

РАЗДЕЛ 2

КОРПОРАТИВНАЯ СОЦИАЛЬНАЯ ОТВЕТСТВЕННОСТЬ

SECTION 2 CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORTING BY MULTINATIONAL CORPORATIONS (MNCs) SUBSIDIARIES IN AN EMERGING COUNTRY

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Abstract

The paper examines the extent of corporate social responsibility (CSR) Reporting by subsidiaries of multinational corporations in Bangladesh in two different steps. At the first step, the study explores the general trend of CSR Reporting in Bangladesh, and then examines in more detail: (a) CSR of subsidiaries of MNCs and (b) CSR of UK MNCs and their subsidiaries in Bangladesh. Content analysis has been used to capture the nature and quantity of CSR issues provided in the annual reports by the companies that were listed on the Dhaka Stock Exchange during the study. The paper suggests that CSR Reporting by MNCs subsidiaries in Bangladesh mainly means employee disclosure. CSR Reporting mostly consists of voluntary information with minimum level of mandatory disclosure. More importantly, subsidiaries disclose social and environmental issues more in line with Bangladeshi national companies than they do with their MNC parents. This highlights the fact that MNCs do follow different CSR Reporting strategy based on country of reporting.

Keywords: Corporate Social Responsibility, Multinational Corporations, Emerging Country

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1 Introduction

Despite much literature on social reporting in developed countries, and some studies of CSR in developing countries, research into social reporting of MNCs appears to be relatively sparse (but see, UN, 1991; UN, 1995, Newson and Deegan, 2002). Moreover, studies of the CSR practices of MNCs tend to ignore CSR practices of their subsidiaries. Even the international initiatives mentioned above,

such as the Global Reporting Initiative, are limited to developed countries and ignore the CSR practices of subsidiaries of large MNCs who also operate in developing countries. This paper investigates Corporate Social Responsibility (CSR) Reporting by Multinational Corporations (MNCs) subsidiaries in an emerging country. In particular it aims to explore CSR Reporting of MNCs from United Kingdom and their subsidiaries operating in Bangladesh: an emerging economy country. To

achieve the aim of the paper the paper focuses on three particular issues. First, it investigates CSR Reporting of top 50 corporations listed at Dhaka Stock Exchange in Bangladesh in the year 1999 and 2000. Second it examines CSR Reporting of all subsidiaries of MNCs that are included in the sample of the top 50 corporations. Third, it examines CSR Reporting practices of particular UK subsidiaries and their parent corporations in Bangladesh and the UK found in sample corporation. Subsequently, the CSR Reporting of seven subsidiaries of MNCs from the top 50 corporations are examined. They represent four industrial groups out of the nine industrial groups taken from the total sample. Their CSR practices are illustrated and compared to the general CSR Reporting trend in Bangladesh. Moreover, their CSR practices are compared to domestic companies within similar industrial groups. Finally CSR of UK subsidiaries are compared with their parent corporations to see whether MNCs subsidiaries CSR Reporting practices are more in line with their head office CSR Reporting practices.

Multinational corporations need to be accountable for the impact of their actions to both the host and the home society, as well as for providing information about their actions (see also UN, 1999, 2004). In addition, the common control of these globally dispersed operations means that MNCs have an opportunity to coordinate pricing, sourcing, and location decisions in a manner that, while increasing net returns for the group, may be harmful to the emerging economy countries' natural environment and society at a large. This is the basis for a conflict of perspectives between that of the national view of various groups within the nation-state and the view of MNCs (Redebaugh and Gray, 1997). While increasing net returns by operating in different countries is for many MNCs just a part of their global business operation, this is the part that is of primary concern for most of those affected in the host country. This particular context appears to have given rise to pressure for exploring CSR activities of MNCs and their subsidiaries.

The remaining of the paper is structured as follows. First section describes literature review. The second section depicts research methodology. The third section illustrates findings and analysis and the final section conclude the study.

2 Literature Review

Teoh and Thong (1984) and Andrew et al (1989) provide some understanding of CSR Reporting practices of multinationals by including subsidiaries of MNCs in their sample. Teoh and Thong (1984) examined social disclosure and considered four levels: social awareness, social involvement, social reporting and social audit. They found that the level of social awareness is dependent on the affiliation

of the parent company. According to them, the environmental and social awareness of the parent company appeared to have a direct or indirect influence on the social disclosure of their subsidiaries operating in developing countries. If their argument holds true, it would mean that subsidiaries of a foreign company would show greater concern for social reporting in a developing country than domestic corporations in the same industry. They found that foreign companies have a greater level of social awareness and involvement than domestic companies in Malaysia (but see also Andrew et al 1989). However, the result was too simplistic and not conclusive since social awareness may not translate into social disclosure practices because of cultural attributes prevalent in Malaysia (Andrew et al., 1989). Andrew et al. (1989) suggest that managers of domestic companies in Malaysia are often reluctant to disclose all their good deeds or social activities in the annual report due to their religious beliefs³⁷. Regarding issues of disclosure, Teoh and Thong (1984) observe that both domestic and foreign affiliated companies made more disclosures relating to human resources and consumer issues than to issues of the natural environment or the community. This is supported by a later study by Andrew *et al.* (1989). Similarly, Disu and Gray (1998), in a study of 22 large multinationals in Nigeria, noted that all the companies included disclosure relating to employment and corporate governance data, while very few made voluntary social disclosure relating to the community and the environment.

Newson and Deegan (2002) and Maignan and Ralston (2002) have studied CSR Reporting practices of multinationals using samples from different countries. They studied social disclosure policies of multinationals based in Australia, Singapore and South Korea with the assumption that large multinationals need to respond to 'global expectations' rather than to expectations of the people in their home country alone. To define 'global expectations' they used two survey results established by Enderle and Peters and Environics International in 1998 and 1999 respectively³⁸. However, they found that social disclosure practices of large MNCs do not meet 'global expectations' and instead respond to the expectations of their national 'relevant public'. Moreover, Newson and Deegan (2002) also suggest

³⁷ Malaysian culture is dominated by the Islamic religion, in which there is a belief that to disclose all one's own good deeds appears conceited.

³⁸ The survey basically provided expectations of interest groups like non-governmental organisations of the multinationals. For example, Enderle and Peters cited in Newson and Deegan (2002) surveyed 133 interest groups, mostly non-governmental organisations, across 36 countries to determine reasonable expectations of the multinational corporations.

that large multinationals might use different disclosure strategies in different contexts. Maignan and Ralston (2002) studied the web-based social disclosure of MNCs from France, Netherlands, the UK and the US. They too conclude that corporations use different disclosure strategies in web disclosure when operating in different countries. Such different CSR strategies include different CSR principles, process and stakeholder issues. They noted that 58.5 per cent of US companies made social disclosure as a part of their firm's core values, while performance driven CSR principles mostly motivated UK companies (56 per cent of sample companies) and other European companies. However, these two studies cover only social disclosure made in the annual reports of MNCs in their home countries, not disclosure by their subsidiaries. The next section examines social disclosure practices of multinationals both at parent company and subsidiary level.

With few exceptions (as far as can be ascertained), the UN has led the study of social disclosure practices by MNCs by looking at both the parent company and the subsidiaries' annual report (UN 1991a, 1995). The UN report (1991) studied German and Swiss multinationals' environmental reporting practices in both the home and host countries. This study showed that German and Swiss firms do not disclose environmental issues in host countries, although such issues are reported in their home countries (UN 1991a). In 1995, the UN undertook another study with a wider coverage. This study again focused on multinationals' environmental practices but in three host countries: India, Malaysia and the Philippines. This study concludes that environmental information produced by multinationals in their annual reports in these developing countries is relatively low and weak compared to the environmental reporting by the same multinationals in their home countries. Both of the studies highlight the fact that the disclosure policy of multinationals varies not only according to their country of origin but also according to the country in which they report. This also highlights not only cross-country variations in environmental disclosure but also a variation in disclosure strategy within the same companies at different levels (subsidiary and parent company). Both studies suggest differences in environmental regulation among the countries as a possible explanation for such variations.

Ruud (2002) studied environmental management of subsidiaries in India. He noted that environmental management of these subsidiaries was strongly influenced by their headquarters' environmental policies and standards rather than being driven by local pressures (i.e. pressure from local environmental authorities and NGOs, industrial policy, pressure and incentives of the

market). Fifty per cent of the sample subsidiaries mentioned the policies of their head office as a motivating factor, while 23 per cent mentioned fear of present or future environmental regulation as a motivating factor. Only 13 per cent of environmental management procedures are stated as being driven by the initiatives of the subsidiary's management. Environmental NGO's influence is mentioned by only 3 per cent of the companies as a motivating factor. A similarly low per cent of companies mention consumer pressure as a motivating factor. Ruud's study included detailed case studies of environmental management in Danish and German multinationals which operate in China, Malaysia and India (although he discussed findings from India only). Ruud (2002) noted that while environmental measures were implemented in accordance with the requirements of regulation and public expectation in the home countries of multinationals, there was a tendency by managers of subsidiaries to replicate policy statements (originally developed at headquarters) in an informal manner. Ruud argued that in the case of India, no evidence was found of attempts to make those commitments more specific. He mentioned that three-quarters of his sample also formalised environmental auditing where headquarters used to perform environmental auditing on a regular basis, and also formalised environmental reporting between headquarters and affiliates³⁹. He contends that such initiatives placed subsidiary managers with more reporting responsibilities (although only to headquarters) while control actually remained with head office.

However, environmental information is only a part of social reporting and thus the findings may not be sufficient to explore the motivations behind a multinational using different social disclosure strategies for their parent company and for their subsidiaries.

Overall, previous literatures suggests that CSR Reporting practices particularly by MNCs and their subsidiaries, are arguably very few and are not conclusive. For example, it is suggested that subsidiaries of MNCs disclose more than domestic corporations due to their affiliation with their parent corporations (Teoh and Thong, 1984). On the other hand, Andrew et al (1989) suggest the possibility that cultural influence may lower the tendency of

³⁹ Rund (2002) found that environmental auditing rarely meets the objectives of environmental control. For example, in one of his case companies (a US based company), the environmental officer at subsidiary level never obtained a copy of the operational audit made by headquarter officials and did not get any feedback nor recommendations, even though a serious environmental problem was documented at that plant. Moreover, interviewing corporate managers he felt the existence of a global corporate strategy of 'informed' rather than 'involved' personnel in those activities.

domestic corporations' managers to report, compared with subsidiaries' managers, who may follow a more open disclosure policy. In addition, the UN study (1991a, 1995) shows that subsidiaries operating in LDCs are making less disclosure compared to their parent corporations. This study therefore intends to tease out some of these conflicting claims by focusing on UK subsidiaries operating in Bangladesh.

3. Method and data collection

This paper uses content analysis in collecting and analysing the data. Content analysis involves the identification of particular issues within a text (in this case, an annual report), which can be categorised under headings (such as environmental or social), and then analysed (Guthrie and Parker, 1990). Conducting a content analysis in this study involves at least four important steps: choosing the documents to analyse, selecting the categories or themes of CSR, and measuring the themes. Arguably, the first step in content analysis is to choose the document/documents to be analysed. Most previous studies have applied content analysis only to annual reports (see, Unerman, 2000). Reasons for focusing exclusively on the annual report are numerous (Gray et al, 1995a). One of the main reasons is the impossibility or impracticality of capturing all communications by a number of companies in a given period (Gray et al, 1995a). Indeed, it is virtually impossible to claim that one has captured all the media of communications and thus it is inevitable that the completeness of CSR analyses will be questionable (Gray et al, 1995a). Nevertheless, the annual report is regarded as a very important document in CSR research due to its high degree of credibility (Tilt, 1994), the frequent use of annual reports by a large number of stakeholders seeking a wide variety of information items (e.g., solvency, financial performance, investment or environmental information), and the regularity of its publication (Deegan and Rankin, 1997; Neimark, 1992, cited in Unerman, 2000). Recognising the strength of these justifications for using annual reports, the present study also considers the annual reports of companies in both the UK and Bangladesh. Another justification for using annual reports in this study is that in Bangladesh companies generally use annual reports rather than any other medium to disclose CSR information (see, Belal, 2001; 2000). The annual report is therefore the common single document used by both UK and Bangladeshi companies exclusively to report CSR information. So the annual report is chosen in this study as the document for content analysis.

3.1. Classification of themes: the pilot study

Several problems arise in categorising such themes over time and also when cross-country analysis is considered. First, new CSR themes are raised over time which may not fall within previous categories. This is due to the fact that changes of time can change the relative importance of issues included in CSR (see, Gray et al, 1995a, b). Second, categories and sub-categories of CSR vary between countries when cross-country CSR is considered. Therefore a pilot study was initially carried out to get an experience over the process of content analysis and also to get an idea about present categories and sub-categories of reporting issues in the UK and in Bangladesh.

The study follows the categorisation of CSR Reporting issues developed by Corporate Social and Environment Accounting Research Center (CSEAR) and specific decision rules in recording and classifying social and environmental themes in the UK for the year 2000. The four major themes of CSR Reporting (e.g employee, community, environment and customer information) suggested by Gray et al (1995b) in constructing the CSEAR database are taken as the starting point⁴⁰. These categories are also consistently found in other CSR studies and are considered common over time periods and over cross-country practices, although the relative importance of these themes might vary (Gray et al, 1995b). These categories are: natural environment; employees; community; and customer information. As well as these categories, the present study considers two further categories: director and corporate governance. These are considered as separate themes due to the development of these issues in the UK and Bangladesh. For example, corporate governance issues became important in the UK with the emergence of the 'Combined Code' in June 1998⁴¹. In addition, a 'general and other category' also helps to capture other CSR themes which occur over time or are particular to Bangladesh due to the different country context. These main categories are then divided into different sub-categories to capture the whole amount of social information provided within the main categories. Following CSEAR decision rules a 'decision rule' defining these categories and sub-categories has been prepared so that another researcher can apply the same decision rules and replicate the study results⁴². Figure 1 shows the

⁴⁰ Please see, Gray et al, (1995b)

⁴¹ Indeed, corporate governance became an issue since 1992. Please see, Cadbury code 1992, Greenbury 1995 and Hampel 1998.

⁴² A detailed description of the decision rules is provided in Appendix 1.

categorisation used to study the CSR of UK corporations⁴³.

However, before finalising these categories and sub-categories for Bangladesh it was believed necessary to conduct a further pilot content analysis of Bangladeshi companies. The pilot study analyses 10 annual reports from 50 companies. The results confirm that CSR disclosure is mostly made within the main themes although not all companies follow all the sub-categories listed by Gray et al (1995b).

3.2 Measuring Themes

Another important aspect of content analysis is the measurement of these themes. Previous studies suggest that various types of measurement (ie number of words, sentences, pages or page proportion) have both advantages and disadvantages (see, Unerman, 2000). For example, those who use 'word' as a measurement unit argue that it has the advantage of counting a greater amount of detailed description of CSR with more accuracy (Zeghal and Ahmed, 1990). On the other hand, 'sentence' has been preferred by many researchers to infer meaning from the themes disclosed rather than counting isolated words (Hackston and Milne, 1996). However, both 'word' and 'sentence' have the disadvantage of ignoring non-narrative CSR disclosure (i.e. photographs and figures) and thus lower the total amount of disclosure (Unerman, 2000). Compared to counting words or sentences, measuring page proportions has the advantage of including both narrative and non-narrative CSR disclosure. Recognising the advantage of the 'page proportion' method suggested by Gray et al (1995a, b), the present study uses the method to measure the volume of CSR. To analyse the quality of CSR and to capture the meaning attached to it, three additional categories are suggested by Gray et al (1995a). These categories are 'evidence', 'news', and 'audit'. 'Evidence' describes whether the information is 'monetary quantitative', 'quantitative only' or 'declarative' in nature. 'Monetary quantitative' information consists of both the amount and type of information, and refers primarily to financial numbers. 'Quantitative only'

refers to information solely relating to quantity. 'Declarative' information refers to qualitative information. 'News' describes whether the information provides a good, bad or neutral meaning to the receiver. 'Audit' describes whether the information provided has any chance of being audited, subject to being given access to the organisation.

After recording data for all companies in individual sheets, the data is transferred to a database created through Microsoft Excel for further statistical analysis. From the database, total CSR recorded for each corporation has been calculated according to the main categories or issues of reporting: environment; employee; community; customer; director; and corporate governance following Gray et al (1995b). Simple averages and percentages are then calculated to make data more meaningful. Figure 2 shows briefly the formula used to calculate the total volume of CSR according to issues and according to the nature of the information for UK companies.

⁴³ This categorisation mostly followed Gray et al.'s (1995b) categorisation. In Gray et al.'s (1995b) categorisation, Health and Safety appears twice - once in the employee category and again in the environmental category. Therefore, here as well, it is kept under both employee and environmental disclosure. However, that does not mean that Health and Safety is double counted in calculating the total level of CSR, as this is counted once (i.e. in employee disclosure) while measuring total CSR (please see formula used in calculating the total level of CSR). Moreover, relevance of disclosures relating to South Africa is questionable. However, it was decided to leave the category in the instrument in order to leave the original research instrument as it is.

Figure 1. Social reporting categories used to capture UK CSR (according to issues)

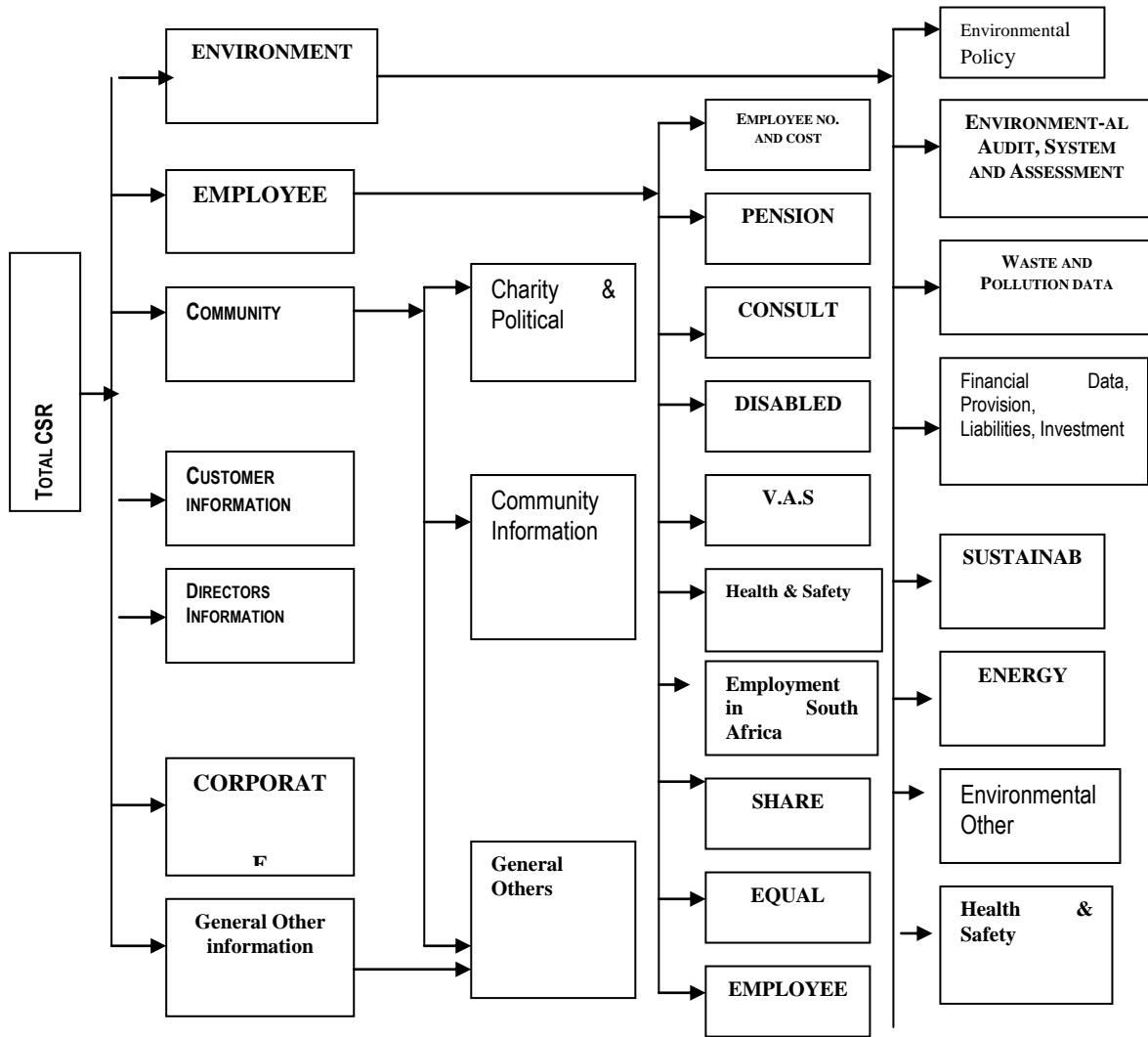


Figure 2. Formula used to calculate level of social and environmental information from annual reports of UK companies

<p>i) Measuring Total CSR from categories and sub-categories:</p> $\Sigma CSR = \Sigma ENV. + \Sigma EMPL. + \Sigma COMMU. + \Sigma CUST. + \Sigma DIR. + \Sigma CORPGOV.$ <p>$\Sigma ENV.$ = Environmental policy + Environmental audit + Waste + Financial data + Sustainability + Energy + Environmental other. $\Sigma EMPL.$ = Employee data + Pension + Consult employee + Disabled+ V.A.S + Health and Safety + Share employee + Equal opportunity + Employee other. $\Sigma COMMU.$ = Community + Charity + General other $\Sigma CUST.$ = Consumer and product information. $\Sigma DIR.$ = All director information $\Sigma CORPGOV.$ = All corporate governance information</p> <p>Where,</p> <p>ΣCSR = TOTAL VOLUME OF CORPORATE SOCIAL AND ENVIRONMENTAL ISSUES</p> <p>$\Sigma ENV.$ = Total volume of environmental data $\Sigma EMPL.$ = Total volume of employee data $\Sigma COMMU.$ = Total volume of community data $\Sigma CUST.$ = Consumer and Product information. $\Sigma DIR.$ = All director information $\Sigma CORPGOV.$ = All corporate governance information</p>
<p>ii) Measuring Total CSR from the nature of the information.</p> $\Sigma CSR = \Sigma V. CSR + \Sigma M^1. CSR$ <p>$\Sigma V. CSR = \Sigma ENV. + \Sigma V. COMMU. + \Sigma V. EMPL. + \Sigma CUST.$ $\Sigma V. COMMU.$ = Community + General Other $\Sigma V. EMPL.$ = V.A.S + H & S + Equal oops. + Employee other. $\Sigma CUST.$ = All customer information $\Sigma M^1. CSR = \Sigma M. CSR + \text{Employee number \& cost} + \text{Pension} + \text{Directors}$ $\Sigma M. CSR = \text{Charity} + \text{Consultation} + \text{Share Ownership} + \text{Disabled} + \text{C. Governance}$</p> <p>Where,</p> <p>$\Sigma V.CSR$ means total voluntary corporate social Reporting issues, $\Sigma V. COMMU$ means, voluntary community information, and $\Sigma V.EMPL.$ means voluntary employee information, $\Sigma M^1. CSR$ means mandatory plus total where as, $\Sigma M.CSR$ means total mandatory information.</p>

3.3 Selecting the sample annual report

Annual reports for the 50 largest Bangladeshi companies were selected out of 185 corporations (excluding purely financial and insurance companies) from the Dhaka Stock Exchange list on 31st December 2000, representing 27% of the

population. They represent 79% and 80% of the total market capitalisation in the years 2000 respectively. These corporations are categorised in six industrial groups according to the Dhaka Stock Exchange schedule. Figure 3 shows the industrial classification of these corporations.

Figure 3. Industrial classification of sample corporations in Bangladesh

Number	Nature of industries
1.	Engineering
2.	Food Allied and Tobacco
3.	Fuel and Power
4.	Jute and Textile
5.	Pharmaceuticals
6.	Paper and Printing
7.	Service and Real Estate
8.	Cement
9.	Leather and Tanneries

4 Findings and analysis

4.1 General trend of CSR in Bangladesh

Table 4.1 shows the percentage of companies which report social and environmental issues in their annual report.

Table 4.1. Disclosure of social and environmental issues in Bangladeshi company annual reports for the years 1999 and 2000 (Percentage of companies)

Particular/Years	1999	2000	AVG
Environment	78%	84%	81%
Consumer	14%	16%	15%
Community	90%	86%	88%
Employee	100%	100%	100%
Directors	90%	94%	92%
Corporate Governance	0	8%	4%
General Other	72%	78%	75%
Voluntary	98%	100%	100%
Mandatory	100%	100%	100%
Total Companies	50	50	50

Note: Average means average over two years.

Table 4.1 shows that almost 100% of companies in Bangladesh disclose employee information in both years. Apart from employee disclosure, information regarding directors, community disclosure and environmental disclosure are the most popular area of disclosure, being disclosed on average by 92%, 88% and 81% respectively of the sample companies over the two years. The least popular area of disclosure is corporate governance followed by consumer

information, the latter being reported by 14% and 16% of companies respectively. Table 4.2 shows the percentage of companies disclosing mandatory information in Bangladesh in detail. In short, in Bangladesh, 'energy information', 'employee numbers and cost', 'the contribution to workers' profit participation fund', and information regarding 'contribution to the Government Exchequer', are all mandatory information.

Table 4.2. Mandatory disclosure of social and environmental issues in Bangladeshi company annual reports for the years 1999 and 2000 (Percentage of companies)

Particular/Years	1999	2000	AVG (%)
Energy Consumption	74%	82%	78%
Employee No & Cost	100%	100%	100%
Contribution to W P P & P F	90%	92%	91%
Directors	90%	94%	92%
Contribution to National Exchequer	28%	30%	29%
Total Companies	50	50	100%

Notes: W P P F means Workers' Profit Participation Fund; P F means Provident fund.

Table 4.2 shows that the majority of companies comply with the minimum requirement of regulatory or mandatory disclosure, with all companies on average disclosing employee

numbers and cost information in Bangladesh. In the case of Bangladesh all other areas of mandatory disclosure show some non-compliance, with the lowest disclosure being on 'contribution to the

national exchequer' (29% of companies on average). Table 4.3 gives details of voluntary disclosure in Bangladesh. It shows that there are differences in voluntary social and environmental issues in terms of number of companies reporting these issues. For example, employee information is

disclosed by highest number of companies (94%), followed by charity (46%) and value added information (40%). Compare to these three issues, disclosure in environmental issues, health and safety issues are not disclosed by significant number of companies.

Table 4.3. Voluntary disclosure of information in Bangladeshi company annual reports for the years 1999 and 2000 (Number of companies)

Particular/Years	1999	2000	AVG (%)
Environmental policy	4%	4%	4%
Environmental Audit	2%	0	1%
Waste	10%	18%	14%
Financial data	0	2%	-
Sustainability	4%	2%	3%
Environmental other	8%	10%	9%
Consumer	14%	16%	15%
Community	10%	10%	10%
Charity	46%	46%	46%
V A S	40%	40%	40%
Health and Safety	8%	8%	8%
Equal opportunity	-	-	-
Employee other	94%	94%	94%
General other	60%	70%	65%
Total company	50	50	100%

Notes:

1. '***' means that the issue is mandatory for the particular country so not recorded.
2. '-' means insignificant amount

Table 4.4 shows the issues of disclosure and the page proportions devoted to such issues by companies in different areas of social and environmental disclosure in Bangladesh. As expected, the total volume of social and

environmental issues reported in Bangladesh is very low. Table 4.4 shows that on average 1.96 pages are devoted to social and environmental issues in Bangladeshi annual reports.

Table 4.4. Amount of page proportion devoted to each issue in Bangladeshi company annual reports for the years 1999 and 2000 (By proportion of pages)

PARTICULAR/YEARS	1999	2000	AVG
	BD	BD	BD
Environment	0.08	0.1	0.1
Consumer	0.04	0.01	0.03
Community	0.31	0.3	0.31
Employee	1.1	1.2	1.15
Directors	0.32	0.30	0.31
Corporate Governance	-	0.17	0.1
Voluntary	0.97	1.14	1.05
Mandatory	.89	0.94	0.91
Total CSR	1.85	2.08	1.96

Note: Average means average of two years.

Table 4.4 shows the dominance of employee information in Bangladesh in terms of page proportion devoted to this issue. It shows that an average of 1.15 pages are devoted to this issue. The lowest disclosure is made of consumer issues; only 0.03 of a page in Bangladesh. In the case of Bangladesh, information on community issues and director issues are the second and third most popular area of disclosure in terms of page

proportions (in both cases 0.31 of a page are devoted to the issue).

It is generally accepted that the size and industrial nature of a company has an effect on the volume and nature of disclosure. Usually, bigger corporations disclose more than smaller corporations. Moreover, Subsidiaries of MNCs, although listed within the top 50 corporations in Bangladesh, fall into different industrial groups in

Bangladesh. Therefore, it is important to look at the overall CSR trend according to industrial classification in Bangladesh. Table 4.5 shows the

industry average of CSR in Bangladesh for the years 1999 and 2000.

Table 4.5. Industry average of CSR for the year 1999 and 2000 in Bangladesh (By proportion of pages in company annual)

Industrial groups / Years	1999	2000	Average
Engineering	1.84	1.36	1.6
Food Allied and Tobacco	.72	1.42	1.07
Jute and Textile	1.95	2.41	2.18
Pharmaceuticals and chemicals	2.38	2.59	2.48
Paper and Printing	1.47	0	0.73
Service and Real State	1.26	1.21	1.23
Cements	0.47	3.57	2.02
Leather and Tanneries	1.39	1.53	1.46

Note: Average means average over two years.

Table 4.5 shows that the average volume of CSR is highest in Pharmaceutical and Chemical corporations in Bangladesh. This is followed by the Jute and Textile, Cements, Engineering, and Leather and Tanneries industries. This suggests that these industries disclosed a higher volume of CSR compared to other industrial groups such as the Paper and Printing industry in Bangladesh. Moreover, this also indicates that the volume of CSR varies according to the industrial nature of the company. As most of the subsidiaries fall within these industrial groups, the next chapter examines their CSR according to their industrial average CSR found in Bangladesh.

Over all, It can be seen that the greatest amount of disclosure in Bangladesh is concerned with employee disclosure. Other popular areas of disclosure are community, environment and directors' issues in terms of proportion of pages occupied by such disclosures. Pharmaceutical and Chemical industries disclose the highest amount of CSR in Bangladesh. The next industries are Jute and Textile, Cement, Engineering and Food and Allied according to the volume of CSR they report in their annual reports. It is worth noting that these five industry groups, along with Leather and Tanneries, are known for their poor environmental performance and labour exploitation (particularly the Textile and Jute industries). In addition, Pharmaceuticals and Chemicals is the sector where most subsidiaries of MNCs operate in Bangladesh.

The overall trend of CSR in Bangladesh found in this study is similar to that found by Belal (1999) and Imam (2000), with a few exceptions. For example, both studies showed that 'employee disclosure' dominated CSR in Bangladesh and that disclosure is made on some common issues such as

'environmental', 'community' and 'director information'. This is consistent with the findings of the present study. However, the findings of the present study also differ from Belal's (1999) and Imam's (2000) in terms of the level of total CSR. This is partly due to the different measurement unit used in this study compared to the two previous studies. While they measured by number of words, this study uses page proportion as its measurement. Previous studies did not include pictures and graphs in their measurements, and so may have missed many pictorial images of businesses' attitudes towards the greening of the environment, community help programmes and, most importantly, graphical presentation of value-added information. These are included when measuring page proportion. Moreover, previous studies do not focus very much on value-added data that can be disclosed in different forms such as full statement and revenue distribution forms (Roberts, 1990). The results of the present study are therefore an improvement on previous studies in that this study incorporates picture and graphs which capture social and environmental image of corporations in Bangladesh.

4.2 CSR of subsidiaries of MNCs

4.2.1 CSR in subsidiaries and domestic corporations

Table 4.6 gives information of companies which disclosed social and environmental issues in the year 1999 and 2000. It shows the percentage of companies from the study's sample – both subsidiaries and domestic corporations – that reported these issues in their annual report.

Table 4.6. Companies disclosing social and environmental in the annual report for the year 1999 and 2000 (Percentage of companies)

Particulars/ Year	1999		2000		AVG	
	SUB	DOM	SUB	DOM	SUB	DOM
Environment	100%	66%	100%	71%	100%	69%
Consumer	28%	0%	28%	14%	28%	7%
Community	100%	66%	100%	100%	100%	83%
Employment	100%	100%	100%	100%	100%	100%
Directors	100%	100%	100%	100%	100%	100%
Corporate governance	-	-	14%	14%	10%	7%
Total company	7	6	7	7		

Note:

1. AVG means average of two years.
2. SUB includes seven subsidiaries of MNCs operating in Bangladesh (descriptions are provided in section 9.1).
3. DOM includes domestic corporations mentioned in figure 9.1 (section 9.1).

The above table shows that all companies - both subsidiaries and domestic corporations - disclose employee information in both years. Apart from employee disclosure, information regarding directors, community disclosure and environmental disclosure are the issues most commonly disclosed in annual reports. The least popular area of disclosure is customer information. This is similar to the general trend of CSR in Bangladesh, as illustrated in section 4.1. Table 4.6 also shows that one out of seven domestic corporations (14%)

reported issues relating to corporate governance, like as one subsidiary reported on this issue in the year 2000. Graph 4.1, below, illustrates the CSR overtime in subsidiaries and selected domestic corporations. It shows that there is no major difference between these two groups in terms of companies reporting social and environmental issues over an average of two years. However, it shows that a higher percentage of subsidiaries than domestic corporations report environmental and community information.

Graph 4.1.

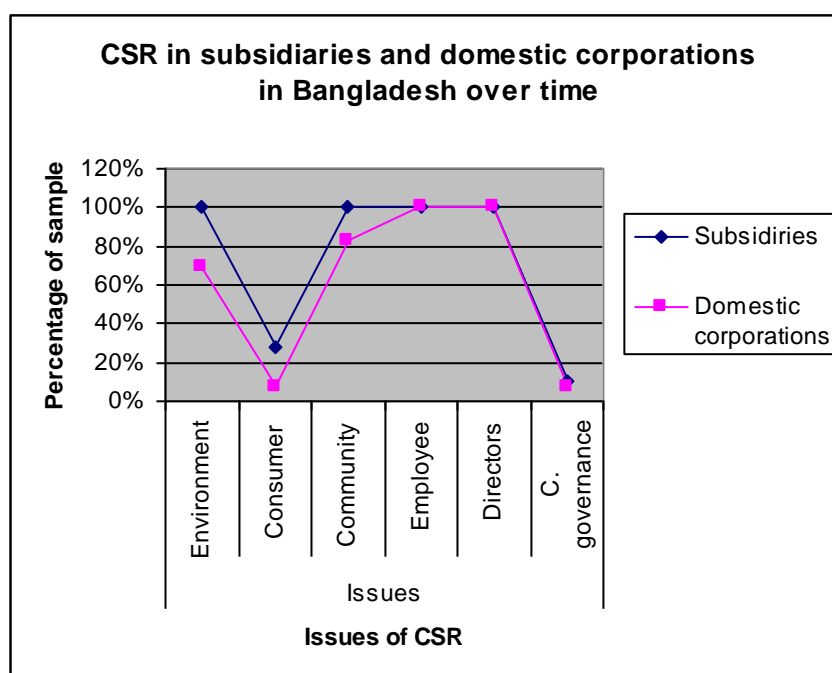


Table 4.7 shows issues of disclosure and the total page proportion devoted to CSR by each subsidiary for the years 1999 and 2000.

Table 4.7. Amount of page proportion devoted to CSR by subsidiaries for the years 1999 and 2000

Name of subsidiaries	1999	2000	AVG of two years	Industrial average
BOCB	1.68	1.61	1.64	2.48
BATAB	1.39	1.21	1.3	1.46
BATB	1.42	3.06	2.24	1.07
GSKB	5.02	6.44	5.73	2.48
FWFB	.94	1.0	.97	1.07
SB	1.11	.67	.89	1.23
RBB	1.90	2.02	1.96	2.48

Note: Industrial average is taken from (section 4.1).

Table 4.7 shows that GSKB reports the highest volume of social and environmental information in their annual reports; this is above the industrial average of the pharmaceutical sector in Bangladesh. Other subsidiaries in the pharmaceutical and chemical sector such as BOCB and RBB report social and environmental information below the industrial average. In the Food, Allied and Tobacco group, BATB reports more social and environmental information than the average across

the sector. All other subsidiaries report at a level lower than the sector's average. This suggests that most of the subsidiaries are producing CSR at a level below their industrial average in Bangladesh.

Table 4.8 shows the average volume of information devoted to social and environmental issues by subsidiaries and domestic corporations in the years 1999 and 2000. It also shows the average volume of CSR recorded in Bangladesh overall.

Table 4.8. Amount of page proportion devoted to each issue by subsidiaries and domestic companies for the years 1999 and 2000 (By proportion of pages)

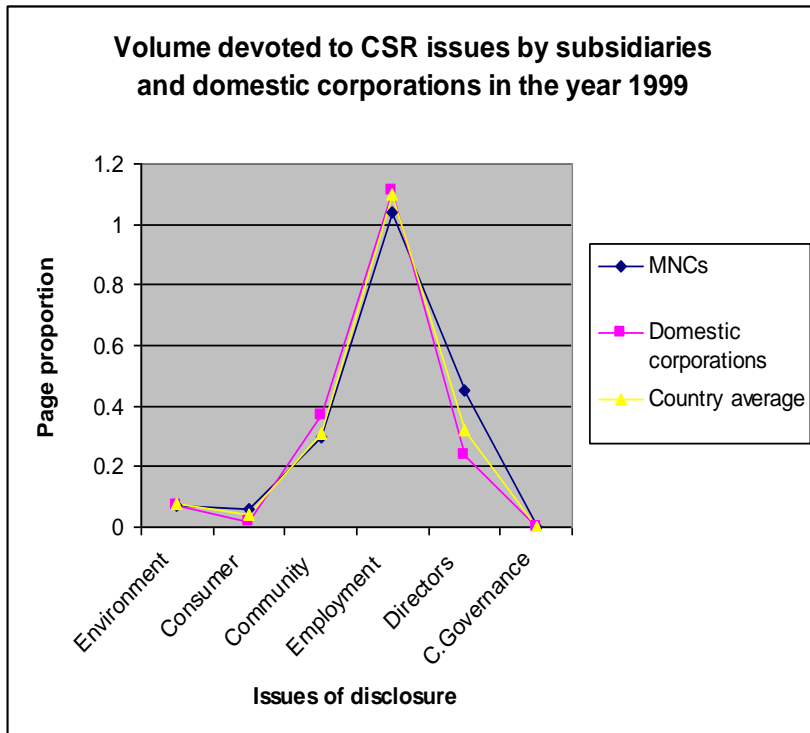
Particulars/years	1999			2000		
	MNEs	DOM	Country average	MNEs	DOM	Country average
Environment	0.07	.07	.08	.05	.2	0.1
Consumer	0.06	0.02	.04	.02	0.0	0.01
Community	0.3	0.37	.31	.41	.27	0.3
Employment	1.04	1.11	1.1	1.23	1.29	1.2
Directors	0.45	0.24	.32	0.29	0.27	.3
C. Governance	0.0	0.0	0.0	0.28	0.04	.17
Average volume of CSR	1.92	1.81	1.85	2.29	2.07	2.08

Note: Country average means average volume of CSR recorded in Bangladesh for the years 1999 and 2000.

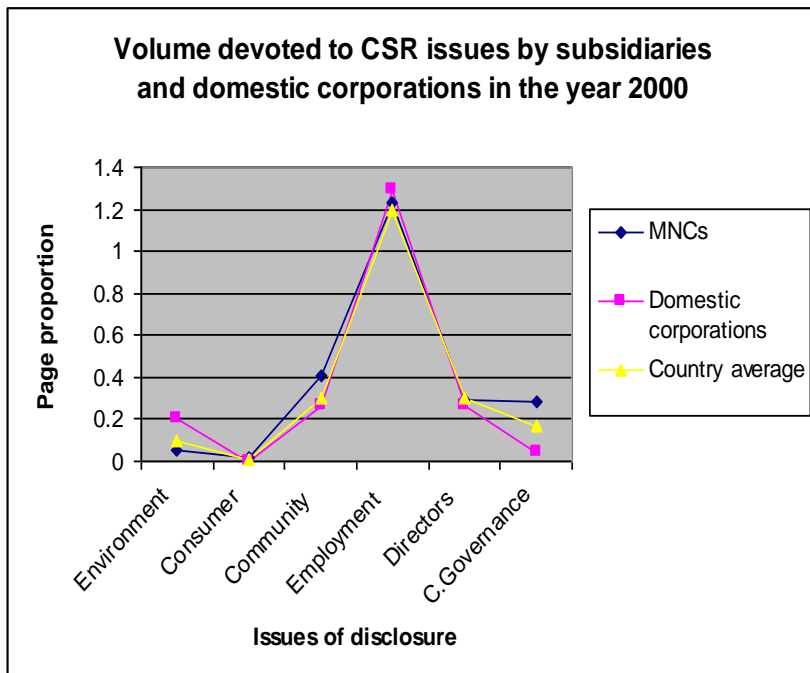
Table 4.8 shows that the volume of social and environmental issues reported by subsidiaries is in line with that of domestic corporations. The average volume of CSR by subsidiaries (1.92 and 2.29 of a page) is, however, slightly higher than the average volume of CSR by domestic corporations (1.81 and 2.07) in the years 1999 and 2000. In both groups, the highest disclosure is made of employee issues: 1.04 of a page in subsidiaries and 1.11 of a page in domestic corporations in the year 1999. The trend is similar in the year 2000. In both groups, community, director information and environmental information are the second, third and fourth most popular/common areas of disclosure in terms of page proportions. It shows that in both groups, the lowest disclosure is made of consumer issues: only 0.06 of a page was made by subsidiaries in the year

1999 and 0.02 was made by subsidiaries in the year 2000. Table 4.8 also shows that subsidiaries reported social and environmental issues in line with the average volume of CSR recorded in Bangladesh. It shows that subsidiaries disclosed a slightly higher volume of director information (0.45 portion of a page) compared to the average volume of disclosure (0.32 portion of a page) found in Bangladesh overall for the year 1999. In the year 2000, subsidiaries also reported community issues (0.41 portion of a page) at a level above the country average (0.27 portion of a page). Graphs 4.2 and 4.3 illustrate the trend of average volume devoted to social and environmental issues by subsidiaries and domestic corporations in comparison with the pattern of CSR in Bangladesh overall.

Graph 4.2.



Graph 4.3.



These graphs show that subsidiaries disclose social and environmental information in line with domestic corporations in similar industrial groups. Their social and environmental disclosure is also in line with disclosure issues observed overall in Bangladesh. For example, the greatest amount of disclosure in Bangladesh concerns employees. Other popular areas of disclosure are community,

environment and director issues, in terms of page proportion devoted to these issues. It is mentioned before that value-added disclosure, although a voluntary disclosure, takes up a major portion of employee disclosure in Bangladesh yet currently is not disclosed in the UK. Table 4.9 shows the proportion of value-added information in subsidiaries' employee disclosures.

Table 4.9. Proportion of value-added information in employee disclosure by subsidiaries for the years 1999 and 2000

Name of subsidiaries	1999			2000		
	EMP	VAS	PVAS	EMP.	VAS	PVAS
BOCB	1.24	0.76	.61	1.33	0.8	.60
BATAB	0.85	0.0	0.0	0.64	0.0	0.0
BATB	0.52	0.0	0.0	0.5	0.0	0.0
GSKB	2.36	1.0	.42	3.68	2.0	0.54
FWFB	0.15	0.0	0.0	0.56	0.0	0.0
SB	0.81	0.0	0.0	0.39	0.0	0.0
RBB	1.36	0.5	0.37	1.52	1.0	0.66
Total volume	7.29	2.26	.31	8.62	3.8	0.44

Note: EMP means total volume of employee disclosure

VAS means total volume of value-added information

PVAS means proportion of value-added information in employee disclosure

Table 4.9 shows that three out of seven subsidiaries report value-added data in their employee disclosures in both years. It can be noted that these three corporations are subsidiaries of UK MNCs and value-added data is rarely reported in the UK; more specifically, it was not reported by their parent corporations in the years 1999 and 2000.. More importantly, overall value-added data occupies 0.31 and 0.44 of the total volume of employee disclosures in the years 1999 and 2000 in

Bangladesh. This suggests that subsidiaries are reporting social and environmental issues in line with issues reported in Bangladesh. More specifically, subsidiaries, in the same way as domestic corporations, devote the highest proportion of their CSR to value-added data in their employee reporting.

Table 4.10 shows the proportion of value-added information in domestic corporations' employee disclosures.

Table 4.10. Proportion of value-added information in employee disclosures by selected domestic corporations for the years 1999 and 2000

Name of domestic corporations	1999			2000		
	EMP	VAS	PVAS	EMP	VAS	PVAS
Beximoco Pharma.	3.02	1.0	.33	1.80	1.0	.56
Bionic Sea Food	0.41	0.0	0.0	-	-	-
Meghna Vegetable	-	-	-	1.13	0.0	0.0
IDLC	0.16	0.0	0.0	0.21	0.0	0.0
ACI	0.5	0.0	0.0	1.42	1.0	.70
Alpha Tobacco	1.12	0.0	0.0	0.64	0.0	0.0
Squire Pharma.	1.47	1.0	.68	1.62	1.0	.62
Apex Tanneries	-	-	-	1.6	1.0	.63
Total Volume	6.18	2.0	.32	8.42	4	.48

Note: EMP means total volume of employee disclosure

VAS means total volume of value-added information

PVAS means proportion of value-added information in employee disclosure

" - " means not included in the sample in respective year.

Table 4.10 shows that overall value-added data accounts for the highest portion of employee disclosure in both years (0.32 and 0.48 of a page respectively). This suggests that both selected domestic corporations and subsidiaries' CSR (shown in Table 4.8), in a similar industrial group is alike and follows the general trend in CSR observed in Bangladesh overall. As has been noted before, two years of data is not sufficient for establishing a trend. It is argued that the trend in subsidiaries' CSR in Bangladesh can be explained more through the industrial nature of the country where they

report, than the subsidiaries' affiliation to their parent corporations or the country of their origin. The next section examines particular UK subsidiaries' CSR and their parent corporations' CSR for the years 1999 and 2000.

4.3 CSR of UK subsidiaries and parent corporations

This section examines CSR disclosure by the UK subsidiaries and their parent corporations in two different countries, namely, the UK and

Bangladesh. Out of seven subsidiaries, four subsidiaries - BOCB, BATB, RBB, and GSKB - are subsidiaries of UK MNCs. Their CSR - compared to their parent corporations - is now examined.

Table 4.10 and Table 4.11 show issues of CSR and the volume devoted to these issues under employee, director, corporate governance, environmental, consumer and community issues, by subsidiaries and their parent corporations in the UK and Bangladesh for the years 1999 and 2000. It should be noted that the concern here is not to compare the volume of disclosure by parent corporations in the UK and their subsidiaries in Bangladesh, because it was shown in the previous

chapter that the volume of CSR varies greatly between these two countries. The main focus is on the issues of CSR and how they are disclosed differently by a parent corporation and its subsidiary according to the country context. Therefore, figures shown in Tables 4.10 and 4.11 are only important in showing that a particular issue has been disclosed. Table 4.10 shows issues disclosed under employee, director and corporate governance and Table 4.11 shows issues disclosed under environment, consumer and community disclosure, both in the parent corporation and the subsidiary's annual report.

Table 4.11. Issues disclosed and volume devoted to employee, director and corporate governance issues by subsidiaries and their parent corporations for the years 1999 and 2000 (By page proportion)

Disclosure issues / Years MNCs	1999								2000							
	BOC		BAT		GSK		RB		BOC		BAT		GSK		RB	
Parent / subsidiaries	P	S	P	S	P	S	P	S	P	S	P	S	P	S	P	S
Issues disclosed																
Cost and number information	1.1 6	0.1 2	0.6 6	0.1 6	2.0	0.4	0.4 2	0.2 2	0.8 4	0.1 6	0.5 6	0.1 4	0.6 4	0.3	0.52	0.16
Pension	3.1 0	-	1.1 0	-	2.0	-	0.6 4	-	3.1 4	-	0.2 4	-	1.4 8	-	1.14	-
Workers Profit Participation & Provident Fund	-	.08	-	0.4 3	-	0.4 8	-	.4	-	0.0 9	-	0.0 8	-	.72	-	0.16
Consult employee	0.3 6	-	.08	-	.08	-	0.0 6	-	0.2 6	-	0.0 9	-	.08	-	0.06	-
Disabled	0.1 2	-	-	-	.06	-	-	-	.08	-	0.0 4	-	.04	-	-	-
V A S	-	0.7 6	-	-	-	1.0	-	0.5	-	0.8	-	-	-	2	-	1.0
Health and Safety	1.4 5	.12	0.1 2	0.0 8	1.0	.04	-	-	1.8 0	-	-	-	.16	.06	0.20	-
Share employee	2.1 2	-	1.1 4	-	0.2 4	-	0.8 4	-	2.1 6	-	0.0 9	-	4.0 0	-	1.0	-
Equal opportunity	0.1 6	-	0.1 0	-	0.1 2	-	-	-	0.1 6	-	0.0 8	-	.08	-	0.06	-
Employee other	0.5 2	.16	0.0 4	0.1 8	0.2 6	0.4 4	0.4 6	0.2 4	0.9 2	0.1 4	0.0 4	-	.18	0.6	-	0.2
Director issues	5.0	.28	5.3	0.1 6	4.0	1.0 4	4.0	0.5	5.0	0.1 6	6.8 1	0.1 6	10.0	0.68	4.0	0.5
Corporate governance	4.5	-	4.0	-	4.0	-	2.2 4	-	6.5 5	-	3.2 8	2.0	5.0	-	3.26	-

Note: 'P' means parent corporations and 'S' means subsidiaries

Table 4.10 shows that while director information, employee number and cost, pension data and share of employee data accounts for the highest level of disclosure (in that order) in parent companies' annual reports, value-added information, director information, and *contribution to provident fund information* account for the highest volume of disclosure respectively in their subsidiaries' reports. It also shows that while subsidiaries devote a greater amount of reporting to value-added information within employee information in Bangladesh, none of their parent companies report such information in the UK. Moreover, while parent companies disclose issues such as 'consult with employees' and information regarding disabled people and equal opportunity,

none of these issues are reported by their subsidiaries in Bangladesh. Overall, this confirms that in issues of employee disclosure, subsidiaries do not report information in the same way as do their parent companies, and that there is a different emphasis on which issues are reported. This is partly due to the different requirements for mandatory disclosure in Bangladesh and the UK. For example, disclosure of information regarding pensions is mandatory in the UK but not in Bangladesh. Voluntary disclosure also varies between parent corporation and subsidiary within an MNC. For example, while parent corporations report health and safety information in the UK, these issues are not reported so much by their subsidiaries in Bangladesh.

Table 4.12. Issues disclosed and volume devoted to environmental, consumer and community issues by subsidiaries and their parent corporations for the years 1999 and 2000
(By page proportion)

Disclosure issues / Years	1999								2000							
	BOC		BAT		GSK		RB		BOC		BAT		GSK		RB	
MNCs																
Parent / subsidiaries	P	S	P	S	P	S	P	S	P	S	P	S	P	S	P	S
Issues disclosed																
Environmental:																
<i>Environmental policy</i>	0.12	-	0.4	-	0.18	-	-	-	0.16	-	0.4	-	0.14	-	-	-
<i>Environmental Audit and management</i>	0.10	-	0.16	0.04	0.16	-	-	-	0.16	-	0.08	-	0.20	-	-	-
<i>Waste</i>	0.73	-	0.48	-	0.24	-	-	-	0.76	-	0.36	-	.5	-	-	-
<i>Financial data</i>	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
<i>Sustainability</i>	0.06	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
<i>Energy</i>	0.16	0.04	-	0.08	-	0.04	-	0.04	0.36	.04	-	0.04	-	0.04	-	-
<i>Environmental other</i>	0.18	0.04	0.16	-	0.2	-	-	-	0.12	-	0.2	-	.18	-	-	-
Consumer:	-	-	-	-	0.08	0.5	0.18	-	-	-	0.1	-	.32	-	-	-
Community:																
<i>Charity and political donation</i>	0.08	0.08	0.10	0.04	0.08	0.04	0.06	-	0.06	-	0.04	-	.16	0.08	-	-
<i>Community (purely community information)</i>	0.48	0.48	0.16	0.02	0.5	-	0.10	-	0.74	-	0.24	0.16	2.84	0.6	-	-
<i>General other</i>	-	-	2.06	0.2	-	1.04	-	-	-	.08	-	0.2	1.76	1.4	-	-

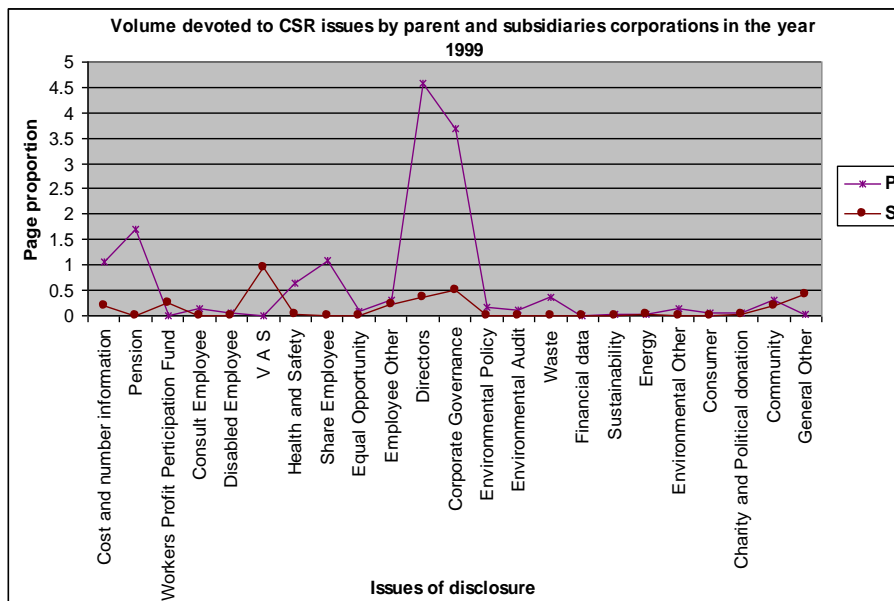
Note: 'P' means parent corporation and 'S' means subsidiary

This is particularly relevant as many of their manufacturing units are also located in Bangladesh. Indeed, if the reason for CSR is to discharge their accountability, it is important to examine why subsidiaries are not providing accounts of health, safety and other employee issues which their parent corporations provide.

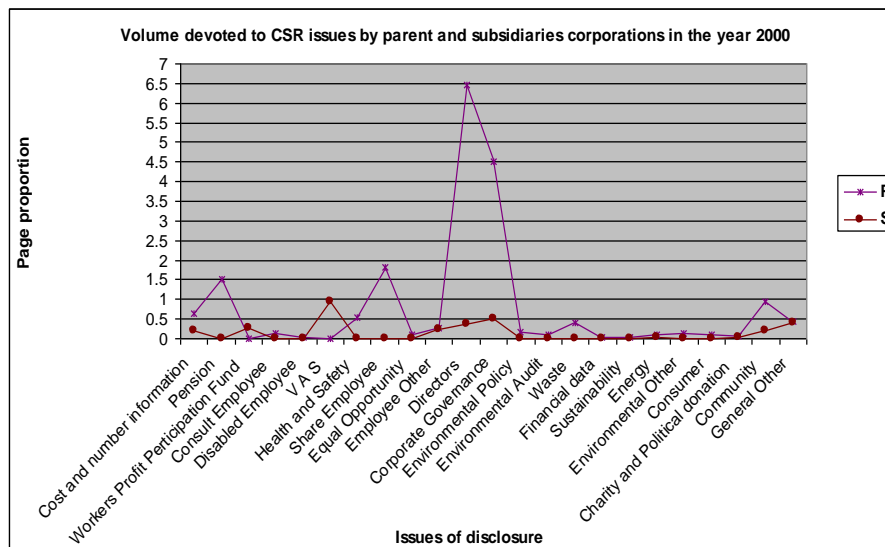
Table 4.12 gives details of environmental, consumer and community information reported by parent corporations and subsidiaries in the UK and Bangladesh in the years 1999 and 2000. It shows that while parent companies cover many issues in their environmental disclosure - such as disclosing environmental policy, environmental audit, waste, sustainability, energy and environmental other data - their subsidiaries' environmental disclosure in Bangladesh is very poor and only covers energy data and very general environmental other information. Such environmental other data usually includes only a very general statement, such as showing care to the environment and an intention to

reduce environmental pollution. This also suggests that subsidiaries do not report on their parent company's environmental policy even if their parent corporations have their own environmental policy. Table 4.12 also shows that while in parent companies community disclosure is dominated by charity and purely community information, their subsidiaries disclose much less in purely community issues or charity and donation information. Community disclosure at the subsidiary level does not purely reflect the community activities that subsidiaries are involved with. Rather, it includes very general disclosure like mission statements or an accountability statement that implies in a more general sense that the company is responsible to the community or society. Graph 4.5 and 4.6 illustrate the average volume devoted to CSR issues by subsidiaries in comparison with pattern of CSR in their parent corporations.

Graph 4.5.



Graph 4.6.



These graphs show that subsidiaries do not disclose social and environmental information in line with their parent corporations' disclosure practice. Most importantly, their practices vary both in issues they disclosed and the level of disclosure they made.

5. Summary and Conclusions

This paper describes CSR of all subsidiaries of MNCs that were listed on the Dhaka Stock Exchange during the study. It also examines CSR practices of particular UK subsidiaries and their parent corporations. Their CSR practices are examined and compared to the general CSR trend in Bangladesh. Their CSR practices are also compared to domestic companies within similar industrial groups.

The historical background of these subsidiaries suggests that they all have manufacturing units in Bangladesh. They employ labour from the local labour market and have the opportunity to exploit the cheap labour and natural resources that Bangladesh offers. Therefore, their operations have an impact, not only on the local economy but also on the natural environment and the local community. Moreover, they are located in industries that are targeted by the Bangladesh government as the most pollution-creating industries. Although their major shareholders are their own parent corporations, they have also local shareholders. This means that they are not only potentially accountable to their parent corporations and local shareholders, if only in a limited sense, but to the government and local community of Bangladesh as well. In effect, they are responsible to the government for abiding by the rules and regulations set by the government. However, this does not mean that they are not responsible to the

local people for the social and environmental impact of their operations. This paper examines the CSR of these subsidiaries in more detail. It is observed that CSR of subsidiaries represents the general trend of CSR in Bangladesh. Moreover, it reveals that there is no major difference between the CSR of subsidiaries and selected domestic corporations in terms of volume and issues of reporting although the average volume of CSR reported by subsidiaries is slightly higher than that of domestic corporations (Table 4.8). Most specifically, value-added disclosure - which is a voluntary disclosure and a particular issue reported in Bangladesh and not common in Western countries such as the UK - accounts for a major portion of employee disclosure in subsidiaries' CSR. In particular, all subsidiaries of UK MNCs report value-added information while their parent corporations do not report any in the UK. Examining particular UK subsidiaries' CSR and their parent corporations' CSR for the years 1999 and 2000, the paper concludes by finding that subsidiaries do not report many of the same issues as their parent corporations, and that they have a different emphasis in terms of the social and environmental issues which they do report. Indeed, the same MNC reports different CSR issues and to a different extent, depending on the country in which they operate/are based. Mandatory disclosure regulation is only a partial explanation for this. The overall trend in subsidiaries' CSR in Bangladesh suggests that their CSR can be explained best by the nature of the industry and the characteristics/features of the country, rather than by the character of the MNC or the country of its origin. Future research can explore more what MNC subsidiary report and why they report in terms of CSR issues by interviewing managers at subsidiaries level. Moreover, as the paper is limited

in using two years data only, future research can use longitudinal data analysis to see the trend of CSR reporting by MNC subsidiaries.

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