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Kolk, A.; Pinkse, J.

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THE INTEGRATION OF CORPORATE GOVERNANCE IN CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES

Ans Kolk & Jonatan Pinkse

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ABSTRACT

In recent years, attention for corporate governance has not only increased but the notion has also broadened considerably, and started to cover some aspects traditionally seen as being part of corporate social responsibility (CSR). CSR, corporate governance and their interlink seem particularly relevant for multinational enterprises (MNEs) which, due to their activities in multiple contexts around the world and concomitant visibility, generally face higher demands to be transparent and disclose information about such issues. Insights into whether and in which cases disclosures on the two topics actually merge has been very limited, however. This paper analyses to what extent corporate governance has become integrated in MNEs' disclosure practices on CSR. Based on an analysis of CSR reporting of Fortune Global 250 companies, findings show that more than half of them has a separate corporate governance section in their CSR report and/or explicitly links corporate governance and CSR issues. We also found that MNEs which disclose information on a wider variety of social and environmental issues and frame CSR with a focus on internal issues are more inclined to integrate corporate governance in their CSR reporting. This integration seems to be a global phenomenon that cuts across countries and sectors.

Key words: corporate governance; corporate social responsibility; disclosure; multinationals; shareholder; stakeholder; reporting

THE INTEGRATION OF CORPORATE GOVERNANCE IN CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES

INTRODUCTION

In recent years, accounting and ethical scandals in cases such as Enron, WorldCom, Ahold and Parmalat have led to a renewed focus on corporate governance as a highly salient issue for international business (e.g. Luo, 2005a; cf. Epstein and Hanson, 2006). Rules and standards have become stricter, with societal expectations for corporate and managerial behaviour increasing likewise. This is particularly relevant for multinational enterprises (MNEs), confronted as they are with a range of different markets, shareholders, stakeholders, governance systems and regulations. Attempts to strengthen corporate governance have concentrated on mechanisms regarding boards, managers and auditors, control and risk, as well as the ethical aspects related to remuneration, managerial and employee behaviour, including whistleblower and complaint provisions.

In a sense, this development means a considerable broadening of the notion of corporate governance, which starts to cover some aspects traditionally seen as being part of corporate social responsibility (CSR). CSR is an elusive concept, as already noted in 1973, when it was said that "the term is a brilliant one; it means something, but not always the same thing, to everybody" (quoted in Carroll, 1999, p. 280); this peculiarity seems related to the involvement of many stakeholders with a range of different, often conflicting demands (e.g. McWilliams and Siegel, 2001). Nevertheless, there is some consensus that CSR covers at least voluntary attention to the ethical, social and environmental implications of business (Carroll, 1999; McWilliams and Siegel, 2001; Whetten et al., 2002). As a reflection of this, McWilliams et al. (2006, p. 1) define CSR as "situations where the firm goes beyond compliance and engages in voluntary actions that appear to further some social good, beyond the interests of the firm and that which is required by law". Particularly MNEs have been put under pressure with regard to CSR, as they are most visible and have activities in many countries where environmental, social and ethical dilemmas have come to the fore.

What is interesting is that while both corporate governance and CSR are seen as relevant to MNEs and as presenting clear challenges to the practice of international management and policy, research has tended to treat them distinctly, not as joint manifestations of the changing context for international business in which CSR issues may also have an impact on corporate governance and performance. Studies that (in)directly link CSR with corporate governance are those that discuss the influence of corporate governance reforms/structures on business ethics, often in a particular region (particularly Rossouw, 2005; Kimber and Lipton, 2005; Ryan, 2005; Wieland, 2005; cf. Welford, 2007); the role of socially responsible investors and shareholder activism (Aguilera et al., 2006; McLaren, 2004; Monks et al., 2004; Guay et al., 2004; Sjöström, 2008), and of employee relations (Deakin and Whittaker, 2007; Jones et al., 2007); and, perhaps most remotely, those that critically examine the stakeholder approach, frequently referring to an agency perspective (Hill and Jones, 1992; Jensen, 2001; Sternberg, 1997; cf. Kolk and Pinkse, 2006).

One area in which corporate governance and corporate social responsibility can be expected to become further integrated is in MNEs' disclosure practices. MNEs generally face higher demands to be transparent and disclose information about major strategic decisions (Luo, 2005a), which leads to requests for other types of information besides financial accounting measures (Luo, 2005b). It is indeed the case that pressure on MNEs to disclose CSR information has grown, which has resulted in concomitant percentages of firms that publish such reports voluntarily. This development, which started with a few environmental reports in 1989, has become much more common since then (cf. Berthelot et al., 2003; Lee and Hutchison, 2005; Owen, 2008). A large majority of the Fortune Global 250 engages in non-financial reporting (Kolk, 2005, 2008; KPMG, 2005). The question we pose in this paper is to what extent the broadening of corporate governance beyond accountability to suppliers of finance to a wider stakeholder audience is also reflected in MNEs' CSR disclosures, and for which firms this is the case. We will explore empirically whether this greater attention to corporate governance in CSR disclosures is being undertaken by Fortune Global 250 firms that reported extensively on social and environmental issues, thus addressing broader audiences already, and/or by those that frame CSR in a particular way. In addition, we also look whether other characteristics, such as sector and country of origin, make a difference in this respect.

The structure of the paper is as follows. We first give an overview of various concepts of corporate governance, showing how this concept, at least on the part of some observers, has become somewhat more closely aligned with CSR in recent years. Next, we argue that the extent to which corporate governance is linked to CSR depends on the way the latter is framed within MNEs. Subsequent sections will deal with the research method and findings, and offer conclusions.

CONCEPTS OF CORPORATE GOVERNANCE

In their article 'Corporate governance: decades of dialogue and data', the introduction to a special topic forum, Daily et al. (2003, p. 371) define the concept as "the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad of participants in organizations. This definition stands in some contrast to the many decades of governance research, in which researchers have focused primarily on the control of executive self-interests in settings where organizational ownership and control are separated." They also note that, considering the state of the art in the field, there is more clarity about "where *not* to look" than "where *to* look" (emphasis in original). Although one can question whether their list of 'promising themes', expected to be crucial for future research (board oversight, shareholder activism, and governing firms in crises) addresses this problem, the overall observations are very worthwhile.

Indeed, considering the multitude of definitions from various origins over the years, a certain broadening seems to have taken place, with more attention being paid to other views than the more traditional agency-based notion of corporate governance such as the one formulated by Shleifer and Vishny (1997, p. 737): "Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. How do the suppliers of finance get managers to return some of the profits to them? How do they make sure that managers do not steal the capital they supply or invest it in bad projects? How do suppliers of finance control managers?". Below we will explore some of these wider conceptualisations, and reflect on their origins and peculiarities.

A perspective that shifts attention more to the external context is the one in which corporate governance is "the system by which companies are directed and controlled" (Cadbury, 2006, p. 18). Taking a historical perspective, this former chair of the UK corporate governance ('Cadbury') committee labels, in an overview piece, the rise of CSR as a boundary change that has implications for corporate governance, such as the need to increase disclosure on environmental and social issues to reckon with the public and shareholder concerns that have emerged. In a preface to a report by the Global Corporate Governance Forum, Cadbury even states that "in its broadest sense, corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals" (Claessens, 2003, p. vii).

In other publications, this is translated into a more firm-level view of corporate governance as the relationship between companies and a range of constituents. "Corporate governance is the relationship between the corporation and the stakeholders that determines and controls the strategic direction and performance of the corporation" (Luo, 2005a, p. 2). Monks and Minow (2004, p. 9) provide a list of constituents in which they include directors, managers, employees, shareholders, customers, creditors, suppliers, community members and the government. And Claessens (2003, p.5), in a World Bank document, distinguishes three sets of relationships for companies: with shareholders and creditors; with financial markets and institutions; and with employees; to which he adds that under such a broad definition, "corporate governance would also encompass the issue of corporate social responsibility, including such aspects as the dealings of the firm with respect to culture and the environment."

An even wider definition comes from Ethical Investment Research Services (Maier, 2005, p. 5): "Corporate governance defines a set of relationships between a company's management, its board, its shareholders and its stakeholders. It is the process by which directors and auditors manage their responsibilities towards shareholders and wider company stakeholders. For shareholders it can provide increased confidence of an equitable return on their investment. For company stakeholders it can provide an assurance that the company manages its impact on society and the environment in a responsible manner". While very lucid, especially because it specifies the CSR component in the last sentence, one could expect such an approach from representatives of the ethical investment community.

It should be noted that the conceptualisations included above as taking a somewhat broader perspective originate mostly from those who have been (partly) involved in policy and/or advocacy circles. In that sense, there are limitations to the extent in which the traditional agency-based approach has fainted. Nevertheless, even those critical about the CSR concept (e.g. Charkham, 2005) have started to consider its peculiarities and (ir)relevance, in specific situations and vis-à-vis particular stakeholder(s). The role of employees and pensioners seems least controversial; employee rights and labour markets have also received attention in recent finance and governance papers (Botero et al., 2004; cf. Gillan, 2006). In addition, there is the notion that companies need to be both profitable and ethical, and that the dimensions to be covered for a 'license to operate' has broadened, such as taking care of local implications in the case of for example mining even if this is not a legal obligation, regardless of whether this behaviour is labelled as CSR or not (Charkham, 2005). Similarly, the importance of considering stakeholder (sub)groups, particularly if they are heterogeneous, and a diversity of institutional contexts with societal values that are subject to change, is being recognised (Hambrick et al., 2008). This also applies to the need to communicate adequately, covering not only legal compliance, but also normative compliance of what is seen as good corporate governance – which itself is "often a moving target, subject to alternative interpretations by different institutional actors" (Hambrick et al., 2008, p. 384).

What is interesting is that, in spite of this broadening of corporate governance, and the inclusion of (some) CSR aspects, most of the research has not really taken this on board yet. That is as such least remarkable for the finance field, which has traditionally focused on the relationships between suppliers of capital and managers. It is, however, conspicuous that scholars in international business and management have been mostly inactive in this regard as well. The large number of environmental and social issues, with their different manifestations and stakeholder pressures across countries, has the potential to affect the operations of MNEs, as well as their risk profiles and performance. One would therefore expect a greater degree of interest in linking corporate governance to CSR in international business.

CORPORATE GOVERNANCE AND THE FRAMING OF CSR

To what extent corporate governance and CSR are converging in international business not only depends on views on corporate governance, but also on how CSR is framed within an MNE. As mentioned in the introduction, CSR is an elusive concept that, just as corporate governance, has been defined in many different ways. Nevertheless, there is some agreement that it involves attention on a voluntary basis to the ethical, social and environmental implications of business (Carroll, 1999; Whetten et al., 2002). One important dimension for how CSR is framed concerns its scope: is it perceived as an external or internal issue? Deakin and Hobbs (2007) argue that CSR is often thought of by managers of listed firms as a way of dealing with external issues, for example the ethical consequences of outsourcing production activities, fair trade, and global environmental problems. However, these authors also indicate that CSR is sometimes interpreted differently as well, focusing on internal issues instead. They give the example of the European Commission, which argued in a Green Paper that besides an external dimension, CSR has an internal dimension, which involves employees' working conditions such as work force diversity and equal pay for women (EC, 2003). The distinction between internal and external aspects of CSR touches upon one of the main debates in corporate governance: if firms have a responsibility to a wider group of constituents, how far should this responsibility go and what kind of (social and environmental) activities will they become involved in?

It was with these questions in mind that the stakeholder approach was first introduced (Freeman and Reed, 1983). This approach explains why business has responsibilities that go beyond the maximisation of profits to include the interests of non-stockholding agents. Indeed, if a company would focus solely on such narrow objectives, the expectations of other stakeholders would be neglected, and in turn their support could be compromised in the long term. Freeman's (1984, p. 46) definition of stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" is most widely accepted (Mitchell et al., 1997). Advocates of the stakeholder perspective consider as a starting point that "all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another" (Mitchell et al., 1997, p. 68). From such a perspective, a company emerges as a nexus of implicit and explicit contracts between various actors with interests that are not always congruent (Hill and Jones, 1992). The stakeholder approach emphasises that actors have different motivations to engage in relationships with a firm and expect different benefits from their collaboration. This means that dealing with stakeholders poses complexities for business in view of conflicting interests (cf. Daily et al., 2003). Researchers in finance and governance also criticise the concept (Jensen, 2001; Sternberg, 1997), inter alia because it is "a convenient portmanteau expression into which many different items can be packed" (Charkham, 2005, p. 20). Another important argument has been that the stakeholder approach makes managers unaccountable for their actions because it does not contain clues on how to balance competing interests and thus gives managers the opportunity to pursue their own causes (Bradley et al., 1999; Jensen, 2001).

In prioritising competing stakeholder interests, it has been argued that firms take into account to what extent the organisation depends on a stakeholder for resources (Jawahar and McLaughlin, 2001). This instrumental view on CSR suggests that firms' primary reason to be responsive to stakeholders is a maximisation of long-term market value (Donaldson and Preston, 1995; Jensen, 2001). Such instrumental motives are closely connected to the way corporate governance has broadened in recent years. As discussed above, a corporate governance view suggests that the main reason for firms to deal with stakeholders is that neglecting them could mean a loss of control on the strategic direction and performance (Luo, 2005a). We therefore expect that firms driven by instrumental motives to practice CSR will predominantly be concerned with shareholders and inside stakeholders such as managers and employees, and, as a consequence, frame CSR with a focus on internal aspects. This is supported by the literature which has found that corporate governance has a considerable impact on internal CSR issues such as employee conditions (Deakin et al., 2002) and ethical aspects related to remuneration, managerial and employee behaviour (Bonn and Fisher, 2005; Kimber and Lipton 2005; Rossouw 2005; Ryan, 2005; Wieland, 2005).

In contrast, motives to deal with outside stakeholders may be seen as not as closely, or not only, connected to instrumental motives, but relying also, and perhaps more, on sustaining moral legitimacy vis-à-vis outsider groups (Suchman, 1995). When CSR is mainly a response to outside stakeholders such as local communities and NGOs, it is more likely to be perceived as dealing with external environmental and community issues (Deakin and Hobbs, 2007). On the basis of this, it can be argued that external framing of CSR shares considerably less commonalities with corporate governance. This would imply that framing CSR focusing on external issues puts much less emphasis on the competitive nature of CSR. Only in a small minority of cases implications for a firm's strategic direction and performance may be involved – an example that is currently mentioned in this regard is climate change, but this is still in its infancy (cf. Cogan, 2006). On the whole, we thus expect that corporate governance is more likely to be integrated in MNEs' CSR policies when CSR is framed with a strong focus on internal aspects such as employee conditions and ethical behaviour of managers and employees.

MERGING DEBATES IN MULTINATIONALS' CSR DISCLOSURE: HYPOTHESES

In the discussion above, we have argued that due to the broadening of corporate governance it has entered the CSR arena. Since these MNEs are generally facing relatively high demands to be transparent and disclose information about major strategic decisions (Luo, 2005a), one area in which we expect the merging debates to be reflected is in MNEs' disclosure practices. However, this does not mean that all MNEs necessarily report on corporate governance in their CSR disclosures. We expect that only MNEs that already feel highly pressured to disclose information to a multitude of audiences, as reflected in the fact that they already report extensively on their environmental and social conduct, will feel more incentive to take corporate governance on board in CSR disclosures. However, in addition we expect that the extent to which corporate governance is integrated also depends on the way CSR is framed within MNEs, that is whether they put emphasis on internal or external issues. We therefore posit the following two hypotheses which we will examine in the remainder of this paper.

Hypothesis 1: MNEs that report extensively on social and environmental issues are more likely to integrate corporate governance in their CSR disclosures.

Hypothesis 2: MNEs that frame CSR with relatively much emphasis on internal issues are more likely to integrate corporate governance in their CSR disclosures.

RESEARCH METHOD

Sample

To test our hypotheses, we collected data on CSR reporting by Fortune Global 250 firms – the first half of the Fortune Global 500 list as published on 26 July 2004 – and conducted content analysis on these reports to derive quantitative scales. In the period September 2004 to January 2005, we collected the most recent reports available that dealt with environmental and/or social issues, health and safety, corporate responsibility, sustainability, social or similar types of CSR-related information. These were mostly stand-alone reports published adjacent to the annual financial report. However, there were some firms that had no separate CSR report but a financial report that contained a substantial section on CSR, which we analysed instead. Only reports that covered 2003/2004 or later were included. To obtain the reports we visited websites, and, if this did not yield results, we contacted the firms, several times if necessary, by letter, mail and/or phone, in order to have certainty about reporting by the whole set of 250 firms. A total of 161 firms (64.4% of the Fortune 250) engaged in CSR reporting as defined above. This is the set we used for our analysis.

Variables

Four different researchers did the coding of the reports. Before coding the reports we compiled a guiding document containing various categories and proxies to achieve shared meanings among the researchers involved about the corporate social responsibility and corporate governance issues (Gray et al., 1995). This document was refined several times based on the input of the researchers as well as experts from an auditing firm specialized in verification of CSR reports. Next, we measured the CSR and corporate governance issues using binary indicators, specifying whether information was given about an issue or not. To analyse to what extent corporate governance is integrated in MNEs' disclosures on CSR, we used two different measures as dependent variable. First, we considered integration by examining whether companies engaged in CSR reporting included a separate section on corporate governance. Our rationale is that if firms have a separate section on corporate governance, this indicates that they view this concept to have relevance for the specific CSR audiences that they target with their reporting. However, this measure has limitations and cannot be used to arrive at conclusions about whether corporate governance and CSR are also integrated content-wise. We therefore also included another dependent variable in the analysis, which measures whether the concept of corporate governance was explicitly linked to CSR issues. Each dependent variable was measured with a binary indicator.

The main independent variable of the study is how extensively MNEs reported on CSR issues. To test our hypotheses, we first measured CSR with a scale consisting of twenty items, without making a distinction between internal and external issues. Subsequently, this twenty-item scale was divided into four separate five-item indicators, two of which focused on internal issues and two on external issues (see table 1 for an overview). To compile the five-item scales we added up the binary scores of each item, thus obtaining a count of the number of CSR activities within each internal and external dimension. The first internal CSR issue relates to employee conditions, which we measured by including items on workforce diversity, equal opportunity, working conditions, freedom of association, and collective bargaining. Most of these issues were originally in the domain of human resource management, but have recently been taken up in the CSR debate as well (Deakin and Whittaker, 2007; Jones et al., 2007). The second internal issue measures business ethics and looked at whether companies included information about a code of conduct or ethics, corruption and bribery, a whistleblower function, child and forced labour, and other rights (such as freedom of association, rights to collective bargaining) (cf. Kaptein, 2004). The first external issue was community issues, which we measured by looking for indications of community involvement, including health programmes, school/education programmes, water projects, fair trade, and philanthropy (Fortanier and Kolk, 2007). The second external issue was a global environmental problem – climate change – and we measured whether MNEs reported on the climate change issue, greenhouse gas emissions, voluntary agreements and/or reduction targets, emissions trading schemes, and carbon-reducing projects (e.g. Chan-Fishel, 2006; Kolk et al, 2008).

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Table 1 around here

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We also included a number of control factors which we expected to be of influence on corporate governance and CSR disclosures (cf. Berthelot et al., 2003; Lee and Hutchison, 2005). We reckoned with the social and environmental sensitivity and visibility of the sector in which a firm operates. In sectors with high environmental and social impacts, a dynamic first unfolded in which increasing numbers of firms started with CSR reporting; in other sectors, particularly the financial sector, this trend started somewhat later (Kolk, 2005). This sectoral trend of early and late adopters is also likely to affect whether MNEs go one step further in their CSR disclosures by integrating corporate governance. In addition to sector, country of origin has also been important for the way debates on corporate governance and CSR develops. This encompasses public attention to environmental and social issues and corporate governance as well as government requirements and explicit encouragements. We measured country of origin by distinguishing the following geographical regions: US, Japan (including South Korea), France, Germany, UK, other European countries, and developing countries. Besides we included two control variables that often affect firm behaviour in general: firm size and profitability. The logic behind this is that with increasing size, firms become more visible and consequently feel more pressure to disclose information that may be of relevance to stakeholders. We measured firm size by taking the logarithm of a firm's total sales. We included profitability, measured as return on sales, as it indicates how much pressure a firm receives from the investment community, which is particularly important for disclosure of corporate governance information (Collett and Hrasky, 2005).

FINDINGS

As our dependent variables were measured on a dichotomous scale, we applied logistic regression to test our hypotheses. Table 2 shows the descriptive statistics as well as the correlation between the variables used in this study (it excludes sector and region due to their categorical nature). Slightly over half of the firms has a separate section on corporate governance or links corporate governance explicitly to CSR issues (respectively 61% and 53%). The table also shows that although the two dependent variables are strongly correlated, the second dependent variable – linking corporate governance to CSR – did not require a firm to also have a section on corporate governance. Furthermore, the table illustrates that most CSR issues have a significant positive correlation with each other, except climate change, which is only positively correlated to business ethics. This is not surprising given that climate change is the only environmental issue included in the analysis; the other three are generally seen as social issues.

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Table 2 around here
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To assess the overall model fit, for each model (see tables 3 and 4) the Hosmer-Lemeshow test was conducted. Since the Chi-square values were not significant, this indicates that all models have a good fit.

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Table 3 and 4 around here
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Looking at the results of the analysis, we can see that, first, and in accordance with hypothesis 1, the regression results (model I in Table 3 and model II in Table 4) show that firms reporting on a wider range of CSR issues are more likely to have a corporate governance section and to link corporate governance to CSR issues. Contrary to our expectations not a single control variable is significantly related to the dependent variables. Second, hypothesis 2 suggested that firms which frame CSR with an internal focus are more likely to integrate corporate governance in CSR disclosures. As model II and model IV (in Tables 3 and 4) show, this hypothesis is supported as reporting on internal CSR issues is significantly positively related to corporate governance disclosure. However, while reporting on both external CSR issues – community issues and climate change – is not significantly related to having a corporate governance section, disclosure on climate change is significantly related to the alternative dependent variable that measures whether corporate governance is linked to CSR issues (although at a 0.10 significance level). Again the control variables showed no significant relation with the dependent variables.

DISCUSSION AND CONCLUSIONS

In this paper we have analysed how a broader perspective on corporate governance, as it has come to the fore in recent years, affects MNEs' CSR practices. We looked at the integration of corporate governance in CSR disclosures, because MNEs are generally facing higher demands to be transparent and disclose information about major strategic decisions (Luo, 2005a). Therefore, we expected both concepts to converge in disclosure practices as both have the potential to affect the operations of MNEs, as well as their risk profiles and performance. Our findings show that this is indeed the case. A considerable number of MNEs has a separate corporate governance section in their CSR report and/or explicitly links corporate governance and CSR issues. What is more, MNEs that disclose information on a wider variety of social and environmental issues and thus target a relatively broad audience are more inclined to integrate corporate governance in their CSR reporting. We also found that the two debates are mostly linked in those MNEs that frame CSR with a focus on internal issues, such as employment conditions and ethical behaviour. This suggests that in engaging in CSR, these MNEs prioritise inside stakeholders. Whether this also means that they let instrumental motives prevail over moral motives would be an area for further research.

The insignificance of the control variables seems to indicate that merging of corporate governance and CSR debates is a global phenomenon that cuts across countries and sectors as far as large MNEs are concerned. In other words, the governance system of an MNE's country of origin does not seem to be decisive for the recognition that CSR and corporate governance are interrelated. That is to say, the financial risks that are potentially caused by corporate governance and/or CSR crises seem regarded crucial all over the world. This is not all that surprising, considering that the large corporate scandals mentioned in the introduction were not limited to a particular region or sector. Still, most of these scandals that stirred up the corporate governance debate predominantly involved ethical behaviour of inside stakeholders such as managers and employees, and it is therefore this internal domain of CSR in which corporate governance has first been integrated, as our findings concur.

However, this does not mean that external issues cannot have a similar effect on corporate governance in coming years. Our somewhat tentative finding that the external issue of climate change bears a significant relation to integration of corporate governance in CSR disclosures suggests that looking at the corporate governance implications of CSR issues has only just started. Over the past years, climate change has already become linked to corporate governance, but via other means than CSR reporting, with investor-related interest in obtaining more information about firms' practices. This has included studies on corporate governance and climate change, for example, a ranking of the world's largest 100 firms on the extent to which they integrate climate change in their governance practices and strategic planning (Cogan, 2006). Climate change has also received most support amongst the CSR proposals filed by shareholders in the US, as shown in a publication from a few years ago (Monks et al., 2004); the issue has become even more prominent at shareholder meetings in the US in recent years. Perhaps most notable has been the Carbon Disclosure Project, an international collaboration of institutional investors concerned about the business implications of climate change (Kolk et al., 2008; Stanny and Ely, 2008). Many companies have started to respond to investors' questions about climate change, but a recent analysis has shown that the comprenshiveness of the information provided is questionable, with concomitant limited value for investors, who also appear not to use it in their decision-making processes (Kolk et al. 2008). The case of climate change seems to suggest that voluntary disclosure which takes place through a separate process, i.e. outside the regular corporate reporting cycle, may not be the best route. To what extent this also applies to information included in CSR reports deserves further research.

This dynamic of a further mainstreaming of climate change culminating in attention for corporate governance implications is something that could potentially also apply to other CSR issues. Attention has increased for the value relevance of social and environmental information acknowledging the potential competitive nature of CSR (KPMG, 2005; Murray et al., 2006). It appears that when those with a financial interest start to worry about the strategic and financial implications of a CSR issue, questions start to be raised about who within a firm is responsible for directing and controlling this potential impact. In other words, disclosing information on CSR issues is not only material to those stakeholders 'traditionally' interested in the social and environmental impact of a firm, such as NGOs and policymakers, but increasingly also extends to shareholders and investors. However, the example of climate change shows that materiality does not guarantee adequate disclosure. There is also the issue that the interactions and prominence of various stakeholders can differ depending on ownership peculiarities. This is most noteworthy in the case of Asia, where the frequent presence of large controlling shareholders (often by powerful individuals and their families) leads to a very different situation than in other regions (Welford, 2007). As Asian firms were largely absent in our sample, this deserves additional investigation.

More generally, follow-up studies may be helpful to shed more light on the exploratory findings reported in this paper. This could involve extensions to other sets of firms in other/more years, but also more in-depth research of whether integration as found in CSR disclosures actually takes place in firms, and what the (dis)advantages, also in terms of costs/benefits and risk (reduction), are. Streamlining of disclosures on such related issues seems to be a worthwhile path to pursue, although knowledge about the best way in which to do this and by which firms in particular, is yet to emerge. This also applies to how voluntary disclosure in CSR reports relates to obligatory disclosure on corporate governance via other means. As voluntary reporting clearly has limitations in terms of comprehensiveness of the information provided as well as the number of disclosing companies, a path towards regulation may be taken. The credit crisis and the related controversies about unethical behaviour of managers and executives are likely to stimulate stricter rules and requirements in both CSR and corporate governance. This will strengthen the integration of the two that has already put in motion as shown in this paper.

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TABLES

Table 1 Internal and external CSR issues

	Variable	CSR activities
Internal	Employee conditions	Diversity Equal opportunity Working conditions Freedom of association Collective bargaining
	Business ethics	Code of conduct or ethics Whistleblower function Corruption and bribery Child and forced labour Other rights
External	Community issues	Health programs School/education programs Water projects Fair trade Philanthropy
	Climate change	Climate change issues Direct GHG emissions Voluntary agreements & targets Emissions trading schemes Carbon-reducing projects

Table 2 Descriptive statistics

	m	s.d.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) Corporate governance section in report	0.61	0.49	1.00							
(2) Corporate governance linked to environmental/social issues	0.53	0.50	0.42***	1.00						
(3) Corporate social responsibility	8.50	3.81	0.46***	0.44***	1.00					
(4) Employee conditions	2.50	1.72	0.48***	0.35***	0.76***	1.00				
(5) Business ethics	1.94	1.51	0.47***	0.44***	0.80***	0.48***	1.00			
(6) Community involvement	1.96	1.18	0.20**	0.12	0.58***	0.29***	0.29***	1.00		
(7) Climate change	2.10	1.22	-0.02	0.21***	0.50***	0.09	0.29***	0.08	1.00	
(8) Firm performance	5.38	7.48	0.06	-0.03	-0.04	0.004	-0.01	0.11	-0.23***	1.00
(9) Firm size	4.60	0.24	-0.03	0.07	0.22***	0.10	0.14*	0.20**	0.18**	-0.05

*** $p<0.01$; ** $p<0.05$; * $p<0.10$ (two-tailed)

Table 3 Logistic regression results on corporate governance section in report

Dependent variable: Corporate governance section in report	Model I		Model II	
Independent variables	Coefficient	Wald	Coefficient	Wald
Region	-	9.01	-	7.38
Sector	-	5.98	-	4.52
Firm performance	0.05	2.13	0.04	0.90
Firm size	-0.98	0.81	-0.66	0.31
Corporate social responsibility	0.38	25.9***		
Employee conditions			0.39	4.74**
Business ethics			0.96	15.78***
Community involvement			0.001	0.00
Climate change			-0.21	0.76
Constant	0.02	0.00	0.44	0.007
-2 Log likelihood	143.32		127.71	
Nagelkerke R^2	0.49		0.57	

*** p<0.01; ** p<0.05; * p<0.10

Table 4 Logistic regression results on corporate governance linked to environmental and social issues

Dependent variable: Corporate governance linked to environmental/social issues	Model III		Model IV	
Independent variables	Coefficient	Wald	Coefficient	Wald
Region	-	5.62	-	6.98
Sector	-	7.69	-	10.87
Firm performance	-0.04	1.79	-0.04	1.23
Firm size	-0.71	0.52	-0.64	0.36
Corporate social responsibility	0.34	25.43***		
Employee conditions			0.36	4.62**
Business ethics			0.79	13.73***
Community involvement			-0.26	1.72
Climate change			0.38	3.48*
Constant	-19.72	0.00	-18.92	0.00
-2 Log likelihood	168.64		155.29	
Nagelkerke R^2	0.38		0.46	

*** p<0.01; ** p<0.05; * p<0.10