO 1: Community Operations	96.7	93.3	+3.4	
SO 4: Corruption Response Actions	70.0	63.3	+6.7	
SO 5: Public Policy Positions	36.7	40.0	-3.3	
SO 3: Corruption Employee Training	30.0	26.7	+3.3	
SO 6: Political Contributions	30.0	40.0	-10.0	
SO 2: Corruption Risk Analysis	23.3	26.7	-3.4	
SO 7: Legal Actions Anti-competitive Behaviour	23.3	20.0	+3.3	
SO 8: Non-compliance Rules Fines	13.3	13.3	0.0	
DI – PR (Product Responsibility) [9 Items]	31.1	28.9	+2.2	0.569
PR 1: Product Cycle Monitoring	76.7	70.0	+6.7	
PR 5: Customer Satisfaction Practices	76.7	60.0	+16.7	
PR 6: Marketing Rules Programs	33.3	46.7	-13.4	
PR 3: Product Information Requirements	30.0	46.7	-16.7	
PR 7: Marketing Rules Non-compliance	16.7	3.3	+13.4	
PR 4: Product Information Non-compliance	13.3	10.0	+3.3	
PR 8: Customer Privacy Complaints	13.3	6.7	+6.6	
PR 2: Product Rules Non-compliance	10.0	10.0	0.0	
PR 9: Product Non-compliance Fines	10.0	6.7	+3.3	
DI-Overall [79 Items]	50.6	51.7	-1.1	0.561

Notes

[1] Voluntary disclosure refers to the provision of information above and beyond the bare minimum that is mandated by company law, accounting standards or stock exchange listing requirements. Mandated information only may be inadequate for users to make informed judgment (Alsaeed 2006).

[2] Correlations (not shown for brevity) reveal no problems with multicollinearity of the independent variables (-0.144). Size has consistently low correlations (some positive and some negative) with the DI measures. ROA also has low correlations with the DI components with most showing a negative relationship. As expected there is a positive relationship between all the various permutations of social and environmental disclosure (DI) measures. However these correlation relationships are only moderate in nature with 0.236 for Environment and Human Rights and 0.650 the highest (Labour and Society categories).

[3] Industry is categorized as manufacturing (18 firms) and non-manufacturing (12 firms). As all 30 top French firms are audited by the Big 4 auditors, the ‘auditor’ analysis was between these Big 4 firms.

[4] Regressions are also run for all key six sub-categories of the GRI (2006) framework. The results (not shown for brevity) are in general alignment with the above DI-overall analysis in Table 3. The predicted directionality of size as a positive predictor of disclosure and ROA as a negative relationship is usually noted; however, rarely are these variables statistically valid. There are three exceptions. Size is a moderate significant predictor (p-value 0.063, multiple regression) of Labour disclosures in 2007 but ROA (p-value -0.035) is not. Size (p-value +0.085) and ROA are both predictors of Economic disclosures for 2007; however, neither are statistically significant in the following 2008 year. Finally, ROA (p-value -0.052) is a significant predictor for the change in the DI over the two years but size is not (p-value +0.189).