The institutional promotion of corporate social responsibility reporting: second tier institutions

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ABSTRACT

The article "The institutional promotion of corporate social responsibility reporting" (Tschopp et. al., 2011) identified the current and potential roles various institutions play in the promotion and diffusion of Corporate Social Responsibility (CSR) reporting. The aforementioned article examined governments, CSR reporting organizations, and accounting standards boards. This article expands on the previous research by considering the roles of additional institutions, including trade organizations, intergovernmental organizations, and academia.

These selected institutions are analyzed to gain an understanding of what role they currently play in the promotion and diffusion of CSR reporting, and to determine how that role is likely to continue. The institutions are also analyzed to determine the role they have played in the promotion of financial reporting to determine if that role can be mirrored to that of CSR reporting. Interviews with representatives of selected institutions provide additional support.

In conclusion, intergovernmental organizations can play an important role in legitimizing a CSR reporting standard, just as they have financial reporting standards. Free trade agreements have only recently started using CSR wording. Currently, only vague CSR references exist in such agreements, and these focus specifically on the reporting aspect of CSR. As social and environmental provisions play an increasingly important role in trade negotiations, there is potential for the future promotion of CSR reporting within free trade agreements. CSR reporting related to academic research is increasing at a substantial rate. Academics have and will likely continue to play a role in the development and promotion of CSR reporting. Hopefully this article builds upon its predecessor as an opportunity to start a framework for the continued promotion and diffusion of CSR reporting.

Keywords: Corporate Social Responsibility Reporting, Financial Reporting, Institutional Theory, Social and Environmental Accounting

INTRODUCTION

The number of companies issuing Corporate Social Responsibility (CSR) reports has increased significantly in the past few decades (KPMG, 2011). The CSR reporting standards companies follow have continued to evolve, thus the content of these reports has also changed over this period. However, even with this growth and evolution, the level of CSR reporting in small and medium sized corporations in developed countries is still low. CSR reporting from companies in developing countries is still in its infancy. In trying to predict the future growth of CSR reporting it is important to understand the influence external institutions have in the process.

The article “The institutional promotion of corporate social responsibility reporting” (Tschopp et. al., 2011) identified the current and potential roles various institutions play in the promotion and diffusion of CSR reporting. The selected institutions examined in this aforementioned article were governments, CSR reporting organizations, and accounting standards boards. This article expands on the previous research by considering the roles of additional institutions, including trade organizations, intergovernmental organizations, and academia.

It is important to review the results of the prior research before considering the role of the second-tier institutions. The World Bank identifies five key roles governments could have in supporting CSR initiatives: mandating, facilitating, partnering, endorsing, and demonstrating (IIED, 2002). The World Bank’s CSR reporting categories closely adhered to the CSR categories by O’Rourke (2004). The article concluded that governments play an important role in establishing the business conditions necessary for successful CSR reporting. Financial resources are important to build a regulatory and economic system based on market forces. Government endorsement and government partnership are important in supporting local CSR–reporting organization presence. These roles involve more of a commitment to CSR initiatives than they do financial resources. Resources of Non-Governmental Organizations (NGOs) and CSR reporting standard organizations can significantly augment government resources. However, governments must initiate the effort to attract these organizations. There is much opportunity for governments to do more since the local presence of CSR reporting organizations in many countries is limited.

The previous researchers examined the role of CSR reporting organizations by reviewing specific reporting standards and interviewing representatives from three globally recognized reporting standard organizations; The Global Reporting Initiative’s (GRI) G3, AccountAbility’s AA1000 Series Standard, and the International Standard Organization’s (ISO) 26000 standard. The researchers concluded that the diffusion of CSR reporting will likely continue to occur through a bottom-up learning process organized by the CSR reporting organizations rather than a top-down regulatory process because of the diversity of the stakeholders involved.

The researchers reviewed the current involvement of the US Financial Accounting Standards Board (FASB), International Accounting Standards Board (IASB), and International Auditing and Assurance Standards Board (IAASB) in promoting CSR and the potential for their future involvement. This process involved interviews with organization representatives and a review of their current responsibilities. There was no evidence pointing to the direct involvement of the IASB or the FASB in the promotion of CSR reporting. Unlike the IASB and FASB, the IAASB has taken an active role in promoting CSR reporting through their Sustainability Framework and involvement with CSR reporting organizations.

The previous researchers selected the institutions to include in the analysis based on previous research, with considerable weight attributed to Hoffman (2001), Delmas and Toffel (2004), and the top ten most influential CSR institutions identified in CSR Asia's The Future of CSR: 2009 Report (CSR Asia, 2009). Governments, CSR reporting organizations, and accounting standard boards represented the institutions with the greatest potential to promote CSR reporting. The current article considers trade organizations, intergovernmental organizations, and academia; these are second-tier institutions that could still have a vital role. Figure 1 details these institutions.

There is some overlap within these institutions and there are some institutions that could or have played a significant role that will not be considered in either article. These institutions include consumers, industry organizations, labor, and the media. Examination of these institutions is an opportunity for future research.

The first step in this analysis is to gain an understanding of what role the institutions currently play in the promotion of CSR reporting and to determine how that role is likely to continue in the future. The next step is to identify the role these same institutions had in the promotion of financial accounting standards and to determine if and how that role can be mirrored to that of CSR reporting. Interviews of institutional representatives provide their perspectives and additional support for this article (see Table 1). While the information collected from the four interviews was valuable, this information is used as supportive evidence due to the limited number of interviews. Rather than conduct interviews with academics, a search of scholarly research articles was conducted.

TRADE ORGANIZATIONS

This section considers the role institutional trade organizations can have in the promotion of CSR reporting by looking at free trade agreements and the World Trade Organization (WTO). Since the North American Free Trade Agreement (NAFTA), inclusion of social and environment provisions has become standard practice in the free trade agreements (FTAs) entered into by most Developed countries. In fact, the US mandates that these provisions are in all future FTAs. The US Trade Act of 2002 states that negotiations should "seek provisions in FTAs in which the parties strive to ensure that they do not weaken or reduce the protections afforded in domestic labor laws as an encouragement for trade" (Rogowsky and Chyn, 2007, p.8). While promoting the general use of market-based mechanisms to address social and environmental issues is becoming common language in many recent FTAs, no free trade agreement has included specific references to CSR reporting standards. However, FTAs have increased coverage of social and environmental issues. For example, the first reference to CSR in a trade agreement is in the 2006 US-Peru Trade Promotion Agreement. In the Labor chapter of the agreement it states "The Parties' contact points shall carry out the work of the Mechanism by developing and pursuing bilateral or regional cooperation activities on labor issues, which may include, but need not be limited to: (o) best labor practices: dissemination of information and promotion of best labor practices, including corporate social responsibility, that enhance competitiveness and worker welfare" (US-Peru FTA, 2006). Peru's 2008 trade agreement with Canada included more in-depth references to CSR. In the preamble to the agreement it states the parties resolve to "Encourage enterprises operating within their territory or subject to their jurisdiction, to respect internationally recognized corporate social responsibility standards and principles and pursue best practices" (Canada-Peru FTA, 2008). There are also references to CSR in the Investment section of the agreement:

> Article 810: Corporate Social Responsibility
>
> Each Party should encourage enterprises operating within its territory or subject to its jurisdiction to voluntarily incorporate internationally recognized standards of corporate social responsibility in their internal policies, such as statements of principle that have been endorsed or are supported by the Parties. These principles address issues such as labour, the environment, human rights, community relations and anti-corruption. The Parties therefore remind those enterprises of the importance of incorporating such corporate social responsibility standards in their internal policies.
>
> Article 817: Committee on Investment
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> 1. The Parties hereby establish a Committee on Investment, comprising representatives of each Party.
>
> 2. The Committee shall provide a forum for the Parties to consult on issues related to this Chapter that are referred to it by a Party. The Committee shall meet at such times as agreed by the Parties and should work to promote cooperation and facilitate joint initiatives, which may address issues such as corporate social responsibility and investment facilitation (Canada-Peru FTA, 2008).

Another important step in the evolution of social and environmental provisions in FTAs came in May of 2007 when the Office of the United States Trade Representative issued the Bipartisan Trade Deal. This new trade policy incorporates more stringent standards and enforcement on social and environmental issues. The new policy requires the U.S. and its pending FTA partners (Colombia, Panama, and the Republic of Korea) to adopt and maintain domestic laws to implement the five core International Labor standards and a specified list of multilateral environmental agreements. These obligations are enforceable through dispute mechanisms within the FTA. This new policy represents a significant shift towards more stringent rules-based trade standards.

In addition to FTAs, another institution that could promote and diffuse CSR reporting standards is the WTO. The WTO has transcended the area of trade liberalization to become a multilateral body that sets guidelines for multinational enterprises (Moreno, 2003). In 1998, the WTO adopted Disciplines on Domestic Regulation in the Accounting Sector. This framework addressed eight specific issues under the General Agreement on Trade in Services (GATS); Objectives, General Provisions, Transparency, Licensing Requirement, Licensing Procedures, Qualification Procedures, and Technical Standards. Under these provisions, WTO nations are required to explain the intended objectives of their domestic accounting regulations and respond to any comments their trading partners may have concerning the regulations (Clark, 2003). There is no mention by the WTO that these eight issues or the issue of accounting reform should be limited to financial accounting. Therefore, it can be interpreted that these recommendations should be applied to the fields of environmental and social accounting as well. The organization has taken an increased role in non-traditional areas which has strengthened its reputation as the only international body that administers the rules of trade agreements (Suh and Poon, 2006).

The Role of FTAs and the WTO in the Promotion of Financial Accounting Standards

The WTO has recommended its members adopt Internationals Financial Reporting Standards (IFRS). FTAs have also been very influential in the promotion and harmonization of financial accounting standards. With the introduction of NAFTA in 1994, the U.S., Canada, and Mexico identified major differences in each country's respective GAAP and worked on eliminating those differences (Gundi, 1999). In 1995, the three countries issued Significant Differences in GAAP in Canada, Mexico and the United States, a report listing the major differences in reporting standards among the three nations. This report was updated in 1996, and again in 1998, to reflect current conditions, including the addition of Chile and their respective standards. Research on ASEAN countries determined the impact on financial reporting standards in that region (Saudagaran and Diga, 2000). As more and more countries adopt mandatory CSR reporting requirements, similar issues associated with differences in reporting requirements will likely arise.

The European Commission, the administrative body of the European Union (EU), required all EU public companies to adopt IFRSs as of 2005. The EU's decision to require companies to report using IFRSs brought great legitimacy to these standards (Brackney and Witmer, 2005; Gupta et. al., 2007). After the EU and several individual nations began to recognize the standards, and the International Organization of Securities Commissions (IOSCO) endorsed the use of IFRSs for cross-border stock exchange listings, the IFRSs were viewed as a globally legitimate set of standards. The path towards promotion, recognition, and harmonization that IFRSs have followed can serve as a road map for the harmonization of CSR reporting standards.

CSR reporting in future trade agreements

Interviews with trade representatives from three countries (Canada, Jamaica, Chile) identify the possibility of using future FTAs to promote CSR reporting standards. Each of these three countries is already a part of at least one multilateral FTA. The interviews were with high ranking trade representatives who were directly involved in the negotiating process, including the negotiation of social and environmental issues. The interviewees were Vern MacKay, the Deputy Director of Canada's Department of Foreign Affairs and International Trade Investment Trade Policy Division, Pablo Lazo, the Advisor to the General Director of Economic International Relations in Chile's Ministry of Foreign Affairs, and Alison Roofe, the Foreign Trade Department's Deputy Director within Jamaica's Ministry of Foreign Affairs & Foreign Trade.

The interviews with trade representatives were very insightful as to the possible role FTAs could play in the promotion of CSR reporting. A common theme mentioned was that addressing social and environmental issues in FTAs was a priority, but coming to an agreement on specific actionable steps was difficult. They all believed including voluntary standards could help mitigate these otherwise conflicting concerns.

Canada maintains the policy that improved social and environmental conditions is a goal of any FTA they enter into (MacKay, 2009). Mr. MacKay highlighted Canada's existing CSR initiatives within FTAs and envisioned opportunities for the inclusion of CSR reporting provisions in future FTAs (2009). He cited the potential promotion of the Organisation for Economic Co-operation and Development (OECD) guidelines as follows;

> "My view is that it would be in the interest of Canada and other countries, such as the US and Mexico, which are members of the OECD and who are required to promote the OECD guidelines within their companies. I believe it would be advantageous to have other countries, the Americas and Latin America, do the same thing, because it helps to level the playing field with respect to the expectations governments have on MNCs. I'd say it's in the NAFTA countries' interest to see non-NAFTA countries have a similar type of arrangement. One way to achieve that would be to invite Latin American countries to endorse the OECD guidelines. Which they can do; there is a mechanism to dock onto the OECD declaration of international investment" (MacKay, 2009)

He also explained how more specific reporting requirements, such as the GRI's G3 standard, may not be as feasible to promote via FTAs. He stated the following:

> "I think that would be difficult to do. A lot of them are sector specific. Some are inclined for large MNCs like the GRI, but smaller and medium sized companies would struggle with that type of reporting requirement. The small companies have resource constraints, but it's not just the reporting of CSR activity, it's CSR policy period. A lot of small and medium sized mining companies have very lean budgets, so they do not have the capacity to manage social and environmental risk. Whereas the large Canadian mining companies are fairly advanced in their CSR standards, in approaches they take in reporting. I would say it depends on the size of a company, but the small and medium sized companies would struggle to meet a GRI standard. I think we would hear complaints if they were required to use the GRI" (MacKay, 2009).

The Jamaican government also encourages addressing social and environmental issues in FTAs (Roofe, 2009). According to Ms. Roofe, "The core goals which are not normally listened to in the WTO is that development, and that means for the poorest of the poor, should really be part of the objectives we seek in any negotiating exercise" (2009). She saw the potential of promoting CSR reporting standards within FTAs, but had concerns over how the costs of reporting would impact companies in Jamaica.

> "As long as it doesn't make onerous reporting mechanisms for small vulnerable economies like Jamaica, and even for small firms. Because even the largest firm in Jamaica, or any CARICOM country is still going to be regarded as a small firm, overall, relative to a global standard. In principle I agree with it, but it may prove onerous for a small firm" (Roofe, 2009).

The position of the Chilean government is to link social and environmental issues with trade issues (Lazo, 2009). Mr. Lazo detailed social and environmental initiatives within existing Chilean FTAs, stating

> "We have included social and environmental issues in our trade agreements with Canada, the EU, the U.S., China, MERCUSOR, and the Trans Pacific. The most rule-based is with the United States and Canada. As we have seen in the experience of NAFTA it is the exchange of experiences that have worked the best of all. We are convinced that it is a very important element of competitiveness in the national arena. If you are socially responsible on labor and the environment it is very positive for the competitiveness of your country and company" (2009).

Similar to Ms. Roofe from Jamaica, Mr. Lazo agreed that there was potential for promoting CSR reporting within FTAs (he cited the ISO 26000 and GRI as possibilities), but he also had similar concerns. He cited the lack of size and financial resources from the smaller Chilean companies and lack of CSR culture as potential roadblocks (Lazo, 2009).

INTERGOVERNMENTAL ORGANIZATIONS

The importance of intergovernmental organizations has grown with the rise of globalization and international business. The intergovernmental organizations that will be reviewed in this article include the United Nations, the Organisation for Economic Co-operation and Development (OECD) and the World Bank. These organizations have stated their commitment to sustainable economic development. This work reviews these organizations to determine their actions to promote and diffuse CSR reporting. This article also considers the actions they have taken to promote financial accounting standards to determine if similar actions can be applied to CSR reporting.

United Nations

United Nations is an international organization of 193 countries committed to international peace, economic development, and human rights. The UN has promoted CSR through its Human Rights Norms. These norms are codes of conduct for transnational corporations regarding human rights. The most recent version of the Human Rights Norms includes codes of conduct on environmental policies. The UN also promotes CSR through its specialized agency, the International Labour Organization (ILO), a UN agency that develops labor standards and recommendations for member countries to follow. Governments sometimes use these standards as corporate regulations CSR reports often to the ILO labor standards.

The UN is involved in the promotion of CSR reporting standards through the UN Global Compact. The UN Global Compact, launched in 2000, is a framework of ten principles corporations can use as a guide. The principles cover issues relating to human rights, labor, the environment, and anti-corruption. The UN Global Compact has involved a wide variety of stakeholders to both develop and help implement these principles. The reporting and communication aspect of the UN Global Compact is its Communication on Progress (COP). The goal of the COP is to ensure the commitment of corporations to the ten principles and to serve as a mechanism for assessment. An interview with Georg Kell, the Executive Director of the UN Global Compact, provided information on how the UN Global Compact promotes the COP.

The UN Global Compact is governed by six separate agencies from the UN and strongly influenced by a wide network of stakeholders including environmental, labor, and civil society organizations. Approximately 8700 corporations in 130 countries participate in the UN Global Compact initiative (UNGC, 2012). Mr. Kell explained the role the UN Global Compact has played in identifying a common set of principles broad enough for a global network of stakeholders. He stated that "we are norm diffusers, diffusing norms which governments find difficult to do on a global level, for all sorts of reasons, and we are finding a complimentary way to give more practical meaning to international norms" (Kell, 2009).

To inform companies about the Global Compact, the UN has established Local Networks worldwide. There are over sixty Local Networks worldwide, with nearly forty more under development. These Local Networks promote the Global Compact through outreach and awareness-raising activities, which are especially beneficial in non-developed countries. Representatives from organizations that are already participants of the Global Compact organize and operate the Local Networks. This allows the Local Networks to specifically address local stakeholder needs when they promote the UN Global Compact's COP in the region. The Local Networks provide services to help companies implement COPs. This can include training, translating documents, or advisement services. While the principles reported under the COP apply to all companies in all countries, the practical application varies according to need. Mr. Kell believes that stakeholder engagement is the key to the diffusion of standards, especially working with local governments and businesses. He stated that "governments are torn between regulations, which don't work, and doing nothing which doesn't bring about any change; so they are now discovering what is called the soft power to provide incentives for markets to stress quantity and responsibility." The UN Global Compact also offers many online services to help with the reporting process. They include "How To" guides and templates to follow, which are available in several languages.

The UN has also been involved in the promotion of financial accounting standards. In 1982 the UN's Economic and Social Council created the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) to promote increased transparency and financial disclosure by promoting internationally recognized accounting and auditing standards. ISAR accomplishes this through research, technical cooperation, and communication with member countries. ISAR has been involved in the promotions of IFRSs, particularly in Developing countries. ISAR published the *Practical implementation of international financial reporting standards: Lessons learned* which serves as a guide for those countries that have or are considering implementing IFRSs (UNCTAD, 2009). Since 2001 ISAR has also been involved in the promotion of CSR reporting standards. ISAR has published many research papers on the use of CSR reporting; they actively promote the harmonization of CSR reporting standards; and in 2008 they signed a Memorandum of Understanding with the GRI creating a partnership aimed at promoting CSR reporting in Developing countries.

Organisation for Economic Co-operation and Development

The OECD is an organization of thirty developed countries whose primary mission is to support sustainable economic growth through promoting democracy and a market economy. These countries work together to address global economic, social and environmental challenges. The OECD provides a forum for the countries to identify accepted international policies and seek resolutions to problems. One role they have taken is in the negotiation and promotion of acceptable standards, guidelines, and practices for business conduct and ethics. They have been involved in many social and environmental issues relating to the disclosure of information and promotion of indicators on social, environmental, and ethical performance in areas including; employment, human rights, and bribery. The OECD has its own set of indicators. The OECD developed these Key Environmental Indicators for governments to increase transparency and provide more useful information to the public. In addition, the OECD put forth the Guidelines for Multinational Enterprises to serve as a code of conduct for corporate actions, including social and environmental actions. The Guidelines, which are often cited in CSR reports (Hohnen, 2009), promote the use of external CSR reporting by stating "Enterprises are also encouraged to apply high quality standards for non-financial information including environmental and social reporting where they exist" (OECD, 2008, p.15).

The OECD has long been involved in the promotion of financial accounting standards. In the late 1970s the OECD created a committee to promote the harmonization of financial accounting standards. The findings of this committee were influential in the Disclosure chapter of the OECD's Guidelines for Multinational Enterprises. In the 1990s the OECD organized the Center of Cooperation with the Economies in Transition consisting of members from the twelve countries of the Commonwealth of Independent States to promote international accounting and auditing standards in these countries. This Center promotes accounting reform in member countries. The OECD continues to promote the use of high quality financial reporting and auditing standards in its Guidelines for Multinational Enterprises, however the Guidelines do not mention a specific standard.

World Bank

As an international lending institution, the World Bank's mission is to aid in the economic development in developing countries and reduce poverty. In doing so, the World Bank has been active in numerous CSR related initiatives. In 2002, the World Bank initiated the Corporate Responsibility Program to promote CSR initiatives at both the corporate level and operational level. The World Bank issues its own CSR report following the GRI's G3 guidelines and has followed the GRI's reporting guidelines since 2004. The World Bank also promoted the GRI by awarding it a three year Development Grant Facility (DGF) grant of $300,000 each year from 2002-2004 to support the development and diffusion of GRI guidelines and supplements. The World Bank also supported research in the promotion of CSR reporting standards in developing countries (see O'Rourke 2004).

The World Bank worked on a joint project with the IMF to promote internationally recognized CSR standards. The World Bank prepares and issues Reports on the Observance of Standards and Codes (ROSCs), which are governance assessments of how a country uses, practices, and/or enforces twelve sets of internationally recognized core standards. The World Bank has issued ROSC reports to 106 countries. Three of the categories promoted in the ROSCs are Corporate Governance, Accounting, and Auditing. The standards promoted within these categories are; Corporate Governance – OECD's Principles of Corporate Governance, Accounting-IFRSs, and Auditing-IFAC's International Standards on Auditing.

The World Bank has been a strong proponent of both IFRSs and International Standards on Auditing. The World Bank is a member of the IAASB's Consultative Advisory Group. The World Bank has a user's guide for IFRSs, *IFRS: A Practical Guide* by Hennie von Greuning. As a lending institution, the World Bank has significant influence in encouraging developing countries to adopt specific standards. These countries have financial incentives to adhere to World Bank recommendations. The World Bank has been active in the promotion of specific standards and guidelines, including those related to CSR reporting. Many of their current initiatives offer additional opportunities for promoting CSR reporting in the future. For example, their lending, banking, and guarantee services can use CSR reporting as a tool to promote socially responsible behavior by their customers.

ACADEMIA

The academic community has been involved in both the development and diffusion of CSR reporting. Academics are one of the seven stakeholders included in the GRI's Network Overview which supports the development and use of the GRI's reporting framework. However, none of the fifty members of the GRI's Stakeholder Council or fourteen Board members are a full-time academic (GRI, 2012). None of the UN Global Compact's thirty-two board members are full-time academics (UNGC, 2012). Out of AccountAbility's eight council members two have significant academic experience (AccountAbility, 2012).

In terms of scholarly research, academic articles relating to CSR reporting are gaining acceptance in the accounting field, however the majority of reporting related research in field of accounting is the area of financial reporting. To compare the levels of scholarly research articles in these different areas, the researchers used Proquest database to search for Corporate Social Responsibility Reporting and Financial Reporting. Table 2 shows the number of peer reviewed articles that resulted using these search terms under different criteria (All fields + text, Abstract, and Document title) and different time periods (Prior to 5/14/12, Prior to 2010, Prior to 2005, and Prior to 2000). The number of peer reviewed articles relating to CSR reporting was significantly less than those relating to financial reporting; however, the number of CSR reporting articles is increasing at a faster rate. Additional searches using related terms all achieved similar results (ex. Financial reporting standards, International Financial Reporting Standards, Sustainability Reporting, Triple Bottom Line Reporting).

Academics have played an increasingly important role in the development of financial reporting standards (George, 2004). They can be influential through their scholarly research and by comment letters on Exposure Drafts and Discussion Memorandums. They can also participate on accounting standards boards and standard board committees. Two of the seven board members of the FASB were full-time accounting faculty members (FASB, 2012). Three of the fifteen board members of the IASB have significant academic experience (IASB, 2012).

CONCLUSION

The key steps in legitimizing IFRSs included the recognition of a standard setting body, the adoption of standards by a globally recognized body which brought legitimacy to the standards, and stakeholder involvement throughout the process. A similar framework may help in the global acceptance of CSR reporting standards. Trade agreements are a key potential site for expanding these market-based mechanisms because they may facilitate the diffusion of an agreed upon method more quickly than independent bodies on their own. FTAs and the WTO can play different roles in promoting and diffusing CSR reporting standards. The EU was vital in bringing legitimacy to IFRSs and NAFTA served as a forum for its members to begin addressing the possible convergence of their financial accounting standards. FTAs can play a similar role for CSR standards. The inclusions of one specific standard in a large multilateral FTA would bring legitimacy to that standard and help facilitate the harmonization and/or convergence of standards. A FTA can also serve as a starting point for discussions between stakeholders on what should be included in a CSR report.

Another role that is more unique to CSR reporting is that FTAs can also serve as a mechanism to help distribute the different resources the reporting organizations have to offer. One of the main roadblocks limiting the number of companies issuing CSR reports, particularly in developing countries, is access to resources. Once the Global Compact establishes Local Networks the level of reporting increases (Hamilton and Tschopp, 2012). As partnerships developed by AccountAbility have grown at the local and national level the level of reporting has increased. As access to GRI's services increases, so too does CSR reporting. Therefore, one way to encourage the use of a particular CSR reporting standard through a FTA would be to fund access to its services through a social and environmental cooperation agreement. Social and environmental cooperation agreements cover a wide range of issues. For example, NAFTA's Commission for Environmental Cooperation (CEC) has an annual budget of approximately $10 million to protect habitat and species, create plans to reduce pollutants, study climate change, and provide for information and public outreach programs. NAFTA's Commission for Labor Cooperation (CLC) has an annual budget of approximately $2 million to encourage improved labor conditions in the region and to provide a mechanism for resolving labor disputes. The budget for CAFTA's environmental cooperation agreement has been nearly double that of NAFTA's and it has been used to address many of the same issues. Some common themes in these side agreements that can be applied to the promotion of CSR reporting are in the areas of monitoring, information sharing, and educating. The cooperation agreements can serve as a source of funding for such initiatives.

The intergovernmental organizations discussed in this article have been active in promoting CSR reporting. In particular, the UN Global Compact has developed a global network to promote CSR reporting. The UN Global Compact developed working relationships with the other standards organizations to promote CSR reporting in general, not necessarily just their own COP. All three of these organizations have the potential to play an important role in the future promotion of standards by legitimizing one agreed upon standard. The UN Global Compact already encourages the use of the G3 for use in their COP. The OECD has not identified a specific standard, nor has the World Bank, however the opportunity exists as the World Bank has promoted the use of IFRSs.

CSR reporting is gaining acceptance within academia. The top-tier accounting journals are becoming more open to publishing articles on the topic (see (Moser and Martin, 2012) and (Dhaliwal, D. et. al., 2012) in the Accounting Review as examples), and there are separate journals for social and environmental accounting and CSR related topics (see Advances in Environmental Accounting and Management, Social and Environmental Accounting Journal, and Issues in Social and Environmental Accounting). In the classroom many schools include CSR reporting topics in individual classes as opposed to having a separate stand-alone class (Yakhou and Dorweiler, 2002). While historically accounting faculty have resisted including courses in social and environmental accounting in the curriculum, Matten and Moon provide evidence that CSR related courses are becoming more prominent in business and accounting programs (2004).

Relative to their roles in the development of financial accounting standards, academics appear to have a similar role in the development of CSR reporting standards. They have a limited, but important presence within the governance structures of standard organizations. They have the ability to comment and advise during the creation of new standards.

The difference between how CSR reporting standards have and will likely continue to evolve, and the way in which financial reporting standards have evolved is the source of pressure driving their diffusion and convergence. CSR reporting involves numerous reporting organizations offering their services to companies who are issuing CSR reports for numerous stakeholders for a variety of reasons. Financial reporting has been dominated by IFRSs and US Financial Accounting Standards (FAS) which provide accepted accounting principles for companies to follow to meet the needs of their stakeholders, primarily investors and lending institutions. Therefore, the growth and development of these standards will not be identical. However, there are some similarities in the institutional role various organizations can have in promoting CSR reporting standards. Hopefully this article will serve as a framework for the continued promotion and diffusion of CSR reporting standards.

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Figure 1

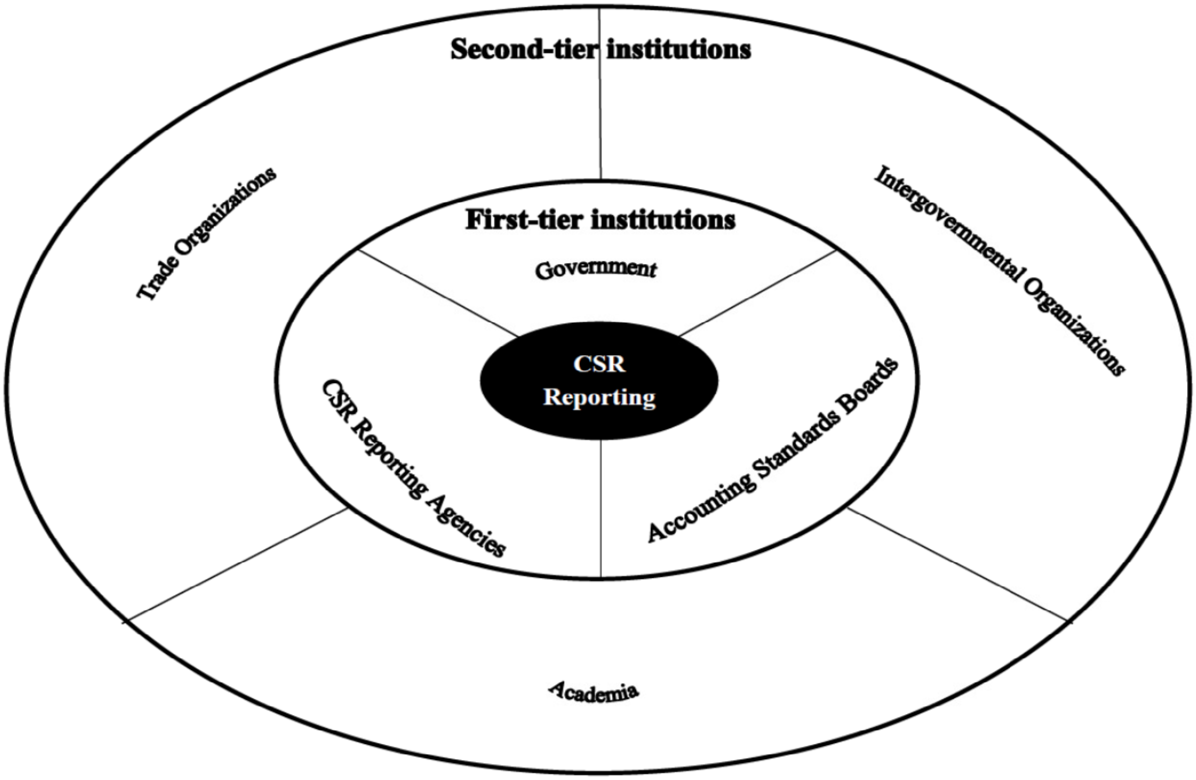
Second-tier institutions
Trade Organizations
Intergovernmental Organizations
First-tier institutions
Government
CSR Reporting
CSR Reporting Agencies
Accounting Standards Boards
Academia

Table 1

Interviews with Institutional Representatives

Institution	Organization	Representative	Title
Trade Organizations	World Trade Organization	Declined	
	Canada- Department of Foreign Affairs and International Trade	Vern MacKay	Deputy Director Investment Trade Policy Division
	Chile-Ministry of Foreign Affairs	Pablo Lazo	Advisor to the General Director of Economic International Relations
	Jamaica- Ministry of Foreign Affairs & Foreign Trade	Alison E. Roofe	Deputy Director Foreign Trade Department
Intergovernmental Organizations	United Nations	Georg Kell	Executive Director United Nations Global Compact
	Organisation for Economic Cooperation and Development	Declined	
	World Bank	Declined	
Academia	A search of scholarly research articles was conducted in replace of interviews.		

Table 2

Academic Research Articles: CSR Reporting and Financial Reporting

	Corporate Social Responsibility Reporting	Financial Reporting
Prior to 5/14/12		
All fields + text	19011	92097
Abstract	204	4559
Document title	42	1011
Prior to 2010		
All fields + text	15625	77699
Abstract	136	3716
Document title	28	862
Prior to 2005		
All fields + text	9145	48863
Abstract	44	2356
Document title	6	586
Prior to 2000		
All fields + text	4173	23724
Abstract	21	1658
Document title	4	418
Results were obtained from a search of the Proquest Database		