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CORPORATE SOCIAL RESPONSIBILITY REPORTING: EVIDENCE FROM ENVIRONMENTALLY SENSITIVE INDUSTRIES IN THE USA

Virginie Pled,[a] George Emmanuel Iatridis [b]

a. Accountant, San Francisco, USA
b. University of Thessaly, Department of Economics, Greece
Accounting and Auditing Oversight Board, Ministry of Economics, Athens, Greece

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Abstract: This study focuses on corporate social responsibility (CSR) and seeks to identify the quality of CSR reported disclosures of US environmentally sensitive industries, including oil and gas extraction, mining (except oil and gas), support activities for mining, utilities, food manufacturing, beverage and tobacco product manufacturing, paper manufacturing, petroleum and coal products manufacturing, chemical manufacturing, and fabricated metal product manufacturing. The study also examines the association between the quality of reported CSR information and the cost of equity. Using a Global Reporting Initiative (GRI)-based scoring index, we have found that companies with a high CSR degree, such as those with main business products carrying harmful or negative attributes for human health or society, with high consumer visibility or with intense competition, are likely to report a higher CSR score. Companies that disclose CSR information of high quality tend to be larger and to display higher leverage and capital expenditure. It is evidenced that firms in food manufacturing, chemical manufacturing, and oil and gas extraction mostly tend to report CSR information of higher quality. This study also shows that there exists a negative association between the disclosure of CSR information and the cost of equity, providing evidence that companies are likely to disclose high quality CSR information in order to improve investors' perceptions and subsequently reduce the cost of equity. The findings also document that the cost of equity is negatively associated with growth and positively with stock riskiness.

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Keywords: corporate social responsibility, Global Reporting Initiative, accounting disclosure, leverage, cost of equity

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1. Introduction

Over the past years there has been a dramatic increase of the number of companies, which publish corporate social responsibility (CSR) reports on a regular basis. Growing awareness of climate change has led to increased demands from shareholders, which has resulted in companies allocating increased resources to communicating information about their impact on the environment to interested parties (Griffin and Sun, 2012). Although CSR reporting was once seen as fulfilling a moral obligation to society, now it is considered a business imperative (KPMG, 2011). According to the Global Reporting Initiative (GRI) Guidelines G3.1, CSR reporting is defined as 'the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of