

**Similarity in Corporate Environmental and Social Disclosure:  
A Neo-Institutional Perspective**

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## **Similarity in Corporate Environmental and Social Disclosure:**

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#### **Abstract**

In this paper, we envision Corporate Social Responsibility (CSR) disclosure, which encompasses environmental and social dimensions, as being implemented as part of an institutionalization process that values conformity within a firm's own national industry. Focusing on firms from Canada, France and Germany, we assess the determinants and economic consequences of intra-industry imitation in CSR disclosure. Our results suggest that, in a given year, a firm's imitation of other firms' CSR disclosure within its industry is determined by the tendency of other firms within that industry to imitate one another. However, there is evidence that, given reference group mimetic isomorphism, corporate governance, environmental performance and public media exposure weaken a firm's tendency to imitate its reference group. In addition, some economic variables representing coercive forces and a firm's dependence upon financial resources providers also contribute to a firm's disclosure similarity tendency. Finally, we observe a mediating effect of the CSR similarity process on the relation between corporate CSR performance, governance, media exposure, profitability and stock market valuation. The institutionalization process appears stronger in Canada than in Germany and France.

**Key words:** Corporate governance, corporate social responsibility, sustainability, environmental disclosure, institutional theory, isomorphism, media exposure, social disclosure.

## 1. Introduction

This paper investigates the institutional process which underlies the formulation of Corporate Social Responsibility disclosure (CSR disclosure) by firms from three countries, i.e., Canada, France and Germany. For our purpose, CSR disclosure encompasses both environmental and social disclosures (e.g., Gamerschlag, Möller and Verbeeten, 2011). The rise in societal expectations regarding the environmental and social performance of corporations has certainly been spectacular in recent years (Porter and Kramer, 2007). Such pressures by various stakeholders and society entail enhanced scrutiny of corporate social and environmental practices. Feeding these rising expectations are concerns about health (e.g., Wilson and Tisdell, 2001), sustainability of supply chains (e.g., De Brito, Carbone and Blanquart, 2008; Linton, Klassen and Jayaraman, 2007), climate change (e.g., Kolk and Pinske, 2008) or labor working conditions (e.g., Van Tulder, Van Wijk and Kolk, 2009). Ecological disasters (Solomon, Solomon, Norton and Joseph, 2011) or human tragedies (e.g., Sinkovics, Hoque and Sinkovics, 2016; Siddiqui and Uddin, 2016) have also contributed to put corporations' environmental and social practices under the spotlight. Hence, various stakeholders are asking firms to account for the social responsibility of their actions (e.g., Cormier, Gordon and Magnan, 2004; Fernandez-Feijoo, Romero and Ruiz, 2014) while investors are seeking to obtain assurance that such potentially costly accidents do not lurk behind rosy financial reporting (e.g., Simons and De Wilde, 2017).<sup>1</sup> Over the years, these pressures have become increasingly institutionalized with the emergence of Corporate Social Responsibility (CSR), environmental or sustainability rankings (e.g., Corporate

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<sup>1</sup>Clifford Kraus and John Schwartzmay. 2016. Exxon Investors Seek Assurance as Climate Shifts, Along with Attitudes. The New York Times. May 23. [https://www.nytimes.com/2016/05/24/science/exxon-investors-seek-assurance-as-climate-shifts-along-with-attitudes.html?\\_r=0](https://www.nytimes.com/2016/05/24/science/exxon-investors-seek-assurance-as-climate-shifts-along-with-attitudes.html?_r=0). Retrieved May 22, 2017.

Knights), stock market indices (e.g., Dow Jones Sustainability Index), measurement and reporting metrics (such as the Global Reporting Initiative, i.e., GRI), CSR assurance experts (e.g., environmental auditors) or management processes (e.g., ISO 14000).

The response of most corporations to these various pressures has been to enhance both the quality (e.g., Marquis, Toffel, and Zhou, 2016) and the substance (e.g., Marquis and Qian, 2014) of their disclosure on these matters (see also Deloitte, 2013), emphasizing social and environmental issues. In terms of scale, many corporations, either listed or privately-owned, now provide extensive CSR or sustainability reports, often anchored within designated spaces within the corporate web site (Cooper and Owen, 2007; PwC, 2015). In terms of scope, what used to be a relatively simple exercise of listing some awards and water or air pollution statistics is now a comprehensive data gathering and communication exercise that encompasses a wide range of issues from CO<sub>2</sub> emissions to subcontractors' labour working conditions.<sup>2</sup>

Consistent with neo-institutional theory (Scott, 1995), we argue that firms in a given country imitate the disclosure practices of other firms within their industry in a process of mimetic isomorphism. The practices of firms that occupy a leadership position within their industry determine imitation patterns of other firms since they are perceived as more legitimate or successful. As a result, corporate disclosures become increasingly similar, or homogenous, over time. While mimetic isomorphism can arise for several reasons, a likely explanation is the convergence between stakeholders' expectations about a firm's social responsibility posture and the need for a firm's directors and managers to ensure that they meet those expectations in a way that does not expose them to further

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<sup>2</sup>For example, Nike had to take drastic actions following allegations that it relied on subcontractors with sweatshop-like conditions in its supply chain (Hart and Milstein, 2003).

demands: doing the same as what leaders are doing implies that there is safety in numbers. In other words, by engaging into mimetic isomorphism, firms adopt a rational posture that bonds them to a superior organization (Lieberman and Asaba, 2006).

Hence, we seek to revisit the debate on the rationale underlying CSR disclosure, which encompasses both social and environmental dimensions, that has been the object of intense scrutiny. So far, two opposing perspectives have set the tone for the debate, each basing their predictions on different premises regarding management's ultimate intent in providing CSR disclosure. Hence, by using CSR disclosure to manage impressions or enhance their firm's legitimacy within society, management can ultimately be construed to act in a way that deceives stakeholders and even distorts reality (e.g., Cho, Laine, Roberts and Rodrigue, 2016). In contrast, management can use CSR disclosure to convey useful and relevant information to key stakeholders, including investors, further enhancing its quality by obtaining audit assurance on the information being provided (e.g., Berthelot, Cormier and Magnan, 2003; Moser and Martin, 2012).

Aside from these two perspectives, there has been some exploration of institutional theory-based explanations (e.g., de Villiers and Alexander, 2014). As de Villiers and Alexander (2014), our paper moves the focus from content of disclosure to patterns and structures of disclosure. However, de Villiers and Alexander (2014) focus in a single industry and analyse the overall structure of corporate environmental and social disclosure while we distinguish between both. Hence, environmental and social institutional pressures from stakeholders may differ. Other efforts relying on institutional theory focus on one firm (e.g., Contrafatto, 2014), one country (e.g., Archel, Husillos and Spence, 2011) or one disclosure dimension (e.g., Aerts, Cormier and Magnan, 2006), and

therefore provide limited grounding for generalization. Reviewing the literature in this regard, Hahn and Kuhnen (2013) actually make a call for further research to be grounded in institutional theory to uncover deeper patterns in the determination of sustainability disclosure.

Our paper intends to examine in a more systematic fashion the institutional foundations of CSR disclosure. The analysis level of our paper is the organisational field as reflected by an industry in a given country (Scott, 1995). We argue that CSR disclosure follows an institutionalization process characterized by mimetic isomorphism, with CSR disclosure becoming increasingly homogenous among firms within a country's industry as they strive to imitate the practices of industry leaders.

We explore the determinants and economic consequences of intra-industry imitation in CSR disclosure, as reflected by environmental and social matters, for a sample of large firms from three different countries (Canada, France and Germany) during the 2012-2014 period. Moreover, in light of the critical importance that CSR disclosure has attained in Western world countries, we also consider how corporate governance, public media pressures and a firm's underlying CSR performance interplay with imitation tendencies. Overall, results suggest that, in a given year, a firm's imitation of other firms' CSR disclosure within its industry is determined by the tendency of other firms within that industry to imitate one another. For environmental disclosure, given reference group mimetic isomorphism, corporate governance, environmental performance and public media exposure weaken a firm's tendency to imitate its reference group. For social disclosure, given reference group mimetic isomorphism, corporate governance weakens a firm's tendency to imitate its reference group. In addition, some

economic variables that may represent coercive forces and a firm's dependence upon financial resources providers also contribute to a firm's disclosure similarity tendency. Moreover, we observe a mediating effect of the disclosure similarity process on the relation between environmental /social performance, governance, media exposure, profitability and stock market valuation. Finally, we observe a country effect in the disclosure similarity process with more similarity in Canada and less similarity in Germany and France. In presence of normative or coercive isomorphism, organizations are forced to comply with changes forced by external forces, i.e. regulation concerning environmental and social issues.

Our study provides the following contributions. First, our findings offer an alternative explanation as to how and why firms elaborate their CSR disclosure. In contrast to prior research that focuses on managerial opportunism, legitimization attempts or economic incentives, we show that most firms may actually be seeking anonymity through uniformity by engaging in systematic mimetism with industry leaders' practices. As such, by considering CSR disclosure by firms from three countries via the lens of mimetic isomorphism, we extend and further enrich prior work relying on institutional theory to explain CSR disclosure (e.g., Archel et al., 2011; Cannizzaro and Weiner, 2015). Second, we bring additional insights into the debate regarding global institutional trends in CSR disclosure. Our results show that there is similarity in CSR disclosure at the international level but that mimetic isomorphism tendencies are prevalent at the country level. Hence, we extend and formalize earlier work on CSR disclosure at the international level (e.g., Maignan and Ralston, 2002). Moreover, our results shed additional light into the relative roles of international and domestic institutions in driving

CSR disclosure. For instance, Fortanier, Kolk and Pinkse (2011) show increasing harmonization of CSR activities of firms from different countries, thus reducing the role of domestic institutions while Chen and Bouvain (2009) find that firms from different countries exhibit significant differences in their CSR disclosure, the main cause being differences in national institutional arrangements. Third, we further consolidate the reach of institutional theory to understand accounting-based phenomena such as budgeting practices (e.g., Ezzamel, Robson and Stapleton, 2012) and the dissemination of accounting standards (Alon and Dwyer, 2016). Finally, our paper extends and broadens the scope of Aerts et al. (2006) by adding the imitation of corporate social disclosure and controlling for different aspects affecting the propensity to mimic, i.e. public media exposure, corporate governance and environmental/social performance. This provides a wider comprehension of the mimetic phenomenon.

The next section provides the conceptual framework and related literature. The hypotheses are followed by the method, results, discussion, conclusions and limitations.

## **2. Background and Conceptual Framework**

### *2.1 CSR Disclosure: The Debate*

For more than 20 years, there has been an ongoing debate regarding management's ultimate aims when providing CSR disclosure (and/or its components, i.e., environmental and social disclosures). On one hand, corporate disclosure is viewed as being strategically opportunistic, either by trying to manage impression (Neu, Warsame and Pedwell, 1998; Cho, Roberts and Patten, 2010), enhance legitimacy among stakeholders (Deegan, 2002; Patten, 1992; Chauvey, Cho, Giordano-Spring and Patten,

2015; Cormier and Magnan, 2015; O'Donovan, 2002) or, more extremely, deceive public opinion by putting up disclosure facades that distort and even misrepresent reality (Cho, Laine, Roberts and Rodrigue, 2014). On the other hand, an alternative view is to the effect that CSR disclosure (mostly in terms of environmental matters) is driven by information economics considerations, the ultimate intent being to provide investors and other stakeholders with a signal, or information, that is credible and useful for decision-making (Aerts, Cormier and Magnan, 2008; Cormier and Magnan, 2003; Clarkson, Li, Richardson and Vasvari, 2008; Dhaliwal, Radhakrishnan, Tsang and Yang, 2012; Li, Richardson and Thornton, 1997). Thus, both perspectives offer contrasting findings, further confounding our understanding of the situation. Furthermore, CSR disclosure research has been subject to some critical analysis, mostly with respect to the general lack of formal conceptual framework despite the widespread reference to constructs such as stakeholders or legitimacy (Hahn and Kahn, 2013). Spence; Husillos and Correa-Ruiz (2010) even argue that theories underpinning social and environmental disclosure research "...have been developed in isolation from, and in contradistinction to, other organisational literatures and the social sciences more generally" (p.76). They venture that accountability may not be appropriate lens to asses corporate disclosure.

Overall, the lack of a unifying theory to link these findings implies that our understanding of the underlying determinants of CSR disclosure is still limited. For instance, O'Dwyer and Unerman (2016) reiterate the pleas by both Hopwood's (2009) and Gray (2002) for further theorization of research into CSR or sustainability issues, especially its disclosure. While they highlight the progress realized over the years, they note that environmental issues have received much more attention than social ones such

as human rights, supply chain abuses, and fair trade. Moreover, they recognize that less focus should be devoted to the actual act of disclosing and that more attention toward the processes via which disclosure evolves.

In this regard, Campbell (2007) offers a path forward in the investigation of CSR disclosure. While his work is more about CSR per se than about its disclosure, he argues that institutional conditions underlie the mapping between a firm's surrounding economic context and its actual CSR actions and ultimately drive its disclosure. Such conditions encompass regulations, monitoring organizations, institutionalized norms with respect to corporate actions and imitation among corporations themselves. We now elaborate further as how CSR disclosure can be viewed as an institutionalized process and what it implies.

## 2.2 *CSR Disclosure as an Institutionalized Process*

Institutional theory, especially its neo-institutional version (Scott, 1995), does provide a comprehensive yet conceptually grounded approach to revisit the determination of CSR disclosure and, possibly, a way to reconcile these disparate findings. Chen and Roberts (2010, p. 652-653) actually state that “While legitimacy theory itself does not specifically express how to meet social expectation and gain social support, institutional theory strongly emphasizes that organizations can incorporate institutionalized norms and rules to gain stability and enhance survival prospects”. Therefore, rather than assessing CSR disclosure as either deceptive or informative and relying on legitimacy, stakeholder or signaling theories, we consider that it has become institutionalized over time and is thus driven by considerations beyond managerial incentives (to deceive or to convey useful information). An advantage of using such an approach is that the

institutionalization of corporate disclosure has been the object of several theoretical developments over the years, highlighting how disclosure institutionalisation arises and what are the consequences for organisations (see DiMaggio and Powell, 1983; North, 1990; Powell and DiMaggio, 1991; Scott, 1995).

However, despite their appeal and applicability to disclosure decisions, there is little formal empirical evidence of these theoretical propositions with respect to CSR disclosure, in both its environmental and social dimensions. For instance, focusing on 36 mining firms from two countries, De Villiers and Alexander (2014) argue and illustrate that the dissemination of CSR disclosure around the world is consistent with its institutionalization. Comparing the corporate social responsibility reporting of Australia and South Africa mining firms, de Villiers and Alexander (2014) find similar overall patterns of corporate social and environmental reporting in diverse settings, while differences at a more detailed level remain. In another international comparison, Chen and Bouvain (2009) find that membership in the United Nations' Global Compact by leading firms from the U.S., U.K., Australia, and Germany affects only certain aspects of their CSR reporting relating to the environment and workers. Firms differ extensively across countries in their promotion of CSR and in the CSR issues that they choose to emphasize in their reports. Chen and Bouvain (2009) attribute these country differences to different country-specific institutional arrangements. In contrast, Fortanier et al. (2011) find that firms comprising the Fortune Global list show upward harmonization in their CSR reporting if they adhere to global CSR standards such as GRI. However, it appears that stricter enforcement mechanisms do not increase harmonization. Fortanier et al.

(2011) conclude that such global harmonization in CSR disclosure reduces the influence of domestic institutions (e.g, legislation, societal concerns).

Hence, while it appears that an institutional perspective provides useful lens for the analysis of CSR disclosure, whether domestic or global institutions drive CSR disclosure is still an unsettled issue. Moreover, at the country level, the role played by firm- and industry-specific factors in CSR disclosure is still undefined. We now elaborate further on the new institutional theory and on its isomorphism dimensions as the foundation of our investigation.

### 2.3. *Isomorphism*

Within an institutional perspective, institutions constrain or exert pressures on organizational agency, thus producing organizational structures and strategies that are both stable and recognizable (Jepperson, 1991; Zucker, 1977). Such institutional constraints or pressures, and their interaction, shape “the potential wealth-maximizing opportunities of entrepreneurs” (North, 1990, p.73). Moreover, by pursuing their wealth-maximizing objectives, organizations incrementally alter the current institutional context (North, 1990). Therefore, the interaction between these firm objectives (like environmental, social and financial performance; legitimacy; and good governance) and established institutions ultimately determines a firm`s value creation. In this regard, North (1990) highlights how rules, both formal and informal, are important for the efficiency of an institution and will ultimately define behavioral constraints. Institutions, and the pressures they bring onto organizations, also play a major role which underlies corporate practice. More specifically, institutional rules or pressures facilitate economic

exchanges in situations of uncertainty as they minimize transaction costs for organizations.

Prior research identifies three core types of institutional pressures (Heugens and Lander, 2009; Scott, 2001): mimetic, coercive, and normative. Each is now briefly presented.

Mimetic pressures exert a stabilizing influence on organizational behavior and outcomes as they stimulate the adoption of practices that are already widespread among other organizations. Therefore, mimetic isomorphism is a process by which, under conditions of ambiguity or uncertainty, organizational changes are imitated to gain legitimacy (DiMaggio and Powell, 1983). For instance, organizations imitate others when organizational technologies are poorly understood; corporate objectives are ambiguous; or external and internal environment creates uncertainty. Such mimetic behavior allows firms to solve complex problems at low cost (Cyert and March, 1963) but, more importantly, is perceived to enhance their chances for survival when maintaining legitimacy is critical (e.g., Meyer and Rowan, 1997; Westphal, Gulati and Shortell, 1997). In general, firms will model their practice by identifying a reference group which imitation further enhances their legitimacy. Different views exist in this regard but they tend to take the form of similar organizations in their field perceived as the most legitimate or the best performing (Barreto and Baden-Fuller, 2006). Ultimately then, as firms engage in mimetic isomorphism, their practices will tend toward uniformity.

Under normative pressures, there is a harmonization in the interpretation of the surrounding context and events which leads to a convergence in the reading of what is

happening. Hence, normative isomorphism stems mainly from the professionalization of a particular field and the emergence of professional judgment (Greenwood, Suddaby and Hinings, 2002). Professionalization is the collective effort of members of a profession to define the conditions and methods of their work. Professions are a source of isomorphism because of the immutability of formal education and cognitive legitimation produced by academic specialists and the professional's networks that connect organizations. Thus, within a country, managers and key personnel who graduated from the same universities and engaged with a common set of attributes will tend to approach problems and take decisions in the same way and consider the same policies, procedures and structures as standardized and legitimized. The socialization between these professionals reinforces isomorphism through workshops of professional associations, continuing education for employees, consultants and professional journals.

Coercive pressures imply a standardization of behavior as a result of the enactment and application of rules, compliance monitoring, and sanctions. In practice, coercive isomorphism results from formal and informal pressures exerted by other organizations on which they depend and by the expectations of the society in which the organization operates (Mizruchi and Fein, 1999). Organisations ceremonially adopt institutionalised structures or standardized operating procedures when they are convinced by force (e.g., by the state) or persuasion (e.g., more powerful firms) that such a response could improve their access to required resources, including legitimacy. However, over the long term, these responses affect the power relations within organizations to gradually reflect the institutionalized and legitimized rules (e.g., a parent company that standardizes the disclosure mechanisms of its subsidiaries).

### **3. Hypotheses**

#### *3.1 Expectations Regarding Coercive and Normative Isomorphism*

With respect to CSR disclosure, both coercive and normative isomorphism is more likely to arise at the country level since CSR activities and disclosure are typically determined by national laws and regulations and implemented by professionals and managers evolving within a particular national environment (i.e., professionals and managers of firms within a country are typically graduates from universities within that country, are members of national professional bodies and evolve in various national networks). Therefore, when comparing firms from different countries in terms of their CSR disclosure practices, there is likely to be strong overlap between the effects of coercive and normative isomorphism, rendering difficult any particular attribution to one or another. Such country-specific coercive and normative pressures are thus likely to induce inter-country differences in CSR disclosure.

Appendix 1 summarizes the various environmental and social regulations in France, Germany and Canada. We observe more environmental/social disclosure regulations in France and Germany than in Canada. While there are mandatory CSR-related reporting obligations in France and in Germany, Canada is just beginning to enforce regulations to specific CSR issues like the Canadian Environmental Protection Act of 1999 that requires firms to report on specific pollutant emissions. Ioannou and Serafeim (2016) thus conclude that after the adoption of mandatory disclosure laws and regulations, perceptions regarding the social responsibility of corporate executives improve. Hence, their cognitive uncertainty with respect to CSR issues and societal expectations decreases, thus reducing the need for mimetic isomorphism to develop their

social and environmental disclosures. In the presence of normative or coercive isomorphism, organizations are forced to comply to external pressures, i.e. regulation concerning environmental and social issues. This lets fewer spaces for imitation. Hence, one can expect a country effect in the isomorphism process with less mimetic isomorphism in Germany and France than in Canada.

However, there is a countervailing institutional pressure with respect to CSR disclosure at the international level with the advent of world-wide standards such as the GRI (Global Reporting Initiative) or ISO 14000, which adoption and implementation would imply normative isomorphism across firms from different countries. In light of the tension between these two sources of pressures (coercive and normative at the country-level, normative at the international level), we do not make any prediction regarding CSR disclosure across countries but include country-specific fixed effects in our analyses.

### *3.2 Hypotheses with respect to Mimetic Isomorphism*

Our first hypothesis follows from DiMaggio and Powell (1983) mimetic hypothesis from field-level predictors of isomorphic change. This hypothesis states that “the fewer the number of visible alternative organizational models in a field, the faster the rate of isomorphism in that field” (p.155). Hence, overall, we expect mimetic isomorphism in CSR disclosure to be prevalent among firms within France, Germany and Canada, i.e., firms tend to imitate the disclosure practices of other firms within their reference group. Such trend implies increasing uniformity among firms within reference groups. Hence our first hypothesis:

#### *Hypothesis 1*

*The more there is CSR disclosure imitation within a reference group, the more a firm tends to imitate its reference group (i.e., engaging in mimetic isomorphism), thus raising the level of similarity within the group.*

However, key firm-specific attributes are likely to moderate such mimetic isomorphism forces. Prior research documents three types of attributes: 1) corporate governance, 2) consistency between CSR performance and CSR disclosure and 3) a firm's media exposure.

One task of the board of directors is to provide financial resources, competencies, cultural values and external ties to a firm (Ben-Amar et al., 2013). We consider that there is a correspondence between these resources and the normative institutions described by DiMaggio and Powell (1983) and Scott (1995). These resources reduce the informational uncertainty faced by management and, thus, facilitate strategic decision-making, which includes environmental and social disclosure. For example, a firm's governance level is associated with voluntary financial or non-financial disclosure. Lin and Hwang (2010) find evidence that solid governance enhances the quality of financial information conveyed by a firm. Similarly, Cheng and Courtenay (2006) find that the presence of an external governance mechanism enhances the strength of the association between the proportion of independent directors and the level of voluntary disclosure. Therefore, we expect good governance to reduce the propensity of a firm to imitate its reference group, i.e., to engage in mimetic isomorphism. This gives rise to our second hypothesis.

#### *Hypothesis 2*

*Given mimetic isomorphism in CSR disclosure, corporate governance weakens a firm's tendency to engage in mimetic isomorphism.*

The credibility of environmental and social disclosure is provided mostly by normative pressures followed by coercive pressures while mimetic isomorphism offers the slightest assurance of credibility (Martínez-Ferrero and García-Sánchez, 2017). While normative and coercive institutions incite firms to disclose their real environmental and social performance, mimetic isomorphism is primarily a legitimacy effort. Therefore, when firms improve their environmental and social performance, there is less need to copy their reference models. In this respect, prior research documents a relationship between CSR performance and CSR disclosure. Firms in environmentally sensitive industries also exhibit higher levels of environmental disclosure (e.g., Aerts and Cormier, 2009; Cho et al., 2007). Furthermore, Patten (2002) documents a lower relationship between environmental performance and environmental disclosure for more environmentally sensitive industries. Inversely, it is likely that environmental disclosure is more likely to reflect environmental performance in less environmentally sensitive industries. Overall, these findings are consistent with a legitimacy perspective, i.e., firms with low legitimacy provide more environmental disclosure but their low legitimacy undermine the impact of such disclosure on financial markets. Thus, a firm's environmental/social performance is likely to affect its propensity to imitate its reference group. Hence, our third hypothesis:

*Hypothesis 3*

*Given mimetic isomorphism in CSR disclosure, CSR performance weakens a firm's tendency to engage in mimetic isomorphism.*

One way of highlighting the decoupling between disclosure and performance is via public media exposure. Therefore, when public media exposure increases, firms do

not have other choice than to decrease their mimetic behavior. The propensity for the media to cover a firm's CSR activities affects its mimetic tendencies, thus potentially inducing a coercive or normative shift in its reporting agenda (O'Dwyer, 2002, p. 417). For instance, Deegan et al. (2002, pp. 327-328) find that the extent of CSR disclosure by Australia's largest firm (BHP Ltd. – a natural resources firm) is closely associated with the media attention its CSR activities attract. Therefore, when legitimacy is under scrutiny, voluntary disclosures become important in an effort to alter perceptions of legitimacy. Therefore, our fourth hypothesis:

*Hypothesis 4*

*Given mimetic isomorphism in CSR disclosure, public media exposure weakens a firm's tendency to engage in mimetic isomorphism.*

*3.3 Disclosure similarity - Mediating effect on stock market valuation*

Another aim of this paper is also to investigate how imitation, i.e., a trend toward uniformity, allows firms to increase their market value. A relation between imitation and firm value is consistent with North's (1990) argument that the institutionalization of corporate practices among firms facing a similar context reduces transaction costs in situations of informational uncertainty. We assert and test that the level of uniformity in CSR disclosure mediates the relationship that CSR performance, corporate governance (positive relation), media exposure (negative relation), and financial profitability (positive relation) have with stock market value. As a consequence, the more a firm imitates others of its organizational field, the more its market value increases. Therefore, our last hypothesis:

### *Hypothesis 5*

*CSR disclosure similarity mediates the relationship that CSR performance, corporate governance, media exposure, and financial profitability have with stock market value.*

## **4. Method**

### *4.1. Sample*

Our sample comprises 1 401 firm-year observations covering 2012-2014, with 467 unique firms. There are 239 unique Canadian firms (member firms of the S&P/TSX Index of the Toronto Stock Exchange), 119 unique French firms (member firms of the SBF120 Index of the Paris Bourse) and 109 unique German firms (member firms of the DAX30, MDAX50 and TecDAX30 Indices of the Deutsche Bourse). There are missing values to compute similarity scores (28 observations for environmental disclosure and 29 for social disclosure), which gives 1 373 firm-year observations for environmental imitation and 1 372 for social similarity. There are many missing values in Bloomberg database for ESG social performance (272), ESG environmental performance (481), and ESG corporate governance (101).

This gives a final sample of 756 firm-year observations for environmental model (504 since we lose one year observations since we use the lag of imitation) and a final sample of 942 firm-year observations for social model (628 since we lose one year observations since we use the lag of similarity).

### *4.2. Empirical Models*

Isomorphism implies uniformity, with focal firms adopting disclosure practices that are similar to the practices of other firms within their reference group (Deephouse, 1996). Therefore, disclosure similarity within a reference group is the measure of interest in the study. For the purpose of our analyses, CSR disclosure is split into its two components, environmental disclosure and social disclosure (CSD).

The empirical models underlying the determinants of similarity scores (mimetic, coercive and normative isomorphism) are the following:

Environmental disclosure similarity<sub>it</sub> =

Prior environmental disclosure similarity<sub>it</sub> +  
 Prior reference group environmental disclosure similarity<sub>it</sub> +  
 Prior reference group environmental disclosure similarity<sub>it</sub> X Governance<sub>it</sub> + Prior  
 reference group environmental disclosure similarity<sub>it</sub> X Environmental performance<sub>it</sub>  
 + Prior reference group environmental disclosure similarity<sub>it</sub> X Environmental media  
 exposure<sub>it</sub> + Governance<sub>it</sub> + Environmental performance<sub>it</sub> + Environmental media  
 exposure<sub>it</sub> + Country dummies<sub>it</sub> + Concentration ratio<sub>it</sub> + Tobin's Q<sub>it</sub> + Free cash  
 flow<sub>it</sub> + Beta<sub>it</sub> + ROE<sub>it</sub>

Social disclosure similarity<sub>it</sub> =

Prior social disclosure similarity<sub>it</sub> +  
 Prior reference group social disclosure similarity<sub>it</sub> +  
 Prior reference group social disclosure similarity<sub>it</sub> X Governance<sub>it</sub> + Prior reference  
 group social disclosure similarity<sub>it</sub> X Social performance<sub>it</sub> + Prior reference group  
 social disclosure similarity<sub>it</sub> X Social media exposure<sub>it</sub> + Governance<sub>it</sub> + Social  
 performance<sub>it</sub> + Social media exposure<sub>it</sub> + Country dummies<sub>it</sub> + Concentration ratio<sub>it</sub>  
 + Tobin<sub>it</sub> + Free cash flow<sub>it</sub> + Beta<sub>it</sub> + ROE<sub>it</sub>

where *i* indicates a focal firm and *t* a given year.

### 4.3. Measurement of Variables

*Environmental Disclosure and Social Disclosure Similarity.* Disclosure similarity is measured within a reference group that is defined at the industry-country level, as firms within an industry are more likely to pursue strategies (Fiegenbaum and Thomas, 1995). The starting point is the measurement of each firm's environmental and social disclosures, which are captured through two coding grids designed by Cormier and Magnan (2015 for environmental disclosure) and Cormier, Gordon and Magnan (2016 for social disclosure). The environmental disclosure coding grid comprises 40 items that are grouped into six categories: economic factors, laws and regulations, pollution abatement, sustainable development, land remediation and contamination (including spills) and environmental management (see Appendix 2). The social disclosure coding grid comprises 35 items grouped into four categories: Labor practices and decent work; Human rights; Society; and Consumer and product responsibility (see Appendix 3).<sup>3</sup> Disclosure content is rated in terms of the presence (1) or absence (0) of the information.

Once each firm's disclosure is coded, a dissimilarity score is then computed for each firm:

Environmental disclosure dissimilarity score =

$$\frac{\text{ABS} [\text{environmental disclosure}_{it} - M (\text{environmental disclosure}_{jt})]}{\text{SD} (\text{environmental disclosure}_{jt})}$$

Social disclosure dissimilarity score =

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<sup>3</sup> Two frameworks serve as examples for our disclosure grids. The GRI framework (2014) suggests sustainability reporting by all organizations. The International Standards Organization (ISO) offers voluntary standards that products are "safe, efficient and good for the environment" (ISO, 2014). Specific CSR standards include ISO 14000 (environment), ISO 26000 (social responsibility) and ISO 20121 (sustainable events).

$$ABS [(social\ disclosure_{it} - M (social\ disclosure_{jt})) / SD (social\ disclosure_{jt})]$$

where  $i$  indicates a focal firm,  $t$  a given year and  $j$  other firms besides the focal firm within its reference group.

ABS indicates an absolute value and M and SD represent the mean and the standard deviation for environmental and social disclosures in the firm's reference group (excluding the focal firm). Essentially, the higher the dissimilarity score, the more distant a firm's environmental disclosure or social disclosure is from the reference group. The reference group, or organizational field, comprises other firms within the same industry for a given country.

Third, to convert the disclosure dissimilarity score into a disclosure similarity score, we subtract each firm's dissimilarity score from the highest dissimilarity score in the industry:

$$\begin{aligned} & \text{Environmental/social disclosure similarity score}_{it} = \\ & \text{Highest industry environmental/social dissimilarity score}_t - \text{environmental/social} \\ & \text{dissimilarity score}_{it} \end{aligned}$$

This approach provides a relative ranking of firms within a reference group, while retaining differences in similarity profiles between reference groups. This approach is consistent with earlier work by DiMaggio and Powell (1983, p. 156) and by Scott (1995, p. 76) and is used to indicate conformity to institutional norms.

*Prior reference group environmental/social disclosure similarity.* Mimetic isomorphism in CED and CSD is assumed to be a reference group-driven phenomenon. For each firm within a reference group (industry), other firms' content similarity scores are averaged (excluding the focal firm) and lagged by one year. The resulting measure provides a proxy for disclosure imitation within a reference group that influences a firm's own tendency to imitate the reference group in a following year.

*Environmental/social performance and governance.* For each firm, three individual scores for Environmental Performance, Social Performance, and Corporate Governance are collected from the Bloomberg database. Bloomberg rates firms based on their disclosure of quantitative and policy-related ESG data, relying on different sources: Annual reports, sustainability reports, press releases, direct communication with companies, including meetings, phone interviews, email exchanges and survey responses. Bloomberg covers more than 11,300 firms with Environmental, Social and Governance data in 69 countries. The aim is to assess a firm's management and performance in terms of CSR and governance. Examples of issues treated are:

- Environmental (environmental Policy, environmental management system, voluntary codes, product stewardship and life cycle assessment, sustainability investing – commitment to ecologically sustainable development, climate change risk, carbon emissions, toxic waste treatment, raw materials scarcity, water scarcity, air pollution, natural resources used, environmental opportunities;
- Social (community investment, human rights & supply chain, consumer rights and empowerment, stakeholder engagement and reporting, workplace safety,

- employee development & training, child labor, human capital, product safety, social opportunities;
- Governance (ethical business conduct, ownership of organization, organizational structure and management, risk management, audit and compliance, executive compensation, shareholder rights and reporting).

*Environmental/social media exposure.* Media exposure is the number of news stories that refer to a particular firm's CSR activities in a given year. Based on element included in our environmental/social disclosure grids, we collect data (number of articles) related to environmental and social issues from ABI Inform, which provides access to corporate information.

*Prior environmental/social disclosure similarity score (routine).* As disclosure positions can be largely ritualistic (Gibbins et al., 1990, p. 130), disclosure activities like environmental and social disclosure can be subject to significant inertia (Aerts, 2001, p. 29) and tend to become routinized over time. Hence, we introduce a firm's lagged similarity score to capture this inertia factor.

*Resource Dependency - Economic Variables.* We also introduce economic variables as proxies for coercive pressures in disclosure similarity behaviour. These variables reflect the interests of financial resources providers upon which a firm may be dependent. We expect that the more a firm is dependent upon financial resources providers, the less it will engage in disclosure similarity behavior. More specifically, we posit that economic variables have the following relationships with a firm's similarity score:

- *Industry concentration ratio.* The lower the market competition, the easier it is for a firm to keep private information (Verrecchia, 1983). We predict that the less competition, the more a firm will tend toward disclosure similarity. Therefore, a positive relationship is expected between the concentration ratio and similarity;
- *Free cash flow and ROE.* If a firm's financial health is poor, management may disclose less information to cover up the reasons for losses or lower profits (Inchausti, 1997). We posit that financial strength, as proxied by free cash flow and return on equity (ROE), reduces the need to imitate other firms in a given industry. Coercive consequences of similarity are lower for firms in financial health. We expect a negative association between Free cash flow, ROE and similarity;
- *Beta.* Volatility creates uncertainty in the stock market, and can induce firms toward imitation as a mean to counter distinctiveness in environmental/social performance. Hence, volatility, as measured by beta, is expected to be positively related to similarity;
- *Tobin's Q.* Firms with high market-based performance may disclose more non-financial information, such as CSR, to fulfill stakeholders' needs. For example, Lo and Sheu (2007) find a significantly positive relationship between sustainability disclosure and Tobin's q. This would imply less similarity. Moreover, the more a firm has to make long-term investments in intangible assets, as reflected by its Tobin's Q, the more it requires financing by external financial resources providers, thus leading it to engage in less disclosure similarity. However, the greater a firm's Tobin's Q (i.e., market to book premium), the more

it is likely to be scrutinized by market participants, thus inducing more similarity. Hence, we do not make a directional prediction between Tobin's Q and similarity.

## **5. Results**

### *5.1 Descriptive Statistics*

Table 1a presents descriptive statistics about environmental similarity scores for the sample and by country. As expected, similarity scores are, on average, higher in Canada (25.873) than in France (22.044) and Germany (18.677), Table 1b shows that similarity scores are, on average, lowest for the Finance, Insurance and real estate industry (17.734).

[Insert Tables 1a, b]

Table 2a provides mean social similarity scores. Again, similarity scores are, on average, higher in Canada (30.363) than in France (25.202) and Germany (29.831). The construction industry exhibits the lowest average social similarity score (21.593).

These country-level differences in both environmental and social similarity scores are consistent with the view that in the presence of more normative or coercive forces, as is the case in France and Germany compared with Canada, there is likely less mimetism among firms and, thus, less similarity.

[Insert Tables 2a, b]

Table 3 provides some descriptive statistics about explanatory variables. Corporate governance seems weaker in Germany (mean score of 41.534 versus 53.748 in Canada and 58.369 in France). Environmental performance appears to be lower in Canada (22.042 versus 37.516 for France and 33.829 for Germany). We observe the same

pattern for social performance. As discussed earlier, environmental/social regulations are more severe in France and Germany than in Canada. Moreover, environmental and social media exposure is much higher in France and Germany compared with Canada. Finally, we observe that systematic risk (beta) is lower in Germany while ROE is much higher compared with Canada and France.

[Insert Table 3]

## 5.2 *Multivariate Analyses – Determinants of CSR Disclosure Similarity*

In Table 4a, we present results from an OLS regression on the determinants of similarity in environmental disclosure. As expected, there is a routine dimension in environmental disclosure, with a firm's prior similarity score having a positive and significant influence on its current disclosure similarity (0.575;  $p < 0.000$ ). Four other key results can be highlighted. First, we observe mimetic behavior since the coefficient on Prior reference group disclosure similarity is positive and significant (0.428;  $p < 0.001$ ). This is consistent with hypothesis 1, with mimetic isomorphism in environmental disclosure arising within a reference group. Second, consistent with hypothesis 2, the strength of a firm's corporate governance weakens a firm's tendency to imitate its reference group (-0.003;  $p < 0.001$ ). In other words, good governance moderates mimetic isomorphism. Third, consistent with hypothesis 3, given mimetic isomorphism in environmental disclosure, a firm's environmental performance weakens its tendency to imitate its reference group (-0.002;  $p < 0.018$ ). Finally, consistent with hypothesis 4, given mimetic isomorphism in environmental disclosure, public media exposure weakens a firm's tendency to imitate its reference group (-0.003;  $p < 0.010$ ).

The extent of legal and regulatory obligations in France and Germany implies that their firms' environmental disclosure is less likely to be voluntary, thus undermining their tendency to imitate other firms within their reference group. This is observed with coefficients on the binary variables France (-1.286;  $p < 0.000$ ) and Germany (-2.869;  $p < 0.000$ ). These results suggest the existence of normative and coercive isomorphism trends in environmental disclosure. Finally, for economic variables, as expected, the coefficient on concentration ratio is positive and significant (2.105;  $p < 0.005$ ). Hence, less (more) competition implies more (less) disclosure similarity, which is suggestive of coercive isomorphism. A firm's financial strength, as proxied by its free cash flow, reduces environmental disclosure similarity (-1.813;  $p < 0.084$ ).

[Insert Table 4a]

In Table 4b, we present results from an OLS regression on the determinants of social disclosure similarity. Beyond the routine dimension in social disclosure similarity, with a firm's prior year similarity in social disclosure determining similarity in the current year (0.371;  $p < 0.000$ ), the following key results can be highlighted. First, we observe mimetic behavior since the coefficient on Prior reference group disclosure similarity is positive and significant (0.656;  $p < 0.001$ ). This is consistent with hypothesis 1, with mimetic isomorphism in social disclosure arising within a reference group. Second, consistent with hypothesis 2, mimetic isomorphism in social disclosure, the strength of a firm's corporate governance weakens its tendency to imitate its reference group (-0.003;  $p < 0.001$ ). However, there is no support for hypotheses 3 and 4 with

respect to the moderating influence of social performance and social public media exposure on a firm's tendency to imitate its reference in social disclosure. Consistent with our findings for environmental disclosure, the coefficients on the binary variables for France (-1.544;  $p < 0.000$ ) and Germany (-0.812;  $p < 0.001$ ) are negative and significant, thus suggesting the existence of normative and coercive isomorphism trends in social disclosure as well.

[Insert Table 4b]

### 5.3 *Multivariate Analyses – Disclosure Similarity and Firm Valuation*

Tables 5a, b and Tables 6a, b presents results of regressions that underlie path analyses on the mediating effect of similarity in CSR disclosure on the determinants of stock market valuation. We use standardized coefficients (beta) to do so. Figures 1 and 2 present the path analyses themselves.

Focusing on Figure 1 (mediating effect of environmental disclosure similarity), we can observe that a firm's environmental disclosure similarity has a positive relation with its stock market value, as proxied by its Tobin's Q (0.103). Considering the determinants of environmental disclosure similarity, it appears that environmental performance is positively associated with a firm's Tobin's Q (direct effect of 0.051) but has a negative effect on disclosure similarity (indirect effect of -0.042), for a total positive effect on Tobin's Q (0.0466). Environmental media exposure is negatively associated with a firm's Tobin's Q (direct effect of -0.044) but reduces environmental disclosure similarity (indirect effect of -0.047), for an overall negative effect on Tobin's Q (-0.049). Finally, corporate governance is positively related with both Tobin's Q (direct effect of 0.167) and environmental disclosure similarity (indirect effect of 0.115),

for an overall positive effect on Tobin's Q (0.1788). In summary, taken into account the mediating effect of environmental disclosure similarity, corporate governance has a high positive impact on value creation while environmental media exposure has, to a lesser extent, a negative impact on value creation. This is consistent with hypothesis 5. The positive relation between Environmental disclosure similarity and Tobin's Q is consistent with North's view (1990) that the institutionalization of practices within an organizational field, which similarity represents, is a transaction costs-reducing choice by management. In other words, in a context of uncertainty, the imitation of other firms' practices is value-enhancing.

[Insert Figure 1 and Tables 5a, 5b]

Results are qualitatively similar, albeit somewhat weaker, for the relation between social disclosure similarity and Tobin's Q (Tables 6a and 6b, Figure 2). However, social performance is not directly related to Tobin's Q while corporate governance is not related to social disclosure similarity. In brief, taken into account the mediating effect of social disclosure similarity, profitability (ROE) and corporate governance, to a lesser extent, have a positive impact on value creation. This is consistent with hypothesis 5.

[Insert Tables 6a, b and Figure 2]

#### 5.4 *Additional analysis*

Results discussed so far are based on country –level industry similarity. As a sensitivity analysis, we compare differences in mimetic behavior at country-industry-level versus combined country and industry. Since our sample firms are large firms that mostly operate at global and international level, mimetic behavior could intervene at a

global level. Results presented in Table 7 suggest that for environmental similarity, we observe more mimetic isomorphism at country-level. Mimetic isomorphism occurs to a larger extent at industry-country-level. Firms are more likely to imitate their industry-country reference group than industry foreign firms, probably because they share common coercive and normative constraints.

With respect to social disclosure similarity, we do observe a slight increase in mimetic isomorphism at the international level. This suggests that social issues operate in a quite similar manner at country level and international level. This result comforts our approach to address the industry mimetic phenomenon.

Results agrees with Scott (1995), who argues that organisations attempt to imitate structures and activity patterns of others having the same cultural patterns. But the possibility of doing so may variate. According Brammer *et al.* (2012) different institutional sets have different dominant institutions. In the Anglo-Saxon context, CSR dominant institutions correspond to global policies and programs, essentially voluntary; while in other contexts they correspond to legal, customary, or religious institutions (Brammer et al., 2012). Our results confirm this view by showing more imitation in the Anglo-Saxon countries industries (see Tables 1a and 1b). Since in Canada and Germany, dominant institutions are less constraining, they have more possibilities to follow mimetic process.

## **6. Conclusion**

Overall, our results indicate that environmental/social disclosure similarity is higher in Canada than in France and Germany. However, mimetic isomorphism seems prevalent in all three countries, albeit to a different extent (Hypothesis 1). However, there

is evidence that, given reference group mimetic isomorphism, corporate governance (hypothesis 2), environmental performance (hypothesis 3) and public media exposure (hypothesis 4) weaken a firm's tendency to imitate its reference group.

In Canada, coercive and normative actors, mostly the state and the professions, play a less important role than in France and Germany in enforcing cognitive environmental and social issues. Consequently, the level of mimetic isomorphism among Canadian firms appears higher than among French and German firms. The resulting structural similarities are often evidence of an absence of substance (Shabana et al., 2016). We also provide evidence that is consistent with a firm's governance, environmental and social performance and public media pressures moderating the extent to which it engages in mimetic behavior with respect to CSR disclosure (hypothesis 5).

This paper contributes to prior research on corporate environmental and social disclosure. Our findings may be of interest to Canadian regulators if they aim to increase environmental and social disclosure regulations, since European evidence suggests that mandatory corporate responsibility disclosure diminishes cognitive uncertainty and thus reduces mimetic isomorphism tendencies. Results show the importance to disentangle between environmental and social disclosure when assessing CSR disclosure similarity behavior. Finally, despite the advent of worldwide disclosure frameworks such as GRI, it does appear that there is still a strong level of similarity in CSR disclosure that is driven by mimetic tendencies at the country-industry level.

The findings are subject to various limitations. First, the paper's CED and CSD measures may not adequately reflect a firm's disclosure, as they are somewhat subjective. However, the subjectivity is to some extent reduced since we employ a binary coding, i.e.

the presence or the absence of an element. Second, the study focuses on only three countries and, hence, this could limit the generalization of results. Finally, we do not directly differentiate coercive and normative determinants of isomorphic change because, as expressed by DiMaggio and Powell (1983), their theoretical typology is not always empirically distinct.

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**Table 1(a) Environmental Disclosure Similarity Scores****Mean Similarity Scores**

| <b>Full Sample</b> | <b>Canada</b> | <b>France</b> | <b>Germany</b> |
|--------------------|---------------|---------------|----------------|
| 22.235             | 25.873        | 22.044        | 18.677         |
| N: 1 373 (lag 919) | N: 705        | N: 352        | N: 316         |

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**Table 1(b)****Mean Environmental Disclosure Similarity Scores by Industry**

|                                     | <b>N</b> | <b>Full Sample</b> | <b>Canada</b> | <b>France</b> | <b>Germany</b> |
|-------------------------------------|----------|--------------------|---------------|---------------|----------------|
| Construction                        | 33       | 19.436             | 22.550        | 16.638        | 14.292         |
| Finance, Insurance, real estate     | 204      | 17.734             | 18.192        | 19.257        | 14.827         |
| Manufacturing                       | 234      | 21.067             | 18.446        | 20.961        | 22.302         |
| Mining                              | 275      | 30.692             | 31.505        | 16.591        | -              |
| Retail Trade                        | 152      | 22.737             | 21.817        | 26.297        | 17.521         |
| Services                            | 166      | 19.717             | 21.461        | 20.268        | 16.820         |
| Transportation and public utilities | 159      | 25.814             | 30.513        | 23.255        | 18.427         |
| Wholesale Trade                     | 150      | 22.929             | 25.815        | 25.271        | 17.963         |

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**Table 2(a) Social Disclosure Similarity Scores****Mean Similarity Scores**

| <b>Full Sample</b> | <b>Canada</b> | <b>France</b> | <b>Germany</b> |
|--------------------|---------------|---------------|----------------|
| 28.913             | 30.363        | 25.202        | 29.831         |
| N: 1 372 (lag 919) | N: 703        | N: 353        | N: 316         |

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**Table 2(b)****Mean Social Disclosure Similarity Scores by Industry**

|                                     | <b>N</b> | <b>Full Sample</b> | <b>Canada</b> | <b>France</b> | <b>Germany</b> |
|-------------------------------------|----------|--------------------|---------------|---------------|----------------|
| Construction                        | 33       | 21.593             | 21.745        | 20.851        | 22.252         |
| Finance, Insurance, real estate     | 204      | 28.681             | 30.564        | 22.134        | 30.453         |
| Manufacturing                       | 234      | 28.189             | 26.448        | 24.550        | 32.174         |
| Mining                              | 276      | 32.698             | 33.524        | 18.342        | -              |
| Retail Trade                        | 152      | 25.119             | 23.801        | 24.833        | 28.418         |
| Services                            | 163      | 29.470             | 29.159        | 29.183        | 30.188         |
| Transportation and public utilities | 160      | 31.224             | 35.103        | 24.483        | 29.812         |
| Wholesale Trade                     | 150      | 25.770             | 22.773        | 28.804        | 26.240         |

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**Table 3**  
**Descriptive Statistics**

| Panel A  | Mean   | Standard<br>Deviation | Minimum | Maximum |
|--|--------|-----------------------|---------|---------|
| Prior reference group<br>environmental disclosure similarity | 23.242 | 5.504                 | 11.000  | 32.199  |
| Prior reference group social<br>disclosure similarity        | 28.980 | 4.466                 | 15.022  | 41.838  |
| Corporate governance   | 52.308 | 10.921                | 3.571   | 85.714  |
| Environmental performance                                    | 29.777 | 17.732                | 0.775   | 71.318  |
| Social performance   | 34.597 | 20.242                | 3.125   | 77.193  |
| Environmental media exposure                                 | 2.543  | 10.560                | 0       | 124     |
| Social media exposure  | 15.313 | 58.529                | 0       | 885     |
| Concentration ratio  | 0.398  | 0.103                 | 0.301   | 0.808   |
| Tobin's Q  | 1.844  | 2.177                 | -15.823 | 48.426  |
| Free cash flow   | 0.015  | 0.093                 | -0.518  | 1.342   |
| Beta   | 0.884  | 7.764                 | -74.058 | 63.051  |
| ROE  | 0.109  | 1.520                 | -5.189  | 53.144  |
| Panel B  | Mean   |                       |         |         |
|  | Canada | France                | Germany |         |
| Prior reference group<br>environmental disclosure similarity | 25.875 | 25.815                | 18.692  |         |
| Prior reference group social<br>disclosure similarity        | 30.241 | 22.052                | 29.682  |         |
| Corporate governance   | 53.748 | 58.369                | 41.535  |         |
| Environmental performance                                    | 22.042 | 37.516                | 33.829  |         |
| Social performance   | 24.290 | 49.557                | 41.697  |         |
| Environmental media exposure                                 | 1.831  | 2.456                 | 4.198   |         |
| Social media exposure  | 8.998  | 20.563                | 23.428  |         |
| Concentration ratio  | 0.382  | 0.416                 | 0.415   |         |
| Tobin's Q  | 1.654  | 1.895                 | 2.204   |         |
| Free cash flow   | 0.003  | 0.027                 | 0.028   |         |
| Beta   | 0.929  | 1.465                 | 0.149   |         |
| ROE  | 0.069  | 0.072                 | 0.246   |         |

**Table 4a****OLS Regression of environmental disclosure similarity on its determinants (Robust estimators)**

| Dependent variable: Environmental disclosure similarity                                | Predicted sign | Coefficient   | P value*     | Beta coefficient |
|--|----------------|---------------|--------------|------------------|
| <b>Institutional variables</b>   |                |               |              |                  |
| Prior environmental disclosure similarity (Routine factor)                             | +              | 0.575         | <b>0.000</b> | 0.600            |
| Prior reference group environmental disclosure similarity (mimetic factor)             | +              | 0.428         | <b>0.001</b> | 0.443            |
| Prior reference group environmental disclosure similarity*Governance                   | -              | -0.003        | <b>0.001</b> | -0.213           |
| Prior reference group environmental disclosure similarity*Environmental performance    | -              | -0.002        | <b>0.018</b> | -0.164           |
| Prior reference group environmental disclosure similarity*Environmental media exposure | -              | -0.003        | <b>0.010</b> | -0.201           |
| Governance   | +/-            | 0.072         | <b>0.000</b> | 0.137            |
| Environmental performance  | +/-            | 0.050         | <b>0.035</b> | 0.164            |
| Environmental media exposure   | +/-            | 0.068         | <b>0.043</b> | 0.175            |
| France   | +/-            | -1.286        | <b>0.000</b> | -0.112           |
| Germany  | +/-            | -2.869        | <b>0.000</b> | -0.216           |
| <b>Economic variables</b>  |                |               |              |                  |
| Concentration ratio  | +              | 2.105         | <b>0.005</b> | 0.040            |
| Tobin's Q  | +/-            | 0.006         | 0.846        | 0.003            |
| Free cash flow   | -              | -1.813        | <b>0.084</b> | -0.022           |
| Beta   | +              | -0.005        | 0.618        | -0.008           |
| ROE  | -              | 0.045         | 0.824        | 0.003            |
| R-square   |                | 89.8%         |              |                  |
| F statistic  |                | 467.2 (0.000) |              |                  |
| N: 504   |                |               |              |                  |

\*One-tailed if there is a predicted sign, two-tailed otherwise.

**Table 4b****OLS Regression of social disclosure similarity on its determinants (Robust estimators)**

| Dependent variable: Social disclosure similarity                         | Predicted sign | Coefficient | P value*     | Beta coefficient |
|--|----------------|-------------|--------------|------------------|
| <b>Institutional variables</b>   |                |             |              |                  |
| Prior social disclosure similarity (Routine factor)                      | +              | 0.371       | <b>0.000</b> | 0.365            |
| Prior reference group social disclosure similarity (mimetic factor)      | +              | 0.656       | <b>0.000</b> | 0.658            |
| Prior reference group social disclosure similarity*Governance            | -              | -0.002      | <b>0.018</b> | -0.177           |
| Prior reference group social disclosure similarity*Social performance    | -              | -0.001      | 0.344        | -0.077           |
| Prior reference group social disclosure similarity*Social media exposure | -              | -0.001      | 0.352        | -0.091           |
| Governance   | +/-            | 0.041       | 0.165        | 0.094            |
| Social performance   | +/-            | 0.022       | 0.633        | 0.098            |
| Social media exposure  | +/-            | 0.007       | 0.710        | 0.096            |
| France   | +/-            | -1.544      | <b>0.000</b> | -0.151           |
| Germany  | +/-            | -0.812      | <b>0.001</b> | -0.072           |
| <b>Economic variables</b>  |                |             |              |                  |
| Concentration ratio  | +              | 0.549       | 0.257        | 0.012            |
| Tobin's Q  | +/-            | 0.039       | <b>0.009</b> | 0.024            |
| Free cash flow   | -              | 0.377       | 0.724        | 0.002            |
| Beta   | +              | 0.009       | 0.116        | 0.019            |
| ROE  | -              | 0.214       | <b>0.008</b> | 0.025            |
| R-square   |                | 85.4%       |              |                  |
| F statistic  |                | 224.5       |              |                  |
| N: 628   |                | (0.000)     |              |                  |

One-tailed if there is a predicted sign, two-tailed otherwise.

**Table 5a**  
**OLS Regression of firms' determinants of environmental disclosure similarity**  
**(Beta coefficients for path analyses) (Robust estimators)**

| Dependent variable: Environmental disclosure similarity | Predicted sign | Coefficient   | P Value* | Beta coefficient |
|---|----------------|---------------|----------|------------------|
| Prior environmental disclosure similarity               | +              | 0.859         | 0.000    | <b>0.870</b>     |
| ROE   | -              | -0.125        | 0.569    | -0.008           |
| Environmental media exposure                            | -              | -0.020        | 0.044    | <b>-0.047</b>    |
| Environmental performance                               | -              | -0.014        | 0.037    | <b>-0.042</b>    |
| Governance  | +/-            | 0.061         | 0.000    | <b>0.115</b>     |
| R-square  |                | 80.9%         |          |                  |
| F Statistic   |                | 697.1 (0.000) |          |                  |
| N:  |                | 731           |          |                  |

\*One-tailed if there is a predicted sign, two-tailed otherwise.

**Table 5b**  
**OLS Regression of environmental disclosure similarity on Tobin's Q**  
**(Beta coefficients for path analyses) (Robust estimators)**

| Market value/Book value             | Predicted sign | Coefficient   | P Value* | Beta coefficient |
|-------------------------------------|----------------|---------------|----------|------------------|
| Inverse of Equity                   | +              | 2.727         | 0.000    | <b>0.385</b>     |
| ROE                                 | +              | 0.221         | 0.047    | <b>0.057</b>     |
| Environmental disclosure similarity | +              | 0.021         | 0.001    | <b>0.103</b>     |
| Environmental media exposure        | -              | -0.004        | 0.098    | <b>-0.044</b>    |
| Environmental performance           | +              | 0.003         | 0.095    | <b>0.051</b>     |
| Governance                          | +              | 0.018         | 0.000    | <b>0.167</b>     |
| R-square                            |                | 75.3.7%       |          |                  |
| F Statistic                         |                | 445.2 (0.000) |          |                  |
| N:                                  |                | 858           |          |                  |

\*Two-tailed coefficients.

**Table 6a**  
**OLS Regression of determinants of social disclosure similarity**  
**(Beta coefficients for path analyses) (Robust estimators)**

| Dependent variable: Social disclosure similarity | Predicted sign | Coefficient   | P Value* | Beta coefficient |
|--|----------------|---------------|----------|------------------|
| Prior social disclosure similarity               | +              | 0.917         | 0.000    | <b>0.863</b>     |
| ROE  | -              | 0.259         | 0.015    | <b>0.026</b>     |
| Social media exposure                            | -              | 0.002         | 0.078    | <b>0.023</b>     |
| Social performance                               | -              | -0.016        | 0.001    | <b>-0.067</b>    |
| Governance                                       | +/-            | -0.005        | 0.516    | <b>-0.012</b>    |
| R-square   |                | 77.2%         |          |                  |
| F Statistic                                      |                | 378.1 (0.000) |          |                  |
| N:   |                | 731           |          |                  |

\*One-tailed if there is a predicted sign, two-tailed otherwise.

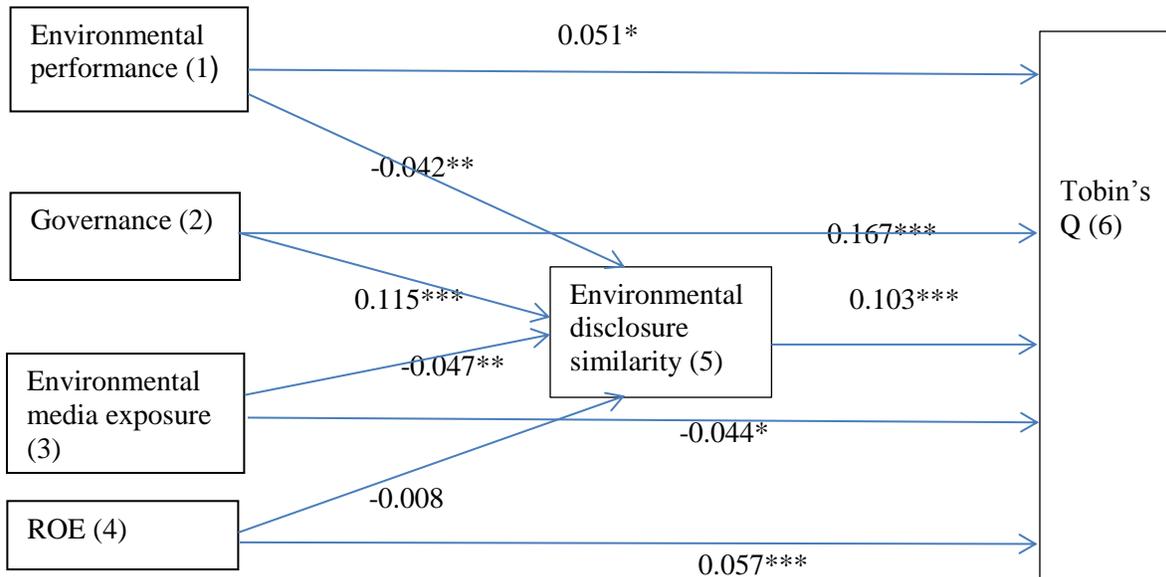
**Table 6b**  
**OLS Regression of social disclosure similarity on Tobin's Q**  
**(Beta coefficients for path analyses) (Robust estimators)**

| Market value/Book value      | Predicted sign | Coefficient | P Value* | Beta coefficient |
|------------------------------|----------------|-------------|----------|------------------|
| Inverse of Equity            | +              | 4.015       | 0.000    | <b>0.444</b>     |
| ROE                          | +              | 0.894       | 0.000    | <b>0.187</b>     |
| Social disclosure similarity | +              | 0.025       | 0.001    | <b>0.078</b>     |
| Social media exposure        | -              | -0.001      | 0.323    | -0.013           |
| Social performance           | +              | 0.002       | 0.243    | 0.022            |
| Governance                   | +              | 0.012       | 0.001    | <b>0.082</b>     |
| R-square                     |                | 69.8%       |          |                  |
| F Statistic                  |                | 413.3       |          |                  |
| N:                           |                | (0.000)     |          |                  |
|                              |                | 1 099       |          |                  |

\*Two-tailed coefficients.

**Figure 1**

**Path analysis of the mediation of environmental disclosure similarity on the determinants of Tobin's Q**

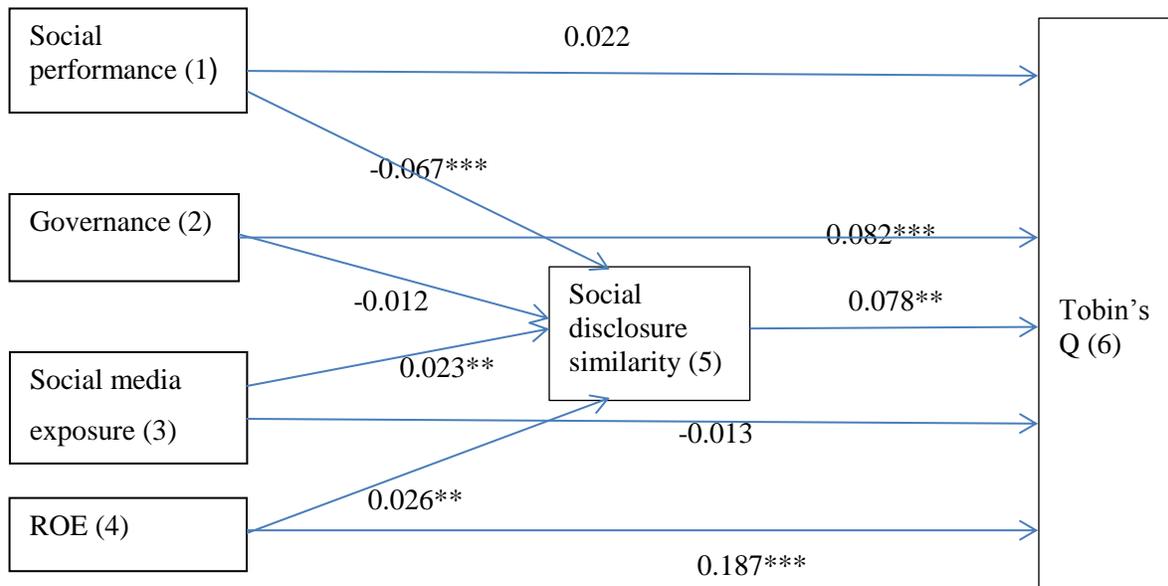


Impact of determinants of Tobin's Q through environmental disclosure similarity (total effect)

- (1) (6) =  $0.051 + -0.042 \cdot 0.103 = \mathbf{0.0466}$
- (2) (6) =  $0.167 + 0.115 \cdot 0.103 = \mathbf{0.1788}$
- (3) (6) =  $-0.044 + -0.047 \cdot 0.103 = \mathbf{-0.0488}$
- (4) (6) =  $\mathbf{0.057}$

**Figure 2**

**Path analysis of the mediation of social disclosure similarity on the determinants of Tobin's Q**



Impact of determinants of Tobin's Q through social disclosure similarity (total effect)

- (1) (6) =  $-0.067 \times 0.078 = -0.0052$
- (2) (6) = **0.082**
- (3) (6) =  $0.023 \times 0.078 = 0.0018$
- (4) (6) =  $0.187 + 0.026 \times 0.078 = 0.1890$

**Table 7****Differences in Industry Mimetic Isomorphism Tendencies between Countries****Combined and Country-Level****(Beta coefficients)****Similarity = Prior Similarity + Prior Reference Group Similarity**

| Independent variables:<br>Prior Reference Group Similarity | Environmental Disclosure Similarity         |  |          |          | Social Disclosure Similarity                |  |          |          |
|--|---|--|----------|----------|---|--|----------|----------|
|  | Industries combined for the three countries | Industries at country-level<br>Germany | Canada   | France   | Industries combined for the three countries | Industries at country-level<br>Germany | Canada   | France   |
| Construction   | 0.153                                       | 0.966***                               | 0.920*** | 0.575*** | 0.795                                       | 0.960                                  | 0.675*** | 0.008    |
| Finance, Insurance, real estate                            | 0.195**                                     | 0.109***                               | 0.241*** | 0.007*   | 0.253**                                     | 0.225                                  | 0.352    | 0.005*   |
| Manufacturing  | 0.245                                       | 0.032***                               | 0.971*** | 0.619*** | 0.277                                       | 0.261                                  | 0.006    | 0.034    |
| Mining   | 0.213***                                    | --                                     | 0.566*** | 0.553*** | 0.281***                                    | --                                     | 0.276*** | 0.149*** |
| Retail Trade   | 0.211                                       | 0.330***                               | 0.068*** | 0.020**  | 0.519                                       | 0.815                                  | 0.131    | 0.331    |
| Services   | 0.001                                       | 0.949***                               | 0.914*** | 0.008    | 0.129*                                      | 0.106***                               | 0.131**  | 0.275*** |
| Transportation and public utilities                        | 0.002*                                      | 0.752***                               | 0.444*** | 0.883*** | 0.863***                                    | 0.143                                  | 0.011*** | 0.971**  |
| Wholesale Trade  | 0.001                                       | 0.049***                               | 0.771*** | 0.031*   | 0.441***                                    | 0.252                                  | 0.257    | 0.256    |

Coefficients on Prior Similarity not reported.

## Appendix 1

### Laws and Regulations Underlying CSR Activities and Disclosure in Canada, France and Germany

#### *Canada.*

The Canadian government has enacted a number of sustainability laws and regulations (e.g., environmental, health and safety regulations, human resources) that firms must respect (Government Canada, 2017).<sup>4</sup> However, the disclosure of CSR efforts is essentially voluntary. With respect to regulatory enforcement, federal and provincial governments maintain compliance regimes that authorize the issuance of various types of orders, and the prosecution of environmental offenders (Thomson Reuters, 2016). Most regulators in Canada appoint dedicated investigation and enforcement officers, with powers similar to those granted to police officers. Several pressure groups, including industry associations and NGOs, are active in lobbying for changes to sustainability-related laws and regulations, with some possessing significant influence in a number of areas (Thomson Reuters, 2016).

No Canadian jurisdictions have imposed mandatory auditing requirements and there are no legislated mandatory requirements for sustainability reporting in annual corporate reports, although the practice is very common (Thomson Reuters, 2016). Under some conditions, a firm may be required to report information about environmental performance. For instance, Canada's National Instrument 51-102 - *Continuous Disclosure Obligations* (NI 51-102) (Canadian Securities Administrators, 2004) mandates that firms provide information regarding their environmental obligations and risks.<sup>5</sup> Finally, firms are required to report emissions information annually to the federal government for the National Pollutant Release Inventory (Thomson Reuters, 2016). Emissions reporting information is then made available to the public.

#### *France.*

France's sustainability regulatory framework is substantially influenced by European Union Law. In this respect, the most important laws influencing CSR are: The Environmental Charter of 2005, which is of constitutional rank; all EU Regulations and directives directly applicable in France; the Environment Code, comprising all relevant laws and decrees; the Labor Code; and others codes such as Energy, Mining, Public Health, Civil and Construction and Housing Code (Thomson Reuters, 2015a).

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4 Environmental regulations include, among others: Antarctic Environmental Protection Act (AEPA); Canadian Environmental Protection Act, 1999; Energy and Transportation Sectors; Migratory Bird Hunting; Wild Animal and Plant Trade; Migratory Birds; Fisheries Act; Weather Modification Information; Wildlife Area; Disposal at Sea; and International River Improvement. Health and safety regulations include: Permits and licences; Canada Consumer Product Safety Act; Good manufacturing practices for cosmetic products; Radiation emitting devices; Employer and Employee Duties; Tools and toolkits for employers on occupational health and safety; Workplace Hazardous Materials Information System; and Occupational health and safety training tools. Human resources regulations include: Hiring requirements, including a monthly report to the government; Employment standards; and Employment equity and human rights.

5 Continuous disclosures refer to the obligation for firms to disclose on a timely manner any material changes in various aspects of their operations identified by regulators such as governance, financial situation, etc.

There is strong regulatory enforcement of these laws. Environmental law is directly enforced by Departmental “*préfets*” and environmental inspectors (Thomson Reuters, 2015a).<sup>6</sup> When inspectors detect non-compliance with environmental requirements, they report it to the *préfet*, who issues a formal notice to comply. In cases of non-compliance, the *préfet* can impose administrative sanctions and courts can impose criminal penalties (Thomson Reuters, 2015a). Also, pressure groups are very effective. Many French NGOs are active at international, national, or local levels. The Economic, Social and Environmental Council (CESE) also collaborates with NGOs on a regular basis. NGOs can be granted the status of “associations accredited to protect the environment” by the *préfet* or the Ministry of Ecology, Sustainable Development and Energy (MEDDE), which enables them to bring legal actions before administrative, criminal and civil courts and obtain indemnities that contribute to their financing (Thomson Reuters, 2015a). Following a redrafting of the Commercial Code, all publicly traded companies must include information on their environmental performance and sustainable development commitment in their annual report. Firms can also apply environmental standards voluntarily such as those set by the EU Eco-Management and Audit Scheme or ISO 14001. Moreover, all firms registered with the Companies’ Registrar must carry out an energy audit every four years (Thomson Reuters, 2015a).

Since 2003, a law entitled “*Nouvelles réglementations économiques*” (or NRE) (New Economic Regulations), which is based on a requirement for transparency of information, insists that French listed firms must present, in their annual management report, in parallel with their accounting and financial information, data on the environmental and social consequences of their activities (Wolniak, 2013). Finally, another law, Grenelle II or “*Loi portant engagement national pour l’environnement*” (Law on the National Engagement toward the Environment) mandates that firms must report on: greenhouse gas (GHG) emission, corporate environmental responsibility schemes and information to consumers about the GHG emission of products put on the market (Wolniak, 2013).

### *Germany*

CSR issues are predominantly regulated through national legislation. However, similar to France, domestic legislation is increasingly influenced by international law, particularly EU law (Thomson Reuters, 2015b). Main sources of environmental law include the federal government (via the Constitution and various Acts of Parliament), executive ordinances based on parliamentary laws and enacted by agencies of the federal government and states, technical directives and administrative regulations enacted by agencies, and bylaws and statutes enacted by public law bodies such as cities (Thomson Reuters, 2015b). Environmental and social laws are generally strictly enforced. Regulated entities can incur liability for non-compliance with environmental legislation, resulting in obligations to act or cease and desist (Thomson Reuters, 2015b).

Pressure groups are especially active in Germany, including international organisations such as Greenpeace. These organisations usually participate vigorously in major environmental law-making procedures, and in the public hearings for all major permitting procedures for infrastructure. NGOs' legal position has been strengthened in Germany as a result of a decision by the European Court of Justice (Court case Trianel Kohlekraftwerk Lünen of 2011). NGOs can now challenge a permit even if they would not have had standing to sue under the general principles of German environmental law. Therefore, all major projects that significantly affect or are likely to affect the environment can be challenged in court.

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<sup>6</sup> A *préfet* is a civil servant appointed by the central government to oversee governmental services in a given area or jurisdiction (in France, a department).

Sustainability disclosure is required from financial and assurance institutions in their business review as well as in their annual accounts. These reporting obligations cover also public interest entities with over 500 employees, that is in particular, listed undertakings, banks, insurance companies and undertakings of significant public relevance (Thomson Reuters, 2015b). Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings is the legal basis and must be implemented into German Law by December 2016 (Thomson Reuters, 2015b).

Environmental auditing is not compulsory. However, establishing an environmental management system is typically expected (Thomson Reuters, 2015b). Two types of environmental management systems dominate the market: the Eco-Audit Ordinance, EMAS, that was re-enacted and implemented by the Environmental Audit Act; and the international environmental management systems standard, ISO 14001: 1996 (Thomson Reuters, 2015b).

## **Appendix 2**

### **Environmental Disclosure Grid**

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#### **Expenditures and risks**

Investments  
Operation costs  
Future investments  
Future operating costs  
Financing for investments  
Environmental debts  
Risk provisions  
Risk litigation  
Provision for future expenditures

#### **Laws and regulations conformity**

Litigation, actual and potential  
Fines  
Orders to conform  
Corrective action  
Incidents  
Future legislation and regulations

#### **Pollution abatement**

Emission of pollutants  
Discharges  
Waste management

Installation and process controls  
Compliance status of facilities  
Noise and odours

#### **Sustainable development**

Natural resource conservation  
Recycling  
Life cycle information  
Land remediation and contamination  
Sites  
Efforts of remediation  
Potential liability- remediation  
Implicit liability  
Spills (number, nature, efforts of reduction)

#### **Environmental management**

Environmental policies or company concern for the environment  
Environmental management system  
Environmental auditing  
Goals and targets  
Awards  
Department, group, service dedicated to the environment  
ISO 14000  
Involvement of the firm in the development of environmental standards  
Involvement in environmental organizations (*e.g.*, industry committees)  
Joint environment management services projects with other firms

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## **Appendix 3**

### **Social Disclosure Grid**

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#### **Labor practices and decent work**

Employment opportunities

Labor rights / Job creation

Equity programs

Human capital development / training

Accidents at work

Health and safety programs

Social activities

Diversity and equal opportunity: Gender; cultural; corporate governance bodies

#### **Human rights**

Management: Investment; procurement practices; supply chain

Social rights: risk; violation; discrimination; promotion

Freedom of association and collective bargaining

Abolition of child labor: ILO Code

Prevention of forced and compulsory labor

Complaints and grievance practices

Security practices

Indigenous rights

Civil and political rights

#### **Society**

Regional, educational and cultural development

Gifts and sponsorships and philanthropy

Bribery and Corruption

Wealth and income creation

Respect for property rights

Public Policy: Political lobbying and contributions

Business ethics /Anti-Competitive behavior

Promoting social responsibility in the sphere of influence

Community: Involvement; development; investment representation (board committees)

#### **Consumer and product responsibility**

Purchases of goods and services

Customer health and safety: Complains; code compliance

Product-related-incidents

Products development and environment: Access to essential services; sustainable consumption

Consumer service, support, and dispute resolution

Product information labelling: Complaints; consumer satisfaction

Marketing Communications (Advertising): Standards and code

Education and awareness

Customer privacy

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