Corporate social responsibility reporting in Mexico: local and global dimensions

Submitted by *Yanira Rosalba Petrides*, to the University of Exeter as a thesis for the degree of *Doctor of Philosophy in Accounting*, *October 2017*.

I certify that all material in this thesis which is not my own work has been identified and that no material has previously been submitted and approved for the award of a degree by this or any other University.

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Abstract

This thesis investigates corporate social responsibility reporting in Mexico. It is built across three studies. First, we analysed the content and semantic properties of annual reports, sustainability reports and corporate websites of 73 Mexican and foreign companies operating in Mexico to describe the extent to which these companies disclose their corporate social responsibility. Second, with the data gathered in the first study, we built thirteen disclosure scores to explore whether corporate governance and corporate social responsibility reporting in annual reports can be seen as complementary mechanisms used by companies to enhance relations with stakeholders. Third, we conducted an in-depth case study of a Mexican company acquired by a multinational company; we analysed the sustainability reports and news items during the time prior to and after the purchase to investigate the changes in corporate social responsibility reporting as a result of the acquisition.

Our study contributes to the scarce literature exploring corporate social responsibility reporting in Mexico and adds to the methodological research in the field by conducting a survey of corporate social responsibility reporting across industries and reporting media and by utilising a content analysis approach of considerable measurement detail. We provide empirical evidence to previous literature suggesting that foreign ownership may have a positive impact on themes of disclosure such as the environment, but have a negative impact on community. We also contribute to corporate social responsibility reporting research in the context of mergers and acquisitions, by providing empirical evidence which suggests that company responses in the form of corporate social responsibility disclosure to institutional pressures consider both stakeholders salience and business culture.

To my kids, Jimena and Mathias, the stars of this journey,

and to the loving memory of my dearest aunt, Marucha.

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List of Contents Page

List of Contents Page

List of Tables Page

List of Tables

List of Figures

Chapter 1 Introduction

This thesis examines Corporate Social Responsibility (CSR) reporting in Mexico. CSR can be viewed as a mechanism used by companies to enhance their relations with stakeholders and mediate potential conflicts with shareholders. CSR in Mexican firms seems to have distinct attributes that arise from Mexico's history, culture and values (Logsdon et al., 2006). Much of Mexico's political history is rooted in corruption which led to a weakened government regulation of business (Logsdon et al., 2006). Thus, local stakeholder pressures have largely been lacking or are ineffective (Weyzig, 2006). This approach has in turn contributed to the generally noted lack of stakeholder engagement in CSR development, which is predicated on trust, cultural affinity and recognition of one another's legitimacy. We believe this situation is particularly worth exploring; therefore the objective of this thesis is to investigate in-depth corporate social responsibility reporting in Mexico and, in particular, (i) to explore the extent to which Mexican and foreign companies operating in Mexico disclose their corporate social responsibility, (ii) to examine whether corporate governance and corporate social responsibility reporting in annual reports can be seen as complementary mechanisms used by companies to enhance relations with stakeholders, and (iii) to investigate the changes in the extent of CSR reporting responding to stakeholder pressures after a multinational company (MNE) acquired a Mexican company.

CSR refers to the obligations of businesses with respect to their actions towards sustainability. Sustainability, as defined by the Brundtland Report (UNWCED, 1987), refers to a world in which our resources are at least maintained and not depleted to ensure that we can support ourselves and future generations. Nowadays, sustainability extends beyond environmental aspects and includes concepts of social and economic justice. Corporate social responsibility reports or sustainability reports are therefore a potential means for companies to disclose the way in which social and environmental impacts of business activities are managed over time. But unlike financial reporting, which is mandatory, CSR reporting is voluntary. Accordingly, what are the motives underpinning this practice? Stakeholders can influence or be influenced by a company. Although they do not necessarily hold equity shares, their actions can affect a company's reputation, performance, and license to operate (Freeman, 1984). To gain legitimacy, companies must demonstrate competence and contribute to the wealth of society (Oliver, 1991). A company can use CSR reporting to influence society's perception of the company (Patten 2002). As a result, a company may not truly be socially responsible but instead use rhetoric that enables the appearance of sustainability.

Legitimacy theory arguments have been offered in prior research to explain CSR in Mexico. CSR in Mexican firms seems to have distinct attributes that arise from Mexico's history, culture and values (Logsdon et al., 2006). The country presents a worthwhile field of CSR research due to its size, geographic position, and major social and environmental challenges. The emergence of corporate social responsibility in Mexico may be traced in 1957 with the creation of the "Social Union of Businessmen of Mexico." However, it was not until the new century, with the implementation of the North American Free Trade Agreement (NAFTA), that CSR was considered seriously. From a governmental standpoint, the Secretary of Environment and Natural Resources (SEMARNAT) with the "Federal Attorney of Environmental Protection" (PROFEPA) certifies companies as sustainable through voluntary audit requests. As an alternative approach to encourage corporate sustainability, the Mexican Stock

Exchange (MSE) launched its Sustainability Index on December 8, 2011. The index measures the average yield from a portfolio composed of the stocks of companies that are considered to be critical because of their commitment to three core areas: the environment, society and corporate governance. However, despite the several social and environmental issues at stake, research into Mexican companies' CSR reporting practices remains scant and evidence is so far rather inconclusive.

This thesis investigates the potential for CSR Reporting to act as a mechanism to legitimize a company´s reputation and to enable the society to hold companies accountable for their social impacts. It is built across three studies: First, we explore the extent of CSR reporting by analysing a sample of 73 companies in Mexico; next, we conduct a survey of the content and semantic properties [including the economic sign (positive, negative or neutral) and the accuracy of the information (monetary, numerical, declarative or pictorial) across industry sectors and reporting media. We find that the topic with greatest number of disclosures is corporate governance, so in the second study, we delve deeper by exploring corporate governance as a determinant of CSR disclosure. For this analysis, we rely on CSR disclosure in annual reports, given the pivotal role that they play in corporate communication (Adams and Harte, 1998). The purpose is to identify whether CSR reporting in annual reports is associated with corporate governance variables. We analyse the impact of foreign ownership, board composition, leadership, gender and structure on CSR reporting. As we document that foreign ownership has an impact on CSR reporting, the third study analyses the acquisition of a local company by a multinational company. In this study, we investigate the changes in CSR reporting, specifically, whether CSR reporting responds to institutional pressures influenced by stakeholders´ salience and business culture. The link between the three studies is the generally noted lack of stakeholder engagement in corporate social responsibility reporting, which is predicated on trust and recognition of one another's legitimacy.

There are a limited number of studies exploring corporate social responsibility developments in the country. Most attempt to identify disclosure patterns and trends or explore whether CSR reflects domestic demand or are influenced by international developments. Paul et al. (2006) found that the Mexican business culture does not emphasise CSR reporting and that there has not been a systematic effort to determine the extent to which CSR reporting is prevalent in Mexico (Paul et al., 2006). Subsequently, Muller and Kolk (2009) explored what constitutes CSR in Mexico. Focusing on the environment, labour and community among local companies in the auto parts industry, they found that CSR activities were comparable to those in developed countries. Moreover, Husted and Allen (2009) researched the conditions under which CSR contributes to firm value creation among multinational enterprises (MNEs) in Mexico. The results suggested that MNEs in Mexico are more likely to create value from CSR programmes when such programmes arise as the result of industry, tax, or regulatory constraints. In a follow up to the Paul et al. (2006) study, Meyskens and Paul (2010) found Mexican companies were evolving their reporting norms, moving toward global norms. In a similar study, Bastida-Ruiz et al. (2013) studied industrial parks in Mexico and found that sustainability indicators framework can be adapted from international structures to the local/regional situation. Amezaga et al. (2013) studied the general condition of business communications regarding CSR in large Mexican companies by analysing the content of a sample of 150 Mexican business websites. An interesting finding was the greater proportion of companies that provide CSR indicators on their websites, which suggests that a performance-driven principle was the main motivation behind CSR reporting at all levels. Furthermore, Lopez-Torres et al. (2015) studied CSR in small family business and found that social and environmental factors as economic factors were good predictors of CSR developed in these businesses. Given that the prior literature has found mixed evidence regarding what companies actually report on their corporate social responsibility activities, the first objective of this thesis is to examine the extent and nature of CSR reporting practice in Mexico.

Furthermore, good corporate governance and CSR reporting can be seen as complementary mechanisms used by companies to enhance relations with stakeholders and mediate potential conflicts with shareholders (Michelon and Parbonetti, 2012). Both corporate governance and CSR have been extensively analysed in prior research. However, Mexico has an insider, family-owned governance system, which is characterised by concentrated equity ownership, a weak emphasis on minority interest protection in securities law and regulation, and relatively weak requirements for disclosure (Husted and Serrano, 2002). Therefore, a major threat to the Mexican corporate governance model arises from the Mexican corporate sector that has long been dominated by family-owned, highly diversified conglomerates organised as "grupos," which have become increasingly important to the allocation of resources in the Mexican economy. In these "grupos" practices such as conflicts of interest and a lack of transparency in corporate governance appear to be quite common, despite such practices being unethical if not illegal in western settings (Logsdon et al., 2006). An important, although unanswered, question is whether internal corporate governance characteristics affect reporting behaviors of Mexican firms. Therefore, the second objective of this thesis is to identify whether CSR reporting in annual reports is associated with corporate governance variables. Exploring the role of corporate governance for CSR disclosure in Mexico is particularly worthwhile given the lack of stakeholder engagement and related regulation in this country, which suggest the presence of potential internal drivers.

Moreover, as we explore foreign ownership, which is particularly important in Mexico, we also explore mergers and acquisitions. The impact of mergers and acquisitions on corporate social responsibility is not clear. Waddock and Graves (2006) argued that stakeholder concerns about CSR are not relevant in merger and acquisition decisions because acquirers can impose their policies on the acquired firm. Other researchers have argued that the impact of mergers and acquisitions on CSR is contingent on legitimacy problems of the acquirer company. MNEs' subsidiaries will be likely to adapt to local practices to legitimise themselves when the acquirer company suffers major legitimacy problems (Yang and Rivers, 2009). However, such subsidiaries will be less likely to adapt to local practices when they are strongly annexed to the acquirer company, and the benefits from gaining internal legitimacy outweigh those from gaining external legitimacy (Yang and Rivers, 2009). Finally, others have argued that CSR is positively impacted after a merger or acquisition. In addition, CSR management requires communication with various entities that are relevant to the firm's economic interests (Boesso and Kumar, 2009; Crane and Glozer, 2016) and stakeholder prioritisations appear to be influenced by concerns about organisational legitimacy. Mitchell et al.'s (1997) stakeholder salience theory posits that the degree to which managers prioritise competing stakeholder claims depends on the managerial perception of stakeholders' attributes: their power to influence the firm, the legitimacy of the stakeholders' relationship with the firm, and the urgency of stakeholders' claims on the firm. Therefore, the third objective of this thesis is to understand whether corporate social responsibility responses to stakeholders' pressures change as a result of mergers and acquisitions. Specifically, we conducted an in-depth case study of a Mexican company acquired by a multinational company headquartered in Belgium, the acquisition of Grupo Modelo (Modelo) by AnHauser-Bush InBev (AB-InBev). We explore how stakeholder salience and business culture (Mitchell et al., 1997) influence CSR reporting during the dynamic period of the merger/acquisition where the company conforms to or resists the new environment (Oliver, 1991).

Our methodology included a set of postulates and methods. There is a general divide between positivism and interpretivism. Positivism suggests that reality can be measured quantitatively because the researcher is separate from it. By using large representative samples, the researcher can explore that reality with surveys and questionnaires, using statistical analysis among other methods. Interpretivism, often associated with qualitative research, suggests that reality is a social construct in which the researcher belongs and therefore is not separated from that reality. By focusing on individual cases and looking at them in depth, the researcher can explore that reality, using case studies and interviews, etc. Pragmatism philosophy exists between these two extremes. It accepts there is one reality in which each researcher has his or her own point of view. By focusing on research questions, the researcher can explore reality, determining the appropriate methodology. In this thesis, we adopted a pragmatic philosophical approach. In doing so, we used a mixture of quantitative and qualitative methods. For exploring the extent and nature of CSR reporting in Mexico, we used a relatively large sample, examining it in depth by using a detailed content analysis. For investigating the determinants of CSR reporting, we introduced additional measures, independent and control variables, some of which we extracted from the companies' reports and some we calculated from content analysis, and then applied statistical analysis. Finally, we considered the impact on CSR reporting of the acquisition of a Mexican company by a foreign company. We analysed changes in CSR reports in depth by first developing a case study; then we reviewed the companies' reports; finally, we conducted interviews with key employees.

We embraced content analysis in an innovative manner combining a cross-sectional study and a volumetric study using thematic categories drawn with an index. We include CSR information disclosed by sample companies through a wide array of reporting media including annual and sustainability reports, and corporate websites. This choice is due to the acknowledgment that an exclusive focus on annual reports may result in an incomplete representation of the CSR reporting practices. We also consider the distinction between substantive vs. symbolic legitimation, which was originally proposed by Pfeffer and colleagues (Pfeffer and Salancik, 1978; Pfeffer, 1981). "Substantive" legitimation generally involves "real, material change to organizational goals, structures and processes, or in socially institutionalized practices" (Savage et al., 2000, p. 48). "Symbolic" legitimation, on the other hand, involves the "transformation of the identity or meaning of acts to conform to social values" and is predicated on the proposal that "the acceptance of authority resides in the *belief* in the legitimacy of the order independently of the validity of that order" (Richardson, 1985, p. 143, emphasis in the original). By conducting a thorough content analysis, and additionally considering the quality of disclosures, we offer some insights into the determinants of CSR reporting practices by Mexican companies. We explore the linkages between corporate governance and corporate social responsibility. In particular, we examine the relationships between CSR reporting and: foreign ownership, board composition (proportion of independent directors), board leadership (whether the CEO is also the chairperson of the board), gender (proportion of female directors) and structure (whether there is a dedicated corporate social responsibility committee).

In summary, we investigate the potential for CSR reporting to act as a legitimate mechanism to influence a company´s reputation and to further enable society to hold organisations accountable for their social impacts. This thesis is predominantly exploratory in nature and contributes to the literature on both theory and methods. We organised this thesis into six chapters and is complemented by appendices.

In Chapter 2, we present the background of the research. First, we discuss the social responsibility of businesses and expand on the conceptualisation of CSR. Second, we present CSR reporting as a form of accountability and discuss the underlying theories of businesses' motivations to engage in CSR reporting. Finally, in the chapter we include Mexico's background and expand on CSR development in the country.

In Chapter 3, we present a comprehensive examination of the extent of CSR reporting in Mexico. In this study, we employ a detailed manual content analysis of annual reports, sustainability reports and corporate websites as a research method to investigate the quantity and thematic units of the CSR reporting by Mexican and foreign companies operating and reporting in Mexico. The methodological approach we adopt in this chapter involves exploratory research that seeks to produce descriptive data.

In Chapter 4, we investigate the determinants of CSR reporting. With the data gathered in the first study, we built thirteen disclosure scores to explore whether corporate governance and CSR reporting in annual reports can be seen as complementary mechanisms used by companies to enhance relations with stakeholders. The chapter demonstrates the general association between governance variables and both the content and the semantic properties of the information published by the sample companies.

In Chapter 5, we examine the merger/acquisition by a multinational enterprise and the impact on CSR reporting. The context is the acquisition of Grupo Modelo (Modelo) by AnHauser-Bush InBev (AB-InBev). We conducted a longitudinal content analysis of the sustainability reports and news items of both the acquired and the acquiring companies covering five years, which includes three years before the acquisition, the year of acquisition, and one year after (2010-2014).

In Chapter 6, we summarise and discuss the research findings; we provide potential explanations for the CSR reporting results, and consider how they may affect future efforts to develop an accountable form of CSR reporting in Mexico. In this chapter, we outline the contribution of this thesis to the CSR reporting literature and provide suggestions for future research.

Finally, we provide a detailed description of the application of the methods and the data analysis approach in detail in the appendices.

Chapter 2 Background

In this chapter, we present the background for the three studies conducted in this research. First, we discuss the social responsibility of businesses. We expand on a conceptualisation of corporate social responsibility (CSR), highlighting the controversies among the interchangeable concepts of CSR. Second, we link CSR with accounting and present CSR reporting as a form of accountability; we discuss the underlying theories of businesses' motivations to engage in CSR reporting. We continue by discussing the nature of disclosure and how research has analysed and measured CSR reporting. And third, we present Mexico's economic background and expand on Mexico's CSR development.

1. The social responsibility of businesses

Social and environmental impacts (whether positive or negative) of businesses and the resulting economic impacts, have been the driving force of a stream of research over the last 40 years (Cho et al., 2008). Although research suggests that businesses have played an important role in social and economic development for thousands of years, over recent decades the global power of large corporations has increased significantly. Economic crises, together with deregulation and the decreasing costs caused by technological improvements have proven that some large multinational companies have greater economic and social power than some governments (Garriga and Melè, 2004). Keys and Malnight (2010) notably emphasised that out of the world's 100 largest economic entities, 51 are companies and 49 are countries. Consequently, not only governments but also corporations are confronted with managing the expectations of a society that is increasingly aware of the social and environmental impacts and risks associated with economic development and is demanding a more equitable distribution and democratic management of such risks (Benn et al., 2009). Fortunately, the twenty-first century appears to have placed a greater emphasis on social welfare, and research agendas increasingly appear to reflect (at both theoretical and empirical levels) that companies are expected to pursue more desirable modes of action, in terms of the objectives and values of society (Cho et al., 2008).

In response to society's demands, businesses might embrace CSR activities to protect and improve social welfare, to generate sustainable benefits for stakeholders, and therefore act as proper citizens (Carroll, 1999). Over the years, there has been a fundamental debate about the objectives of companies. On the one hand, some support the classical economic concept that the sole objective of companies is to generate and maximise profits. On the other hand, there are those who suggest that corporate responsibility goes beyond economic, technical and legal requirements (Davis, 1973).

The classic model of "*homo economicus"* posits that individuals acting in the economy, whether as consumers, employees or investors, interact with other actors in pursuit of their own self-interest within the limits defined by law (Almaric and Hauser, 2005). Perhaps the most representative of the classical economic views of CSR are those of Milton Friedman. Friedman (1970) argued that CSR is a type of unadulterated socialism, when businesses pursue profits while seeking a social end, as he expressly stated,

> "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." (page 6)

Friedman maintained that a corporation is an artificial person and so it has artificial responsibilities, because only people can have responsibilities there is no meaning in discussions about the social responsibilities of business. He continued by arguing that a corporate executive is an employee of the owners of the business who has the responsibility to conduct the business in accordance with their desires within the rules embodied in law and ethical custom.

Mulligan (1986) claimed this view is wrong. Mulligan argued that Friedman’s imagined examples of a business person who pursues a socially responsible course do not include competitive pricing and return on investment limitations, among others. Mulligan proposed a different paradigm in which businesses normally develop a full strategic plan collaboratively with major stakeholders. Therefore, the company's mission, objectives, and goals are the socially responsible actions of businesses and consequently the corporate executive’s agenda. Nevertheless, Shaw (1988) recognised the strength of Mulligan’s conclusion because it provides positive arguments that demonstrate why business people should pursue a morally and socially responsible end; however, Shaw (1988) observed that Mulligan's critique of Friedman's essay lack of precision and does not refute Friedman's point that problems of debt, inflation, employment and pollution are the mission of political institutions. Nonetheless, Shaw accepted that Mulligan`s paradigm was more promising than a "Friedman Revisited."

Remarkably, Drucker (1984) took the classical argument a step further by highlighting not only the paramount economic objective, but also the opportunities that CSR activities can create by further enhancing the economic benefits. He stated that profitability and responsibility were compatible. In addition to this view, Freeman, Wicks and Parmar (2004) recognised the reciprocal responsibilities of companies and society and took a more inclusive view of corporate objectives. They identified a number of stakeholders and their interests and discussed how these should be satisfied at the core of CSR business operations.

1.1 Towards a conceptualisation of corporate social responsibility

Corporate social responsibility appears to be rooted in ancient Greece; the Greek system was based on values, character development and community spirit. The belief was that business should satisfy societal needs, and there was strong community pressure for social activities. In fact, ancient Greeks were offended by the mere suggestion that material gains could be used solely as the owner wanted, without taking into account the interests of the community (Vourvachis, 2009). However, a more formalised CSR concept emerged with the 1953 publication of Howard Bowen`s book “Social Responsibilities of the Businessman” (Carroll, 1999). Bowen was convinced that largest companies were vital centres of power and that their decisions and actions touched the lives of citizens in many ways. Bowen's proposal included changes in the composition of boards of directors, greater representation of the social perspective in management, the use of social auditing, the presence of social education administrators, the development of business codes of conduct, and further research in the social sciences. Carroll has argued that Howard Bowen should be called the "Father of Corporate Social Responsibility."

The CSR concept has a long history in literature and has gradually evolved over time. The 1960s marked substantial growth in further attempts to formalise the CSR concept (Carroll, 1999). Among others, McGuire (1963) noted that the decisions and actions of a business must look beyond the economic interest of the company and therefore companies must act “justly” as proper citizens. Therefore, social responsibility involves a business’s public posture towards their economic and human resources, where these resources should be used broadly for social purposes and not just for special interests. And Keith Davis (1967), one of the most prominent writers of this period, stated that “the substance of social responsibility arises from concern for the ethical consequences of one’s acts as they might affect the interests of others" (page 46).

In the 1970s, more CSR definitions proliferated within the idea of the social contract. In 1971, recognising that companies work by public consent, the Organization for Economic Co-operation and Development (OECD) argued that the fundamental purpose of companies was to contribute to the needs and satisfaction of society. In accordance, Lee Preston and James Post (1975) drew attention to companies’ public accountability. Archie Carroll (1979) developed a conceptual model of corporate social performance in which the social responsibilities of a business meet economic, legal, ethical, and societal expectations at a given point in time. Prakash Sethi (1975) distinguished between corporate social responsibility and social responsiveness; for Sethi, CSR involves behaviour that is consistent with prevailing norms, values and social expectations, while social responsiveness is the adaptation of corporate behaviour to meet social needs. Sethi observed that social responsibility is prospective, whereas social responsiveness is anticipatory and preventive. Zenisek (1979) argued that CSR does not always mean the same thing. One perspective defines social responsibility in terms of actions that can be and are demanded of business leaders as matters of right; therefore, CSR is a response to particular individuals and not to society at large. A different perspective defines social responsibility as a requirement of business to enhance the total socio-economic welfare; therefore, it is a disposition to utilise human and economic resources for broad social ends. Zenisek observed that these definitions have two main differences, first in terms of the beneficiary and second in terms of corporate action and pro-action; thus, Zenisek concluded that CSR ought to fit business ethics and societal expectations.

The 1980s was a period of global ethical scandals that drew public attention to corporate governance and unethical activity, and that influenced the CSR debates, e.g., increased discussion of global warming and acid rain, international environmental and human rights disasters such as Exxon Valdez in 1989, and the increased role of the media and environmental NGOs in raising awareness of these issues (Brown and Deegan, 1998). In 1984, Peter Drucker presented the idea that profitability and CSR were compatible notions. It was during this decade that the United Nations (UN), in Brundtland´s Report (UNWCED, 1987), referred to the business obligation to address the wellness of everyone and to contribute through its actions to the environment. In the 1990s, philanthropy expanded considerably as more global companies began to make corporate donations, which became common practice. Few unique contributions to the CSR concept were proposed, and some concepts related to corporate social commitments were used interchangeably, such as corporate citizenship, which involves an interactive and trustful relationship between companies and their stakeholders and corporate sustainability (CS), which refers to a world in which resources are at least maintained and not depleted to ensure that we can support ourselves and future generations (Adams and Zutshi, 2004). This decade brought about an awareness of the potential detrimental impacts if CSR was ignored and the potential economic benefits if it was embraced.

The 2000s was concerned mainly with the environment, but also with major corporate scandals such as Enron, WorldCom, and Parmalat. Although there appears to be a lack of consistency in the CSR concept, the notion now exists in the minds of the general public and not just within businesses (O'Dwyer, 2003). Definitions started to include future generations with Adams and Zutshi's (2004) definition of CSR that emphasises the importance of considering stakeholders' values in corporate actions and operations. Also, Lin et al. (2009) recalled the firm's obligation to protect and improve the social welfare now as well as in the future by generating sustainable benefits for stakeholders. In the 2010s, sustainability has extended beyond environmental aspects, to include other concepts such as social and economic justice. In an attempt to distinguish CSR from corporate sustainability, Hediger (2010) stated that CS is a capital-based concept that refers to a company's productive capacity, whereas CSR is a welfare-related concept that integrates the internal and external evaluation of a company's performance. Nonetheless, both CSR and CS can contribute to sustainable development by either improving the social welfare or directly serving the aim of sustainably managing capital stocks. Hediger (2010) provided two different but complementary definitions: CSR is a programme of action wherein a firm's objective is to maximise its corporate value and, at the same time, to contribute to the improvement of the social welfare, whereas CS requires that corporate value is maximised and does not decline over time.

2 Accountability and Accounting

Modern political thought suggests that concepts such as fairness and justice coincide with other desirable characteristics, such as freedom and opportunity, which can only be achieved through the devolution of power to the people (Heald, 1987). To achieve re-democratisation, it is necessary to empower the individual to make informed decisions (Gray, 1992). Similar to controversies over defining CSR, there are multiple theories that explain motivations for companies to embrace CSR. The identification of theories related to CSR is a non-trivial task because there is a great variety of approaches that often overlap (Crane et al., 2009). Garriga and Melè (2004) tried to map the main CSR theories by classifying them into four main groups. (1) Instrumental theories consider corporate social responsibility as a mean with profits as the end, so a social activity is accepted only if it is consistent with wealth creation. These theories assume that the corporation is an instrument for wealth. (2) Political theories emphasise the social power of corporations specifically in their relationship with society. This approach leads a corporation to accept social duties and rights to participate in certain forms of social cooperation. (3) Integrative theories argue that businesses should integrate social demands. Social demands are generally considered to be the way in which society interacts with business and thus provide it with a certain legitimacy and prestige. Therefore, the content of business responsibility is limited to the space and time of each situation, depending on the values of society at that moment, and is defined by a company's functional roles. (4) Ethical theories are based on the ethical responsibilities of corporations to society. This group understands that the relationship between business and society is embedded in ethical values; as a consequence, the belief is that firms ought to accept social responsibilities as an ethical obligation above any other consideration.

Broadly speaking, society has become increasingly concerned about accountability for corporate social responsibility activities (Cho et al., 2008). Corporations are held responsible for the impact of their activities, expected to deliver information about their CSR activities and make them available to the public. Social accounting and corporate social reporting are one attempt to make organisations more transparent (Gray et al., 1995a). Golob and Barlett (2007) viewed reporting as an important communication channel that can ensure greater corporate transparency as well as enable better engagement with multiple stakeholders to achieve legitimacy.

However, according to Roberts (2009), not any failure of governance can be remedied only through transparency; the narrowed concept could paradoxically serve to weaken the effectiveness of accountability by undermining trust, promoting blame avoidance, and transforming organisational purpose into the mere management of performance indicators. Roberts (2009) argues that accountability when drawn upon psychoanalytic accounts of recognition and guilt, is then self-absorbed to garner reward or forgiveness of blame, rather than, in its full social significance, managing organisational interdependencies. Accountability, according to Kaler (2002), has to be understood as "giving an account;" it is the providing of answers for which one is responsible. Kaler (2002) argues that accountability connects responsibility to governance. Thus, responsibility and governance can be understood only with reference to accountability. Accountability hypothesises a two-way relationship between individuals and organisations or groups; meanwhile, financial accounting reflects the economic context of that relationship. The essence of accountability is the relationship between different parties; this relationship involves responsibility and the right to information. Indeed, the obligation to inform shareholders (financial accounting) is one example in which there is congruence between responsibility and accountability.

Accounting at its broadest might be thought of as the recording and control systems through which the elements of civil society, governments and markets define, articulate and monitor companies' behaviours. According to Lise Kingo, Executive Vice President of Novo Nordisk Ltd. (Hopwood et al., 2010), accounting for sustainability is a thoughtful assessment of how accounting and reporting better reflect what is material to assess corporate performance today. But two fundamental debates occur in corporate financial reporting about CSR. The first debate concerns the type of public disclosure that is desired by professionals and needed by society in relation to CSR. The second debate relates to the problem of constructing and representing social reality through accounting numbers (Lee, 2006). In this sense, social accounting is concerned with exploring how social and environmental activities might be captured, articulated, and communicated (Gray and Laughlin, 2012). For the purpose of our research, we define corporate social reporting as business commitment with accountability, including both financial accounting and responsibility of business impacts.

2.1 Reporting and Disclosure

CSR reporting communicates to stakeholders an organisation's CSR activities. As such, it forms a central charter for managing potential conflicts and achieving legitimacy (Golob and Bartlett, 2007). Voluntary reporting is the most recognised form of CSR reporting. A 2014 international survey by KPMG (2016) showed that voluntary CSR reporting has increased significantly since 2002. However, CSR reporting can include a wide range of activities that are usually selected at the discretion of the company. The voluntary, non-regulated nature of this practice leaves it open to potential abuse to the extent that biased reporting reduces transparency (Cho et al., 2008). Therefore, there are some public pressures to develop CSR reporting policies. Golob and Bartlett argued that advocates of mandatory reporting believe that reporting should be regulated to protect citizens and to ensure that the appropriate information is provided (Golob and Bartlett, 2007). Establishing a common global CSR reporting framework is clearly a desirable goal; one example in this direction is the Global Reporting Initiative (GRI). The GRI, a network-based organisation, produces a comprehensive sustainability reporting framework that is widely used throughout the world. The framework establishes principles and performance indicators that organisations can use to measure and report their economic, environmental and social performance (GRI, 2010). The Global Reporting Initiative and its Sustainability Reporting Guidelines have the potential to significantly improve the usefulness and quality of the information reported by companies about their environmental, social and economic impact and performance. However, some organisations that label themselves GRI reporters do not behave in a responsible way concerning sustainability issues, such as gas emissions, social equity or human rights (Moneva et al., 2006). CSR reporting proponents argue that strengthening international participation in corporate social responsibility processes may bolster CSR reporting legislation relative to financial reporting. Opponents of CSR reporting harmonisation argue that there is no single standard that meets the needs of all stakeholders, as different stakeholders may request different information for different reasons (Tschopp and Huefner, 2015; Tschopp, 2005). The sociologically critical approach holds that CSR started as a social movement against corporate power but corporations have transformed CSR reporting into a risk management device (Gaurangkumar, 2015). However, ethical problems related to disclosure could potentially be improved, in part by requiring that external auditors attest to the accuracy of firms' disclosures (Cho et al., 2006).

2.2 Theories underlying CSR Reporting

Similar to the debate over the definition of CSR and of the motivations for companies to embrace CSR, there are different theories that explain CSR reporting and these theories often provide overlapping explanations. Gray et al. (1996) developed a framework of descriptive theories which offer a vision oriented towards the relationship between disclosure (accounting and CSR reporting) and organisations, the state, people and society at large. Examples of descriptive theories are stakeholder theory, legitimacy theory and the theory of political economy.

Stakeholder theory suggests that there is a wide range of groups with social and environmental concerns that an organisation can affect, and these groups have legitimate claims on the organisation (Golob and Bartlett 2007). Consequently, stakeholder theory is based on the assumption that values are necessarily and explicitly part of business operations; this theory requires managers to be clear about the kind of relationships they want with their stakeholders to deliver on their purpose (Freeman et al., 2004). There is a natural fit between CSR reporting and stakeholder theory, as the role of management is viewed as achieving a balance between the interests of all stakeholders (Michelon, 2004). In accordance, Amalric and Hauser (2005) argued that under various market conditions, a company that does not consider its stakeholders' expectations regarding responsible corporate behaviour will fail to maximise its value.

Bebbington et.al. (2008a, 2008b) posited that CSR reporting is open to a multitude of theoretical perspectives; further, the concepts of legitimacy and reputation can and should be distinguished from one another. Legitimacy theory considers whether a company's value system is congruent with the value system of the larger social system of which the entity is part (Lindblom, 1993). It implies that companies justify their existence when the social values associated with their activities reflect the values of their community; therefore, companies become responsible members of society. A number of studies that investigated the disclosure of environmental information have utilised legitimacy theory in an attempt to explain the extent to which environmental and/or social information is disclosed. For example, Deegan (2002) provided an overview of the role of legitimacy theory in explaining managers' decisions to disclose information about particular aspects of companies' social or environmental performance. However, Bebbington et al.'s (2008a, 2008b) view was that it was too early to conclude in favour of legitimacy theory in the analysis of CSR reporting.

The political economy theory descends from the classic economic theory; in a context of perfect competition, company management develops a firm-value-maximising strategy and in so doing, it also maximises its contribution to society (Amalric and Hauser, 2005). In essence, the political economy is the social, political and economic framework within which human life takes place. Preston and Post's (1975) findings suggested that in a dynamic society, neither the sources of institutional power nor the needs for its services are permanent. An institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society's approval.

However, Gray et al. (1995a, 1995b, 1996) stated that stakeholder theory and legitimacy theory can be framed within a broader political economy theory framework. From a theoretical point of view, Gray et al. (1995a) found that if a lower level of resolution of the political economy is accepted, then the different theoretical perspectives need not be viewed as competitors. Instead, they can serve as sources to interpret different factors at different levels of resolution. In this context, stakeholder dialogue could become the ultimate legitimating tool (Adams and Zutshi, 2004; Carol, 2004). Therefore, the three studies of this thesis will be based on accountability, stakeholder and legitimacy theories.

2.3 Empirical evidence

The disclosure process is complex and increases the ambiguity inherent in the CSR concept (Guthey and Morsing, 2014). Corporations choose from a wide array of media options, ranging from annual reports to standalone reports, corporate websites, newspapers, and advertisements. Annual reports tend to emphasise the organisation's achievements, often using colour photographs and representing information in ways to send the right message (Cho, 2009). Standalone reports typically provide more detailed information on the company's social and environmental activities than the traditional annual report (Golob and Bartlett, 2007). However, standalone reports are largely about projecting an image of positive performance (Cho et al., 2012).

In the practical world, actors should develop their own understandings and solutions, and, more importantly, they should reflect on their own activities and practices. They should not try to impose one best way but should seek to encourage organisational actors to proactively develop their own future according to their own values (Laughlin, 2004). Gray et al. (1995a) provided data on some U.K. companies' annual CSR reports over a period of 13 years across four broad themes: employees, environment, community and customers (Gray et al., 1995a). O´Dwyer (1999) investigated reporting practices in Ireland by examining the changes in CSR reporting in annual reports from 1991 to 1995 and found that overall, 'employee' was the most widely addressed topic. Narwal and Singh (2013) compared corporate social responsibility between 18 Indian and 20 multinational corporations from different countries working in India; their results showed little difference in terms of topic areas. In Turkey, small and medium enterprises (SMEs) are becoming increasingly concerned about philanthropic projects (Dincer and Dincer, 2010). In Thailand, which offers a national award for companies exhibiting best practices for social responsibility, CSR reporting focuses on charity and donations to cure social ills (Shinnaranantana, 2013). The BRIC nations reveal different approaches: Brazil primarily focuses on the environment, Russia on education, India on quality of life and China, the least communicative, focuses on shareholders, arts and culture (Alon et al., 2010).

Understanding the motivations for disclosure is one of the issues attracting considerable research attention, and the desire to legitimise an organisation’s operations has, in turn, been shown to be one of many possible motivations (Cho et al., 2012). Some argue that CSR reporting is mere window dressing on a positive or negative organisational image (Tewari, 2012). The majority of companies are attempting to build a favourable image in the minds of consumers, investors, employees and the government through CSR (Narwal and Singh, 2013). Deegan and Rankin (1997) found that disclosure strategies are intended to shape community perceptions of a corporation´s operations in accordance with community expectations. However, the ability to shape perceptions through report disclosures is only possible if members of society actually use the reported information (Deegan and Rankin, 1997). An organisation that is genuinely striving to become sustainable differs substantially from a company that is merely employing sustainability rhetoric in its external reports without much substance (Hopwood et al., 2010). It can be expected that companies that perform better will provide greater corporate social disclosures to engage in dialogue with stakeholders and to sustain their reputation (Cho et al., 2012). Firms with poorer environmental performance will try to gloss it over by making extensive and opaque disclosures. Alternatively, they may become more actively engaged in corporate political activity to influence the passage of favourable environmental legislation (Cho et al., 2016). Based on an analysis of the graphs published in sustainability reports for a sample of 77 U.S. companies in 2006, researchers found considerable evidence that the graphs of social items in sustainability reports for companies with worse social performance exhibit more impression management (Cho et al., 2012).

A number of determinants are related to a company´s disposition to engage in CSR reporting, such as capital intensity, age of the corporation, company size, the country in which the organisation is reporting, the country of ultimate ownership, profitability, and industry (Gray et al., 1995a). Patten's (1992) findings on the annual reports of petroleum firms suggested that CSR reporting might be related to firm size and ownership. Corporate size appears to be an important variable (Adams, 2002), which may be because larger companies undertake more activities, make a greater impact on society, and have more shareholders who might be concerned about social programmes (Hackston and Milne, 1996). Gray et al. (2001) argued that somewhat more consistent results have been obtained for the relationship between CSR reporting and company size. The nature of the industry has also been identified as a factor that potentially affects CSR reporting. Dierkes and Preston (1977) stated that companies whose economic activities have an impact on the environment are more likely to disclose information about their activities. As an example, Cowen et al. (1987) found that consumer-oriented companies tend to exhibit greater concern with demonstrating their social responsibility to the community. However, the relationship between CSR reporting and industry sector is less consistent according to Gray et al. (2001). Gray also argued that the relationship between CSR reporting and profitability, if it exists, is elusive (Gray et al., 2001), although empirical evidence from Germany shows that profitability, size and industry membership affect the amount of CSR reporting. German companies' disclosures of all CSR issues are affected by their visibility, shareholder structure, and relationship with stakeholders (Gamerschlag et al., 2011). Differences by country have been observed; particular events may require firms to explicitly consider national, historical and cultural contexts. Themes such as energy, the environment, and the community have received most of the attention; interestingly, following Clarkson et al.'s (2008) research, Du et al., (2014) empirically investigated whether and how Buddhism, China's most influential religion, affects corporate environmental responsibility and found that Buddhism is positively associated with corporate social responsibility (Du et al., 2014).

In summary, for the purpose of this thesis we refer to CSR reporting as a business commitment to accountability. Hence, as consequence of the above discussion, drawing on accountability, stakeholder and legitimacy theories, the objective of this thesis is to investigate in-depth corporate social responsibility reporting in Mexico. In particular, (i) to explore the extent to which Mexican and foreign companies operating in Mexico disclose their corporate social responsibility, (ii) to examine whether corporate governance and corporate social responsibility reporting in annual reports can be seen as complementary mechanisms used by companies to enhance relations with stakeholders, and (iii) to investigate the changes in the extent of CSR reporting responding to stakeholder pressures after a multinational company (MNE) acquired a Mexican company.

3 Mexico

Several factors may potentially influence CSR in Mexico. However, the driving forces behind CSR seem to be different from those identified at the international level. For MNEs operating in Mexico, CSR are corporate global policies shaped by local context factors (Weyzig, 2006). For Mexican firms, CSR seems to have attributes that arise from Mexico's history, culture and values (Logsdon et al., 2006). Furthermore, CSR seems to be an issue for MNEs and larger enterprises only, and local stakeholder pressures have been ineffective with the notable exception of community actions against environmental pollution (Weyzig, 2006). However, Lopez-Torres et al. (2015) studied CSR in Family Small and Medium-sized Enterprises and found that CSR has developed in these businesses too. It seems that there is no consensus on the CSR practice in Mexico; therefore is worthwhile to study some of Mexico's economic and political history and the development of CSR reporting in the country as an institutional setting for the three thesis studies.

The modern history of Mexico began with the colonisation of the indigenous people by Spanish explorers in the early 1500s. Subsequently, the Catholic Church played a very prominent role until the mid-800s as the majority landowner in the country, generating income to finance schools, hospitals and social programmes (Arango, 2002). In 1854-1863, the tension resulting from the power and wealth of the Catholic Church led to the "Reforma de Juarez" that was a set of Laws to separate the duties of Government from Church. The government stated the freedom of worship that allows that each person is free to practice and choose the cult they wanted to, and therefore, Catholicism ceased to be the official religion. The Church's holdings were nationalised, the registration of people became a responsibility of the government and not of the Church, religious marriage was still permitted but official marriage became a civil contract with the State, and the State increased its role in meeting social needs.

Throughout the 20th century, the state had a powerful influence on the Mexican economy, with one political party, the Institutional Revolutionary Party dominating all branches of government from the 1930s to 2001. Much of this political history was rooted in corruption, as was the case in much of Latin America, which led to a weakened and illegitimate state, particularly with regard to government regulation of business (Logsdon et al., 2006). This approach has in turn contributed to the generally noted lack of stakeholder engagement in CSR development (Weyzig, 2006), which is predicated on trust, cultural affinity and recognition of one another’s legitimacy. Since the 1980s, private corporations have become more instrumental in the development of economic and social activities because of deregulation in many industries and increased trade and investment (Logsdon et al., 2006). The Mexican corporate sector has long been dominated by family-owned, highly diversified conglomerates organised as “grupos,” which have become increasingly important to the allocation of resources in the Mexican economy. In these “grupos” practices such as conflicts of interest and a lack of transparency in corporate governance appear to be quite common, despite such practices being unethical if not illegal in western settings (Logsdon et al., 2006).

Nowadays, Mexico is among the largest countries in the world, currently ranked 14th in terms of geographic size (INEGI, 2017), 11th in terms of Gross Domestic Product (GDP) (IMF, 2016) and 11th in terms of population (currently approximately 127 million). Mexico's geographic size is equivalent to the size of Saudi Arabia, but Mexico supports five times as many people while exporting one-fourth of the oil.

Mexico’s 2011 GDP growth rate was 3.9%, which is higher than the growth rates of either the U.S. (1.8%) or Canada (2.4%). However, by 2015 Mexico’s GDP growth rate was 2.5%, which remains higher than the growth rate of Canada (1.1%) but lower than the U.S. (2.6%) according to the World Bank (2017). Growth is predicted to remain below potential given falling oil production, weak oil prices, and structural issues such as high economic inequality and the large informal sector employing over half of the workforce.

At the same time, more than 90% of Mexico's trade occurs with more than 46 countries and under 12 free trade agreements, which represents one reason for Mexico's success. In 2012, Mexico formally joined the Trans-Pacific Partnership negotiations which should become effective in early 2018 at the latest (U.S. Factsheet, 2016). Mexico is the 16th largest exporter in the world, and 82% of these exports are imported by the United States (U.S.). Mexico’s trade with the U.S. and Canada has tripled since the implementation of the North American Free Trade Agreement (NAFTA) in 1994 (The Economics, 2012). Mexico's economy has become increasingly oriented towards manufacturing in the 22 years since the agreement entered into force. Mexico has become the U.S.' second-largest export market and third-largest source of imports (U.S. Factsheet, 2016). NAFTA reshaped the Mexican economy and strengthened it immeasurably. However, it also created an enormous imbalance; most of the country’s exports are supplied to the U.S. Indeed, Mexico’s proximity to the U.S. constitutes a major economic asset and is perceived to be influencing Mexican corporations´ (as well as regulators´) disclosure policies (Husted and Serrano, 2002).

Mexico manufactures and exports the same amount of goods as all other Latin American countries combined. In fact, foreign trade represents a larger percentage of

Mexico's economy than it does for any other large country. Thus, Mexico is rapidly emerging as a market heavyweight. Its economic output, as measured by the gross domestic product (GDP), was nearly $2.3 trillion in 2016. This amount was much less than that of its primary trading partner, the U.S. ($18.56 trillion), but it was not much less than that of its other NAFTA partner, Canada ($1.67 trillion) (IMF, 2016). Mexican exports to the U.S. amount to approximately one quarter of Mexico's economy; more than 80% of Mexico´s exports go to the United States, which constitutes 32% of Mexico's GDP. During the 2016 annual meeting of the Mexican Association of Banks in Acapulco, Larry Fink, chairman of BlackRock and George Friedman, New York Times bestselling author of *The Next 100 Years* (2009) were effusive about Mexico as the most promising region economically. One of Friedman and Fink´s (2016) arguments concerned the institutional differences between the European Union and NAFTA. For example, Germany (the foundation of the European system) is a massive exporter, while the United States is a net importer. However, given the vastness of the U.S. economic base, the net negative flow has little impact. On the other hand, Mexico is the world's ninth largest producer of oil, exporting nearly three million barrels per day, which is less than the amount exported by Iran, China, and Canada but more than that exported by Kuwait, Nigeria and Venezuela. The country's oil monopoly, Pemex, is state-owned; hence, all of its revenues flow directly to the federal government. However, as part of Mexico's government reforms in 2015, Mexico began holding public auctions of exploration and development rights to select oil and gas resources with the long-term aim to improve competitiveness and economic growth across the Mexican economy.

Mexico is expected by 2050 to be the world's fifth largest economy (TheCatalist, 2010). However, similar to most nations transitioning from underdevelopment to greater development, social inequality currently prevails, extremes of wealth and poverty co-exist and economic development tends to benefit the already privileged (Paul et.al., 2006). Mexico suffers from substantial class and regional inequality, and the emergence of a dominant middle class is still unfolding. According to the National Council on the Evaluation of Social Development Policy, an estimated 52 million people in Mexico were living in poverty in 2010, which equals approximately 46.2% of the total population. In particular, Mexico's indigenous population is the largest in Latin America and has significant disadvantages in both economic and social outcomes, causing this population to be among the poorest of the poor in the country (World Bank 2012). Inequality diminishes the significance of being ranked 11th in GDP in some ways, but it does not change the basic reality of Mexico's relative strength (Friedman, 2016). We believe the country presents a worthwhile field of CSR research due to its size, geographic position, and major social and environmental challenges faced.

3.1 Corporate Social Responsibility in Mexico

CSR activities in Mexico appear to be structural rather than incidental (Muller and Kolk, 2009). The emergence of CSR in Mexico may be traced in 1957 with the creation of the "Social Union of Businessmen of Mexico" and its adoption of the Christian social doctrine and the principles of the Encyclical Rerum Novarum: The Principle of Subsidiarity is the right to develop as a person, The Principle of Dignity of the Person is the right to have a job that develops the realisation of the person, and The Principle of Common Good is the obligation to contribute to the pursuit of the conditions that allow all and every member of society to fulfil human wellbeing. It had had a great impact by its concern to improve employee working conditions. But it was not until the new century, several years after the implementation of NAFTA in 1994, that CSR was considered seriously. In fact, the Mexican Standard for Social Responsibility is one of the contributions from Mexico to the world. This standard has become a benchmark for the development of ISO26000. It was published in 2004 as "NMX-SAST-004- IMNC 2004: Guidelines for the Implementation of a Management System of Social Responsibility" by the Instituto Mexicano de Normalización y Certificación (IMNC). In 2012, this rule was replaced by NMX-SAST-26000-IMNC2011, effective from June 19, 2012, as issued by the Secretariat of the Economy through the Directorate General of Standards. The standard and its later version are voluntary for all organisations that want to implement corporate social responsibility practices. They provide guidelines to identify social aspects and social impacts in relation to its stakeholders; they also provide guidance to the evaluation and allocation of priorities of the identified impacts. Basically, the standard contains five areas which are: human rights, labour, environment, anti-corruption and social aspects. The Mexican Philanthropic Center (CEMEFI) has a leading role by granting an annual CSR award to those listed and not listed companies that deliver in-depth evidence of their sustainability activities. CEMEFI's matrix of CSR actions is strongly based on GRI's indicators.

From a governmental standpoint, it is the Secretary of Environment and Natural Resources (SEMARNAT) with the Federal Attorney of Environmental Protection (PROFEPA) who certifies companies as sustainable through voluntary audit request. It includes three grades according to the industry sector: Clean Industry for the manufacturing sector (including 1,663 active companies), Environmental Quality for the non-manufacturing sector (including 762 active companies), and Tourism Environmental Quality (with 48 active companies). In general, they all examine compliance with legal regulatory structures, including water, emissions, waste, energy, soil and subsoil, noise, environmental risk and impacts, natural resources and wildlife.

On the other hand, as an approach to encourage corporate sustainability, the Mexican Stock Exchange (MSE) launched its Sustainability Index on December 8, 2011. The index measures the average yield from a portfolio composed of the stocks of companies that are considered to be critical because of their commitment to three core areas: environment, society and corporate governance. The sustainability rating methodology is based on the score obtained from two different sources: Ecovalores, which is the Mexican partner firm of EIRIS, and the Universidad Anahuac, a prestigious university located in Mexico City. Both sources independently rate each company in the three above mentioned areas, table 2.1 shows the scores' weight.

Ecovalores rated the 70 most dynamic companies on the MSE using EIRIS indicators; however, only 109 of 300 total indicators—45 from the environmental area, 32 from the social area, and 32 from the corporate governance area—were accounted for. The scores were compared with the scores checked by EIRIS for 3,800 global companies, and only 23 companies formed the index. At the end of 2011, Ecovalores reported favourable results, with a 20% increase in the number of sustainability reports, the creation of a sustainability board by two companies and the first-time publication of ethical codes by four companies. As of January 2017, the index contains 30 companies that comply with standards based on environmental, corporate governance and social responsibility policies. From 2012 to 2016, the index delivered a 48 percent return, which is equivalent to a 9 percent annually compounded return. During the same period, the Mexican stock market delivered an approximately 5 percent annually compounded return.

Table 2.1 Sustainability weight score.

Core areas	Eco-valores (EIRIS)	Universidad Anahuac	Total
Environmental	90%	10%	100%
Governance	10%	90%	100%
Social	50%	50%	100%

Geographically, Mexico is the 14th biggest country in the world. Mexico's territory total 5,120,679 km2, including 1,960,189 km of continental surface, 3,149,920 km of sea economic exclusive zone, and 10,570 Km of extended continental shelf. Mexico's size, geographical location and geology makes possible a great variety of landscapes that are habitat for a wide diversity of animal and plant species, which according to INEGI (2017) accounts 10% of all those that exist on the planet. The country also faces considerable environmental challenges, with its rich biodiversity being threatened. Deforestation threatens to decimate tropical forests, causing the extinction of hundreds of thousands of species and destroying the way of life of millions of people. Mexico is suffering because of global warming, which has brought major droughts, and a growing lack of water. Water restoration actions are complex; water managers are learning that sustainable solution will be possible as surface water and groundwater are recognised as linked and interdependent. Groundwater provides base flow to surface water systems and acts as a safeguard to supply water during dry periods and droughts (Bower and Petrides, 2009 and Petrides, 2012). Furthermore, in the past 30 years, Mexico has grown in an impressive manner, causing serious environmental problems. The growing population increases urbanisation and Mexican cities consume more and more water whilst drains pollute rivers and oceans (UNESCO, 2017). To ensure protection, conservation and optimal exploitation of Mexico's natural resources, the Mexican government has implemented a comprehensive and inclusive environmental policy to achieve sustainable development. They have been working in four priority areas: The conservation and sustainable use of ecosystems and their biodiversity, the prevention and control of pollution, the integrated management of water resources, and the fight against climate change. In 2012, Mexico was the first country in the developing world to pass a comprehensive climate change bill, with goals for the country to generate 35% of its energy from clean energy sources by 2024, and to cut its emissions by 50% by 2050 from the level in 2000 (BBC News, 2012). Whether these developments reflect international trends or are shaped by the local context is a matter of considerable debate.

4 Conclusion

This chapter presented the background for the three studies conducted in this research. It discussed the social responsibility of businesses and the nature of disclosure and how research has analysed and measured CSR reporting; and concluded by presenting Mexico's economic background and other issues affecting the country's CSR development. It was particularly stressed that Mexico is among the largest countries in the world in terms of GDP, size and population, whilst it simultaneously suffers from substantial social and economic inequality where extremes of wealth and poverty co-exist.

We believe the country presents a worthwhile field where to conduct CSR research due to its size, geographic position, and major social and environmental challenges faced. Literature finds CSR activities in Mexico to be structural rather than incidental (Muller and Kolk, 2009). On the one hand, for MNEs operating in Mexico, CSR are corporate global policies shaped by local context factors (Weyzig, 2006). On the other hand, for Mexican firms, CSR seems to have attributes that arise from Mexico's history, culture and values (Logsdon et al., 2006). A number of factors may thus be at play and potentially influence CSR reporting in Mexico and this is where we turn next.

Chapter 3 Extent of CSR reporting in Mexico

While the past decade has seen a dramatic growth in CSR reporting (Cho et al., 2012), recent studies document that CSR reporting is also on the rise in emerging and less developed countries, in terms of the number of companies publishing CSR information (KPMG, 2016; Plugge, 2008). As a consequence, research on CSR reporting in developed countries has also started to grow (Fifka, 2012). The aim of this chapter is to investigate CSR reporting practice in Mexico using a descriptive/exploratory approach. Relying on legitimacy theory, we posit that CSR reporting assists with claiming legitimacy from external stakeholders by showing the company's adherence to social norms and expectations (Nikolaeva and Bicho 2011).

1. Introduction

The socio-economic context is considered to be one of the factors affecting CSR reporting (Logsdon et al., 2006) and given the notable differences between emerging and developed countries in terms of the socioeconomic realities, we expect CSR reporting in Mexico to have some unique features, which we explore hereby. is also different in these countries. Specifically, we expect CSR reporting in Mexico to provide more positive than negative disclosures compared to their developed counterparts, reflecting the cultural settings as well as potentially the earlier stage of the development of the phenomenon (Chapple and Moon, 2005). In addition, organisations in these countries tend to prioritise social (i.e., employee and community) disclosure as opposed to legal, ethical or environmental disclosure (Belal et al., 2013; Visser, 2008). Visser (2008) particularly attributes the higher emphasis on philanthropy to the developing countries' reliance on aid and the nature of educational, health and social issues that are present.

Accordingly, CSR in Mexico have distinctive attributes that arise from Mexico's history, culture and values (Logsdon et al., 2006). Mexico presents a worthwhile field of CSR research due to its size, currently ranked fourteenth in terms of total area and eleventh in terms of population and Gross Domestic Product (US Department of State, 2016), geographic position, major social and environmental challenges faced, economic social inequality (extremes of wealth and poverty co-exist), and corruption environment. Mexico's proximity to the US is perceived to be influencing Mexican CSR disclosure policies (Husted and Serrano, 2002). However, much of Mexico's political history is rooted in corruption which led to a weakened government regulation of business (Logsdon et al., 2006) and economic development tends to benefit the already privileged (Paul et al., 2006). Thus, stakeholder engagement (which is predicated on trust and recognition of one another's legitimacy) has largely been lacking or is ineffective (Weyzig, 2006).

Despite the numerous social and environmental issues at stake, research into Mexican and foreign companies' CSR reporting practices remains limited and rather inconclusive. Although there appears to be clear evidence of on-going diffusion of CSR reports, it is unclear how organisations use their available reporting media. Drawing on the broader concept of accountability to stakeholders, we argue that CSR reporting can be viewed as a complementary legitimacy mechanism used by companies to enhance their relations with stakeholders (Michelon and Parbonetti, 2012).

In order to explore the CSR reporting practices in Mexico, we utilise a detailed manual content analysis combining cross-sectional and volumetric studies of annual reports, sustainability reports and corporate websites. Specifically, following prior research (Beretta and Bozzolan, 2004; Al-Tuwaijri et al., 2004; Michelon et al., 2015), we considered (i) the economic sign that communicates the expected impact of CSR activities on a company's future performance and (ii) the type of information distinguishing whether CSR activities are measured and described in monetary, numerical, declarative or pictorial terms. With this comprehensive approach, we overcome the limits of prior literature, which mostly draws conclusions from descriptive accounts employing rudimentary content analysis under either case study or survey designs (see, e.g., Logsdon et al., 2006; Paul et al., 2006; Meyskens and Paul, 2010). Our sample consists of 73 companies, for which we analyse CSR disclosure in different reporting media for the period 2010-2011. Our findings indicate a general association between the content and semantic properties of CSR information with the disclosure media suggesting a "pecking order" approach. We find companies report their more substantive, either positive or negative CSR information via the annual report, whilst disclosing their largely symbolic and predominantly positive CSR information via sustainability reports and corporate websites, which potentially have smaller audiences, or audiences of lesser importance.

This chapter contributes to the literature by conducting a survey of CSR reporting across industries and reporting media (annual reports, sustainability reports and corporate websites). By utilising manual content analysis and unprecedented (in this context) measurement detail, we found a setting where extremes coexist. We found industry sector to significantly influence CSR information disclosure. This finding seems to suggest a performance-driven principle behind CSR reporting (Amezaga et al., 2013). We also found high proportions of community disclosure. In emerging or developing countries with corruption and high levels of poverty, CSR community programmes have emerged as alternatives for government services (Logsdon et al., 2010). The next section provides the literature review followed by a methodology section. Then, we present the results and the concluding section, which discusses the key findings.

2. Literature Review

CSR in Mexico seems to have distinctive attributes (Logsdon et al., 2006). For example, Meyskens and Paul (2010) noted that because the majority of Mexican firms are family-owned, they may prefer to maintain secrecy about the extent of their operations and may therefore be reluctant to publish CSR information. However, most of companies provide social responsibility indicators on their webpages, which suggests that a performance-driven principle is the main motivator behind CSR communications (Amezaga et al., 2013). Most of the studies exploring CSR developments in Mexico have focused on identifying disclosure patterns and trends and explore whether they reflect domestic trends or influence by international developments (Appendix 1 presents a summary of previous literature). In this section, we present relevant literature that leads us to pose our research question; it is organised by findings.

There is on-going research on CSR and CSR reporting awareness in Mexico. Logsdon et al. (2006) found that CSR in Mexico was not new and that Mexico has experienced growing awareness of CSR. Muller and Kolk (2009) and Muller and Whiteman (2006) suggested that CSR activities are structural rather than incidental, at least in the auto parts industry. Additionally, Lopez-Torres et al. (2015) found that social and environmental factors as well as economic factors influence CSR disclosures in small family businesses. To the contrary, Araya (2006) noted the limited nature of CSR reporting and suggested that cultural and historical factors influence its characteristics including a lack of disclosure regulations and a preference for command-and-control approaches. There is limited non-regulatory pressure, little media exposure, a weak shareholder culture, a focus on lower costs, a culture of confidentiality, and stakeholders with little legitimacy and few resources to exert influence. Paul et al. (2006) found that the Mexican business culture does not emphasise CSR reporting and that there has not been a systematic effort to determine the extent to which CSR reporting is prevalent in Mexico. The authors conducted a content analysis of corporate websites using a purposeful sample of 76 companies and found that Mexican companies have limited awareness of CSR. Accordingly, Velazquez et al.'s (2009) survey findings suggested that the concept of CSR is still not well known and CSR benefits appear to be unclear, perhaps due to the lack of access to information. They noted that CSR programmes are often perceived with suspicion and distrust, as the survey respondents believed that companies use their privileged position to exploit poor and middle-class Mexicans. CSR programmes were also linked to tax evasion and some fraudulent activities.

A number of studies report on companies' CSR influence on the local community. Paul et al. (2006) found CSR in Mexico is primarily conceptualised in terms of philanthropy. These findings were echoed by Weyzig (2006) with an interview-based study, which found that the CSR agenda was mostly associated with the promotion of products and with philanthropy. He attributed this association to the country's Catholic tradition. In doing so, CSR activities may be more altruistic in nature, as they appear to be less likely to create value for firms in Mexico (Husted and Allen, 2009). Logsdon et al. (2006) suggested that particular types of philanthropy have emerged as alternatives to government services, reflecting the particular social and political context of Mexico.

Differences among industry sectors appear in CSR information disclosures in Mexico (Araya, 2006, Wanderley et al., 2008, and Perez-batres et al., 2010, 2012). Meyskens and Paul (2010) analysed the changes in CSR reporting in Mexico, comparing 10 companies from the Paul et al. (2006) study with 17 companies from the Meyskens and Paul (2010) study. They found that the 10 companies in the earlier study actually provided more CSR information than the second set of companies. The findings from both studies, Paul et al. (2006) and Meyskens and Paul (2010), point towards a legitimacy-based explanation, as they find increased CSR disclosure in industries that are vulnerable to social criticism, such as petroleum, cement and tobacco.

Country of origin also has a significant influence over CSR information disclosure in Mexico (Perez-batres et al., 2010, 2012). Meyskens and Paul (2010) noted that for subsidiaries or business partners of MNEs based in Europe or U.S., CSR was managed and reported by corporate headquarters with the aim of satisfying stakeholders who tend to focus on headquarters rather than operations in a relatively distant location such as Mexico (see also Hunter and Basnal, 2007, for related arguments). This would suggest that despite Amezaga et al.'s (2013) findings, foreign-owned companies may be inclined to publish general CSR principles and assurances (or, as Weyzig, 2006, added, information concerning health and safety) rather than extensively publishing relevant, more specific information about their CSR activities at the local level.

Environmental concerns constitute the only area where it has been suggested that effective stakeholder consultation takes place (Weyzig, 2006) as Muller and Kolk (2009), Muller and Whiteman (2006), and Jimena (2010) found a CSR emphasis on environmental disclosures. However, stakeholder engagement, predicated on trust and recognition of one another's legitimacy, has largely been nonexistent or ineffective in Mexico (Weyzig, 2006). Husted and Allen (2009) researched the conditions under which CSR contributes to creation of firm value among multinational enterprises in Mexico. Their results suggest that MNEs in Mexico are more likely to create value from CSR programmes when such programmes arise as the result of industry, tax, or regulatory constraints. This finding supports that Mexico's political history rooted in corruption has led to a weakened government regulation of business (Logsdon et al., 2006) and economic development tends to benefit the already privileged (Paul et al., 2006).

Although CSR and CSR reporting are not yet comparable to those in developed countries (Muller and Kolk, 2009 and Muller and Whiteman, 2006), Mexico's proximity to the US is perceived to be influencing Mexican CSR disclosure policies (Husted and Serrano, 2002). Paul et al. (2006) suggested that Mexican companies were moving towards global norms; and Bastida-Ruiz et al. (2013) found that CSR reporting indicators framework can be adapted from international structures to local situations.

Prior literature has found mixed evidence on corporate social responsibility reporting. Research literature remains scant and rather inconclusive; the extant literature mostly draws conclusions from descriptive accounts employing rudimentary content analysis under either case studies or survey designs (see, e.g., Logsdon et al., 2006; Meyskens and Paul, 2010; Paul et al., 2006). Therefore, we pose the following research question:

RQ1: What is the extent and nature of CSR reporting in Mexico?

The approach adopted in this chapter is exploratory in nature that seeks to answer a research question, thus, no hypotheses are stated. This chapter's aim is to offer a comprehensive examination of Corporate Social Responsibility (CSR) reporting in Mexico by following overseas studies using similar sampling and measurement techniques, but we went beyond the examination of the amount of disclosure by providing a comprehensive analysis of the content and the sematic features of CSR disclosure. By conducting a survey of CSR reporting across industries and reporting media (annual reports, sustainability reports and corporate websites), this study provides a benchmark for CSR reporting research in a context of distrust and disbelief from which further work can proceed.

3. Methodology

This study employs content analysis to investigate the quantity of thematic units about CSR by Mexican and foreign companies in Mexico. The methodological approach adopted in this study involves exploratory research that seeks to produce descriptive data to answer the research question rather than testing hypotheses. Although researchers searching for explanations regarding CSR have employed a variety of methods, content analysis appears to be the method that is most commonly used to assess organisations' social and environmental disclosures (Milne and Adler, 1999). This method is frequently used to answer questions regarding the relationships between disclosures and specific factors (Al-Tuwaijri et al, 2004; Gray et al., 2001; Patten, 2002). Meyskens and Paul (2010) used content analysis of corporate websites to analyse the evolution of corporate social reporting in Mexico in recent years. Our content analysis combines cross-sectional and volumetric studies of annual, standalone and web reporting. The findings will be compared to those previously identified in the literature.

The goal of content analysis is to categorise information in corporate reports and to consider the statements of managers in relation to language constructs. Content analysis is a research methodology that analyses textual data. This method involves “draw[ing] inferences from data by systematically identifying characteristics within the data” (Krippendorff, 2013 p. 52). Several papers have identified and discussed the significant drawbacks of using this method in accounting research, such as issues with sampling, quantification and classification schemes. The aim of positivist research is to explain the social order while accepting the *status quo*. An objective epistemological stance assumes that knowledge corresponds to an independently knowable reality and can thus be discovered by researchers who act as passive recorders. With its assumption of reality as being concrete and separate from the researcher and its emphasis on objectivity, reliability, validity and generalisability, content analysis fits well with the positivistic paradigm. Content analysis is predominantly deductive and uses *a priori* content categories derived from underlying theory. Although content analysis can be both quantitative and qualitative, most accounting researchers appear to implicitly accept the assertion of Guthrie and Mathews (1985), who posited that quantification constitutes the most distinctive feature of content analysis (p. 260). Quantitative content analysis focuses on the manifest (i.e., the surface) rather than the latent (i.e., the deeper) meaning of the text. Thus, quantitative content analysis closely correlates with classical or empirical positivism. Classical positivism is characterised by quantitative and statistical modes of data collection and analysis (Merkl-Davies et al., 2011).

The first task was to determine what should be observed because empirical research relies on a multitude of observations to support conclusions and determine patterns. Observations or units "are wholes that analysts distinguish and treat as independent elements" (Krippendorff, 2013; p.98). There are three types of units addressed in content analysis: sampling units, recording/coding units, and context units. These units have different functions: sampling units are used for selective inclusion, recording/coding units are used for separate descriptions, and context units are used to describe recording units. The next three sections describe how we identified these units and how we performed the analysis.

3.1 Sampling Units

This study used annual reports, sustainability reports, and corporate websites as the sampling units. This choice is due to the acknowledgment that an exclusive focus on annual reports may result in an incomplete representation of CSR reporting. Several scholars point out that over time CSR reporting has evolved to stand-alone reports that include social, environmental, and financial information (Cho et al., 2015; Milne and Gray, 2007) as well as to other related disclosures disseminated via corporate websites (Adams and Frost, 2004; Patten and Crampton, 2004; Unerman and Bennett, 2004; Turner et al., 2006; Guthrie et al., 2008). On the other hand, we included just these three media and no more (such as corporate statements, advertisements in TV and internet among others) because "the universe of available texts is too large to be examined as a whole, so content analysts need to limit their research to a manageable body of texts" (Krippendorff, 2013, p. 112).

Annual reports are the most important source of information on corporate activities (Adams and Harte, 1998); therefore, most studies of CSR have used these reports as the exclusive sampling unit (O'Dwyer, 1999). However, because many companies report their sustainability performance using corporate websites while others voluntarily disclose through sustainability reports, both of these sources are also employed in CSR studies as sampling units. Among others, Bebbington and Larrinaga (2007) used sustainability reports, whereas Patten and Crampton (2004) and Unerman and Bennett (2004) employed websites. All information was in Spanish and because internet pages can change rapidly, we printed the corporate websites of each company in the sample, following Patten and Crampton's (2004) methodology. An electronic file and a printed file were stored for each company.

The sample selection originally identified all companies listed on the Mexican Stock Exchange (MSE), companies that voluntarily report to the General Reporting Initiative (GRI) and companies (private and public) drawn from the 2010 CNN annual ranking of the "The top 500 most important companies in Mexico" [Spanish], which are well known and frequently referred to in the country. Our sampling approach was similar to that suggested by Gray et al. (1995a), who proposed that representative CSR samples should include the largest listed companies, a selection of companies from reliable rankings, and a selection of best practice exemplars. We chose the year 2010 for our analysis, as it allowed a sufficient number of years to provide a meaningful follow-up comparisons to the latest published content analysis survey conducted by Meyskens and Paul (2010) (which used data published in 2006). From this sample, we excluded companies whose reports were impossible to find. The total number of companies analysed was 73. Although our approach was largely similar to that of Meyskens and Paul (2010), and our sample compares favourably to their analysis of only 27 companies. Table 3.1 reports the breakdown of the sample by industry.

Notably, our sample identifies 34 companies reporting to GRI compared to just one identified by Meyskens and Paul, thus highlighting the rapid increase in the adoption of the standard. From higher to lower incidence, about 21% of the firms in our sample belong to the Materials industry, including 16 companies specialising in the production and sale of cement and concrete as well as steel and mining companies. This group includes Fresnillo, which is the largest silver producer in the world, with shares traded on the London Stock Exchange (Top 100 FTSE) and on the MSE. 20.55% of firms are in the Consumer Staples industry, including 15 companies in retail stores, food and beverages. This category includes Walmart Mexico which is the first-largest private employer in the country and Bimbo, the second-largest bread producer in the world in terms of revenue. 16.44% in the Manufacturing industry, including 12 companies in home development, construction, real estate, aviation, transportation and aluminium auto components sectors. 15.07% are in the Financial Services industry, including 11 banks, insurance companies and brokerage houses. 9.59% in the Consumer Discretional & Services industry, including 7 department stores and service companies, such as food and resorts. 8.22% of the companies are in the Telecommunication industry, including 6 companies providing television, telephone, mobile and internet services. This group includes America Movil, the leading wireless services provider in Latin America and the third-largest provider in the world in terms of equity subscribers. About 6.85% belong to the Healthcare industry, including 5 companies selling medicines through pharmacies. And 1.37% of the firms in our sample belong to the Energy industry, including Pemex, a state-owned company, which is the largest company in the country in terms of revenue, the second-largest oil company in Latin America and the eighth-largest oil company in the world. (Appendix 2, shows the sample companies and characteristics).

Table 3.1 Breakdown of sample by industry.

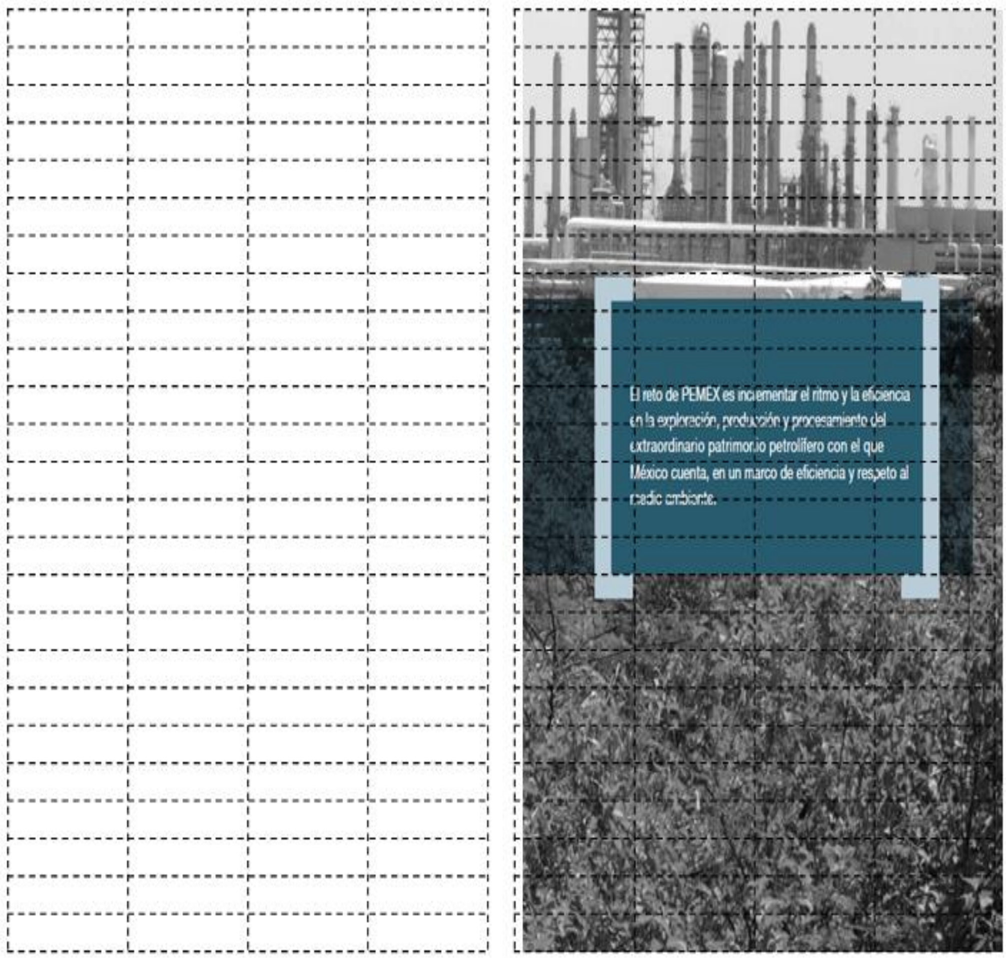
Industry	***Freq.***	***Percent***
Materials	16	21.92
Consumer Staples	15	20.55
Manufacturing	12	16.44
Financial Services	11	15.07
Consumer Discretional & Services	7	9.59
Telecommunication	6	8.22
Healthcare	5	6.85
Energy	1	1.37
	73	***100***

3.2 Recording/Coding Units

Content analysis can be undertaken using two approaches: an index approach that checks for the presence or absence of specific items (Stone et al., 1966; Holsti, 1969) and a volumetric approach that considers the overall volume of disclosure. Patten (2002b) and Patten and Crampton (2004) employed both approaches to examine correlations among lines and sentences. In both studies, high coefficients are observed, which indicates that both approaches may be equally valid for determining the extent of CSR. The present study adopted the volumetric approach because it assumes that the extent of disclosure can be taken as an indication of the importance of an issue to the reporting entity (Krippendorff, 1980; Campbell et al., 2003).

The present study used the proportions of a page approach as the recording unit, following Unerman (2000) and Deegan (2002). Recording units are the basis for measurement, and quantification can be performed using different approaches. Recording units are separately described or categorised (Krippendorff 2013, p. 126). A number of CSR studies have employed words or sentences as the recording unit, but this approach ignores pictorial disclosures (Unerman, 2000). The “proportion of a page” approach uses an A4 size page grid with 100 cells, 25 rows of equal height and four columns of equal width across each report (Figure 3.1 illustrates this process). The main benefit of this approach is that it generates detailed measurements and comparable findings because the volume of CSR reporting consists of the cells counted when the grid is placed on the report (Unerman, 2000). This choice is the most suitable for our research question because it allows us to capture the large amount of valuable non-narrative CSR information (e.g., the information disclosed through charts, tables and photographs) in order to generate detailed measurements and comparable findings across reports by the same and different companies (Patten and Crampton, 2004).

Figure 3.1 The use of the grid.



The grid was placed on top of each piece of information that was considered to be CSR information. Each cell was coded based on the context units described in the next section. The results were summarised in a content analysis report sheet and transferred to *Excel*, which automatically reconciled the balances according to the categorisation. Any doubts regarding the coding that arose during the process were resolved immediately to ensure that all companies were coded using the same criteria (e.g., the codification of margins and blank spaces were coded by following Gray et. al.'s (1995) study, in which the blank spaces adjacent to a paragraph disclosing CSR were considered to be part of the CSR information).

3.3 Context Units

"Context units set limits on the information to be considered in the description of recording units" (Krippendorff, 2013 p. 101); in this study, we named the distinctions thematic categories. The thematic categories must be identified prior to recording because context units establish clear rules regarding what is and what is not CSR. A coding spreadsheet was developed with context units and decision rules customised from Deegan (2002). The difficulty in social research lies in choosing the conceptual tool that is most relevant to the research question (Wodak, 2001, p. 64). Following well-established practice in CSR research (Cho and Patten, 2007; Cormier and Magnan, 2003; Patten, 2002), CSR information was firstly analysed with regard to its content. To this aim, we used a modified version of the framework adopted by Deegan et al., 2002 and Vourvachis, 2009 (Table 3.2, Panel A).

For the present study, 17 thematic categories were used (environmental pollution, environmental prevention and repair, environmental awards, energy policies, energy research, energy awards, employee health and safety, employee benefits, employee morale, marketplace product, marketplace customers, marketplace providers, community philanthropy, community education, community local influence, corporate governance policies and corporate governance information). In addition, the thematic categories were grouped into six *a priori* themes to systematically identify characteristics within the data (Appendix 3 describes the themes and thematic categories).

We recognised that this approach was not sufficient to account for the complexity and the multidimensionality of the CSR information that management can communicate (GRI, 2006). Hence, in addition to the content of CSR reporting, we drew on the semantic properties of the information, to determine how the information was disclosed (Table 3.2, Panel B). Specifically, following prior research (Beretta and Bozzolan, 2004; Al-Tuwaijri et al., 2004; Michelon et al., 2015), we considered (i) the economic sign that communicates the expected impact of the CSR activities on the company's future performance as 1) positive (information praising the company), 2) negative (information criticising the company), or 3) neutral (information with neither praise nor criticism) and (ii) the type of the information by determining whether the CSR activities are measured and described in as 1) narrative (declarative) or 2) non-narrative (pictorial, numerical and monetary information) terms. Analysing the type of information permitted us to differentiate between firms that disclose general boilerplate information from those that provide specific information that can help readers understand the firm's CSR activities, objectives and results (Table 3.2, Panel B).

Table 3.2 Classification scheme.

Context Units		**Modalities**	
Panel A: Thematic Categories			
		Environment	
	Pollution	Prevention and Repair	Awards
		Energy	
	Policy	Research	Awards
		Employee	
	Health and Safety	Employee assistance/benefits	Employee Morale
		Market Place	
	Product	Customers	Suppliers
		Community	
	Philanthropy	Education	Local influence
		Corporate Governance	
	CG Objectives		CG Information
Panel B: Semantic Properties			
Economic Sign		Positive Negative Neutral	
Type		Monetary Numerical Declarative Pictorial	

The process was initiated by gathering annual reports, sustainability reports (when available), and company websites for the companies in the sample. The content analysis was conducted using a protocol guide based on the following decision rules for each piece of information (Appendix 4). First, the question “Is this information CSR?” was posed. This question was answered following Gray et al.’s (1987, p. ix) definition: “the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large”. The result was 357 possible choices for coding each piece of information (Appendix 5 shows the coding labels used in this study): 153 for the economic sign of the disclosure (3 sampling units x 17 context units x 3 nature options) + 204 for the type of the disclosure (3 sampling units x 17 context units x 4 style options) (Appendix 6 presents the summary of the content analysis by coding choices).

Some practical limitations were encountered, such as photos, graphs and white spaces that required decisions. Photos and images communicates information, we decided to consider photos to be CSR disclosure when some declarative information identified them as such. Graphs were considered to be numeric information rather than pictorial; and white spaces, in accordance with Gray et al., (1995a), were coded as part of the related CSR category. Furthermore, it was difficult to distinguish positive from neutral disclosures because when corporations report social responsiveness actions, the CSR information is predominantly positive in nature. In case of ambiguity when reviewing single sentences, the whole paragraph was read in order to decide which code applies.

4. Results

Descriptive in nature, this section presents the results of the content analysis for the extent of CSR reporting identifying differences among the selected reporting media, content of disclosure and semantic properties. Because previous literature has identified the nature of a company's industry as being a factor that potentially affects CSR reporting (Dierkes and Preston, 1977; Cowen et al., 1987; Gray et al., 1995ab, 2001; Gamerschlag et al., 2011), we present our results by industry and then at the thematic category level.

4.1 Extent of Reporting

In general, we find three gross indicators. The first indicator is the amount of information related to CSR relative to the total amount of information disclosed in the annual report of each company. The total number of pages in the annual reports analysed was 7,192. The average number of pages in an annual report was 98, with a range from 24 to 272. Using the grid described in the methodology section, the total number of cells analysed was 719,200. The average number of segments disclosing CSR practices per company was 633, with a range from 20 to 2,930. In relative terms, on average, 8% of the information in annual reports referred to CSR, with a range from 34% to 44%. The second indicator is the relative number of companies presenting CSR in sustainability reports. From the total of 73 companies, 29 of them (40%) issued a stand-alone report, whereas the rest (60%) decided not to disclose through a stand-alone report. These results suggest that Mexican companies' CSR reporting is across all disclosure media, in a similar manner to their Western counterparts (Patten and Crampton, 2004). The third indicator is the relative number of companies reporting to GRI standards. In contrast with Paul et al. (2006), where only one company was reporting to GRI, we found that from the total of 73 companies, 16 (28%) reported to GRI standards. Out of those companies, 8 (50%) presented reports that had external verification, representing almost 11% of the total sample. This suggests that Mexican companies are indeed moving towards global norms (Meyskens and Paul, 2010).

We present the results of the analysis of the extent of disclosure in Table 3.3. The table reports the comparison of mean CSR disclosure scores in annual reports (AR), sustainability reports (SR) and corporate websites (WEB). Panel A displays the comparison across media for the content while Panel B reports the comparison for the semantic properties. With regard to the content of CSR, our results report a significant difference in disclosure scores among annual reports, sustainability reports, and corporate websites. Specifically, we find that the content of CSR information that companies choose to disclose in their annual report is significantly different from the content of information that they disclose through SR and WEB. Indeed, similarly to Patten and Crampton (2004) and Guthrie et al. (2008), our findings also suggest that companies use disclosure media for different purposes. Our results show that the most discussed CSR themes in annual reports are employees (mean score: 0.451), marketplace (mean score: 0.153), followed by environment (mean score: 0.126), community (mean score: 0.074) and energy (mean score: 0.018). Conversely, SR is mainly used to convey information about community (mean score: 0.225), environment (mean score: 0.217) and employees (mean score: 0.168) with a lower space devoted to marketplace (mean score: 0.081) and energy (mean score: 0.051) disclosure. Similar patterns can be observed for WEB disclosure although its disclosure scores on average are significantly lower than the ones observed for other reporting media.

The results of the comparison of disclosure scores related to the economic sign show that companies tend to use considerably more positive or neutral disclosures than negative disclosures. This is true for the annual reports, the SR and the WEB. However, the comparison across media shows that more positive disclosure is provided through web-pages (mean score: 0.941), followed by SR (mean score: 0.866) and then AR (mean score: 0.556) and this difference is statistically significant for all three reporting media. We also report that negative disclosure is more prevalent in the AR relative to both SR and WEB. This finding is in line with Patten and Crampton (2004) and it is mainly due to the fact that AR disclosure is mandatory-driven, while disclosure in SR and WEB is predominantly voluntary. Regarding the type of disclosure, we observe that CSR disclosure is mainly declarative in all of the analysed reporting media. Table 3.3 shows also that the average declarative disclosure score for WEB (mean score: 0.750) is significantly higher than the one computed for SR (mean score: 0.593) and AR (mean score: 0.529). Conversely, monetary information is more common in AR (mean score: 0.219) while such information is mostly absent in SR. Finally, the highest CSR disclosure score for pictorial information is observed in SR (mean score: 0.350) and it is significantly different from the related AR (mean score: 0.215) and WEB (mean score: 0.234) disclosure score. The difference between the last two reporting media is not statistically significant. Overall this evidence suggests that CSR information provided through AR is more accurate than the one disclosed by other reporting media. Conversely, SR and web-pages are used to convey boilerplate information, confirming that these media tend to be more symbolic, rather than substantive CSR reporting tools (Michelon et al., 2015).

The correlation results (un-tabulated) among disclosure indices show that there is a general positive correlation between the AR, SR and WEB disclosure measures. However, the correlation for the content disclosure scores is significant across the three reporting media only for the information about Environment and Community, which highlights their importance to our sampled companies. A similar comment can be applied to the correlation between disclosure scores related to the semantic properties where we find that there is a positive and significant correlation between the AR, SR and WEB only for positive and pictorial information. In general, these results suggest that companies including higher (lower) levels of CSR disclosure in their AR also tend to include higher (lower) levels of CSR disclosure on SR and WEB, although they also suggest that each medium serves a different purpose.

Table 3.3 Mean CSR reporting by media.

	Annual Report	Sustainability Report		Websites	
Panel A: Themes					
Environment	0.1267	0.2172	°	0.1506	*, ^
Energy	0.0189	0.0515	°	0.0311	
Employee	0.4515	0.1688	°	0.1014	*, ^
Market Place	0.1539	0.0814	°	0.1218	
Community	0.0740	0.2250	°	0.2134	*
Corporate Governance	0.1748	0.2558	°	0.3814	*,^
Panel B: Semantic Properties					
Positive	0.5569	0.8663	°	0.9419	*, ^
Negative	0.0224	0.0080	°	0.0021	^
Neutral	0.4205	0.1256	°	0.0559	*, ^
Monetary	0.2196	0.0041	°	0	*, ^
Numerical	0.0352	0.0516		0.0148	*, ^
Declarative	0.5295	0.5935		0.7501	*, ^
Pictorial	0.2155	0.3505	°	0.2349	^

t-test is for difference in mean values across disclosure media
° denotes significance between AR and SR; * denotes significance between AR and WEB; ^ denotes significance between SR and WEB
significance at 10% (one-tailed)

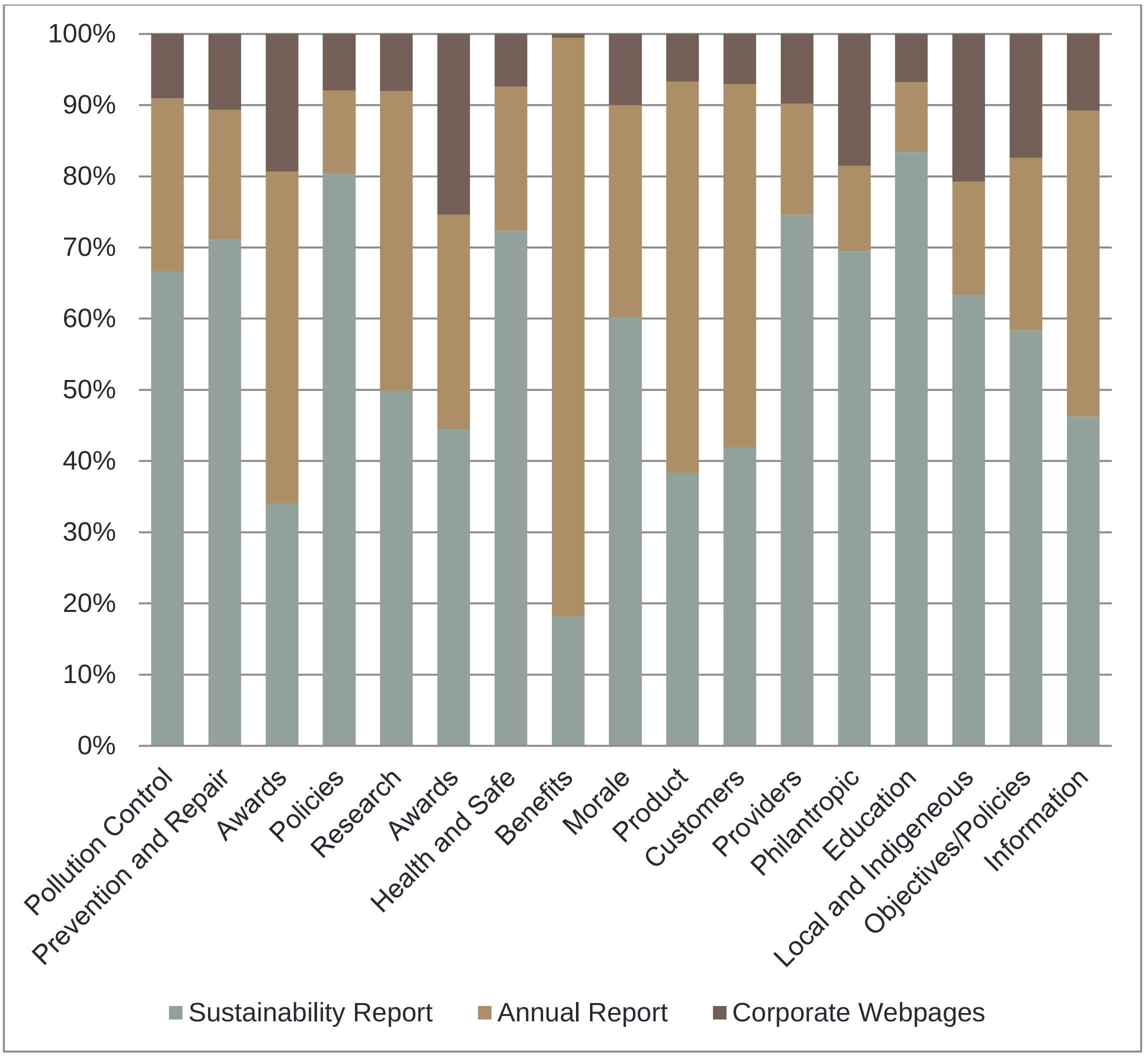
4.2 Extent of Reporting by Thematic Categories

As discussed above, we find that the theme content in order with the greatest volume of disclosure was corporate governance followed by employees, then community, environment, marketplace, and energy with the least. However, we find that this trend of disclosure varies among media, in line with literature suggesting that the media of disclosure is directed to different audiences (Mitchell et al., 1997).

Interestingly, at the thematic category level, the trend of disclosure was different, first at overall disclosure and then split into different media. The overall sample reported on all the different thematic categories. We find that the main focus among the 17 thematic categories was “corporate governance information” followed by “community local influence” which can be explained given the dominance of the family ownership setting in the country (Dyer and Whetten 2006) and the increased levels of poverty in the country. However, “corporate governance information” volume value was of 33,174 while “community local influence” volume value was of 13,307 meaning that the companies in the sample give more than 2.5 times attention to “corporate governance information” than to “community local influence.” Following we find that “employee benefits” received almost equal attention as “environment prevention and repair.” Followed by “employee morale,” “corporate governance objectives/policies” and “environment pollution control.”

However, the results were different per media (Figure 3.2) and we find some interesting relations. For example, we find that the most frequently disclosed thematic category by far in annual reports was “employee benefits,” which is not surprising because annual reports typically include mandatory information. However, “employee benefits” got the least volume of disclosure in corporate websites. Another example is that while “community education” and “energy policies” got the least volume of disclosure in annual reports, these two thematic categories got the greatest disclosure volume of information in the sustainability reports, thus confirming that companies use disclosure media for different purposes (Patten and Crampton, 2004 and Guthrie et al., 2008).

Figure 3.2 CSR thematic categories disclosed by media.



4.3 Extent of Reporting by Industry Group

Unlike the overall sample where corporate governance was the primary focus of reporting, the energy industry's main focus was environment, followed by corporate governance, employees, marketplace, and community. It is noteworthy that the energy theme is also the one with the least volume of disclosure in the energy industry. More specifically, with respect to thematic categories, we find this industry focused primarily on "environment prevention and repair." Equal attention received "corporate governance objectives/policies" and "employee health and safety," closely followed by "corporate governance information" and "marketplace product." Fewer disclosures addressed “community philanthropy,” “community education,” and “energy research and awards.”

The telecommunications industry shows that community received the highest, followed by employees, environment, corporate governance, and marketplace. However, in the thematic category level, “employee benefits” was the primary interest followed by “community local influence,” “community local education” and “community local philanthropy.” By media, the sustainability reports show that community has the highest volume of disclosure followed by environment, employees, corporate governance, energy and marketplace respectively. The annual reports show employees receiving the most attention, followed by community, corporate governance, marketplace, with nothing for energy. Similar to the overall sample, the websites in this industry provided more coverage on corporate governance, followed by community, employees, and environment.

The financial services industry gives corporate governance more disclosure, followed by employees, marketplace, community, environment and energy respectively. At the thematic category level, the highest disclosure is on “corporate governance information.” By media, the sustainability reports show the same trend, more coverage on corporate governance followed by employees and marketplace. However, this trend is different in the annual reports where the primary interest is employees followed by marketplace and corporate governance. Finally, on websites, community received more disclosure than corporate governance.

The consumer discretional and services industry discloses more about community than any other industry. The marketplace is the second followed by corporate governance, employees, environment and energy correspondingly. We find the same trend at the thematic category level, where “community local influence” received more attention followed very closely by “marketplace customers”, then “corporate governance information”, “community education”, “corporate governance objectives/policies”, “employee benefits”, “marketplace product”, “employees morale”, “community philanthropy”, “environment prevention and repair”, “energy policies”, “marketplace providers,” and “environment pollution control”. It is interesting to find that the theme of disclosure in the sustainability reports follows the same trend as in the annual reports, where the community was most disclosed followed by marketplace, corporate governance, employees, and environment. In contrast, the websites show more disclosure about corporate governance followed by community.

The manufacturing industry focused more on the corporate governance theme, followed by employees, environment, marketplace, community, and energy. In the thematic categories, it was “corporate governance information” and “corporate governance objectives/policies” followed by “environment prevention and repair,” “marketplace product,” “employee benefits,” “environment pollution control,” and “employees morale.” This industry was the most consistent in disclosure; we find the same trend by media disclosure.

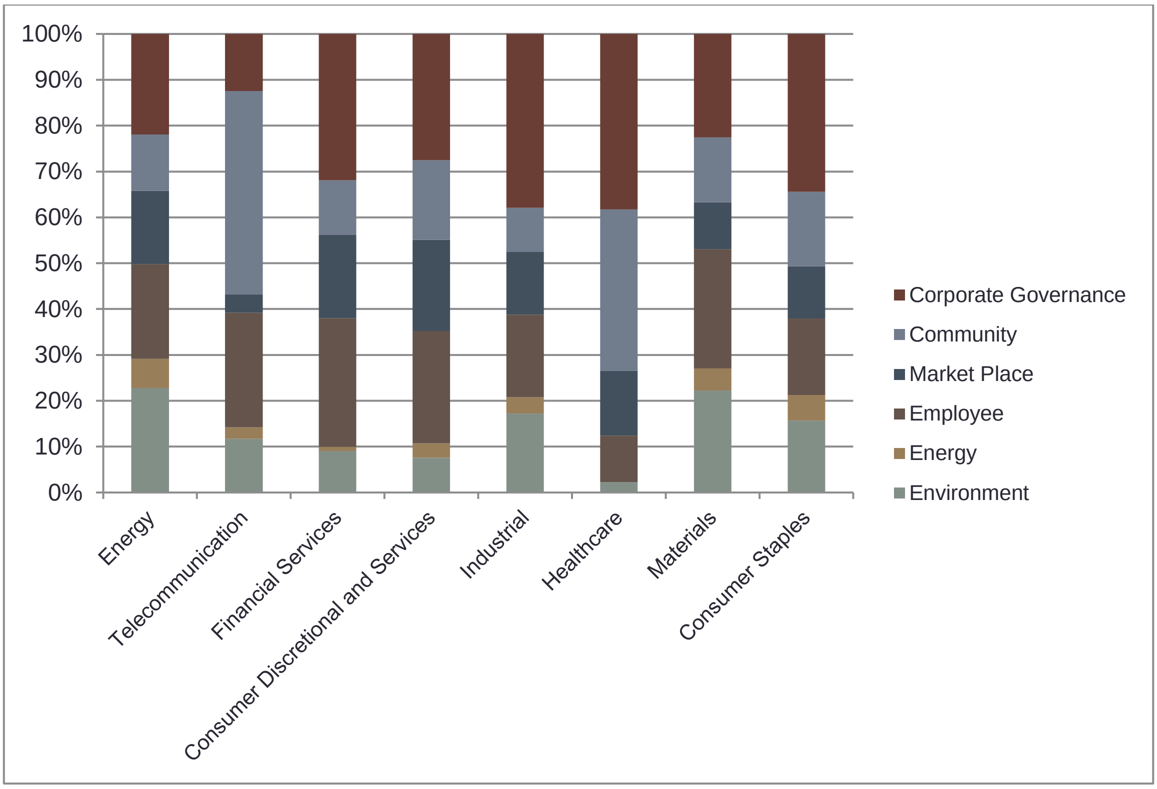
The healthcare industry focuses mainly on corporate governance followed by employees, environment, marketplace, community and lastly energy. However, by media, corporate governance was the main focus, but community ranked second in sustainability reports and web-pages while fourth in the annual reports. In the thematic category level, corporate governance information was the primary disclosure followed by “corporate governance objectives/policies,” “environment prevention and repair,” “marketplace product,” “employee benefits,” “environment pollution control,” "employees morale," "community local influence," "marketplace customers," "employee health and safe," "community philanthropy," "community education," and "marketplace providers."

The material industry's main disclosures were on employees followed by corporate governance, environment, community, marketplace and energy. By media, annual reports show the same pattern; however, in the sustainability reports corporate governance was the main focus followed by environment, employees, community, marketplace, and lastly energy. On the other hand, in websites it was community followed by corporate governance, environment, employees, marketplace and energy. Similarly, it was "corporate governance information" the highest thematic category disclosed followed by "community local influence," "environment prevention and repair," "environment pollution control," "employee health and safety," "employee morale," "corporate governance objectives/policies," and "marketplace product.".

Consumer staples is the last industry in the analysis, and like most of the industries, its focus is mainly on corporate governance. Employees was the second followed by community, environment, marketplace, and lastly, energy. In the thematic categories, "corporate governance information" received more disclosure followed by "environment prevention and repair," "employee benefits," "corporate governance objectives/policies," "employees morale," "community local influence," "environment pollution control," "marketplace customers," "community education," "community philanthropy," "marketplace product," and "marketplace providers." By media, in the sustainability reports, corporate governance was the mainly focused theme followed by community, environment, employees, marketplace and energy. In the annual reports, it was corporate governance as well but followed by the employees, marketplace, environment, community and lastly energy. We find almost the same trend in websites where corporate governance is the first but followed by environment and then by community.

In summary, CSR for each industry focuses on different themes. Figure 3.3 shows CSR per industry sector in which energy industry focused mainly on the environment and equally on employees and corporate governance. The telecommunication industry was highly interested in community followed by employees. The financial services industry primarily focused on employees, followed by corporate governance. The materials industry was leading in environment and employees. The healthcare industry focused almost equally on corporate governance and community. The manufacturing industry primarily focus was on corporate governance, followed by employees. The consumer staples industry led in energy, marketplace, community and corporate governance. This was in contrast with the overall sample where the primary interest was in corporate governance. This finding seems to underline the importance of the industry to discharge its accountability duties, providing evidence of legitimacy-based drivers of CSR reporting (Guthrie and Parker, 1989, p. 344). The volume of thematic categories disclosed by the different media suggest that the industry has identified those societal groups to whom the business might be accountable (Woodward and Woodward, 2001, p. 1) and discharged its duties of accountability to certain key stakeholders identified in different media.

Figure 3.3 CSR reporting per industry sector.



In addition, comparing our results to those of Paul et al. (2006) and Meyskens and Paul (2010), which also conducted content analysis studies in the Mexican setting, albeit employing more restrictive frameworks and less inclusive samples, we also suggest that Mexican and foreign companies in Mexico are moving towards international norms, with most now following GRI guidelines. Table 3.4 summarises the findings of Paul et al. (2006), Meyskens and Paul (2010) and our research. Paul et al. (2006) studied Mexican companies' corporate social responsibility from 2000 to 2003 and found that 10 out of 72 companies have an interest in CSR. Meyskens and Paul (2010) analysed the recent evolution of corporate social reporting in Mexico, expanding and updating Paul et al.'s (2006) previous study by comparing the 10 companies of Paul et al. with a sample of 17 different companies. Meyskens and Paul (2010) found that the 10 companies of the first research provided more CSR reporting than the 17 companies of the second one.

Table 3.4 Paul et al. (2006), Meyskens and Paul (2010), and the present study.

Patterns observed	Karen Paul et al.	Meyskens and Paul	Our research
Source	Derived from available sources	Purposeful sampling	Large public companies
Method	Case study of examples	Content analysis	Content analysis
Sample	10 companies	27 companies	73 companies
Companies issuing a standalone report	Only two companies	11 companies, this is 44 per cent of the sample	30 companies, this is 40 per cent of the sample
Frequency	On an occasional basis	From occasional basis to annually	Annually
Content (Thematic categories most disclosed)	Environment, donations and volunteerism	Philanthropy, volunteerism and local community development	Corporate governance, local community development and environmental prevention and repair
Semantic properties	Most reports were narrative statements of principles or values		Most reports are narrative followed by pictorial
GRI reporting	Only one report (British American Tobacco Mexico)	Companies were increasingly using global norms	Sixteen companies, this is 28 percent of the sample
External Verification	Only one report (British American Tobacco Mexico)		Eight companies, this is 11 per cent of the sample

Our results support Meyskens and Paul's (2010) research, as we conducted a follow up of the 13 public companies in their sample. We found that 88% of the companies examined in the first research and 60% of the companies examined in the second research issue a sustainability report. Furthermore, 75% of the first group and 60% of the second group reported based on GRI guidelines. The results suggest that in 2010/11, the most frequently disclosed information from all three sources—corporate websites, sustainability reports and annual reports—pertained to corporate governance, both positive and negative. However, in annual reports, the next most popular topic in terms of volume is employee benefits; it tends to be neutral and non-narrative, in particular, monetary, this perhaps done in compliance with Mexican law regulation. In sustainability reports, after corporate governance the next three topics in terms of volume are the environment, community and employees; these disclosures are all positive, but information about the environment and community tends to be disclosed by using pictures, while employee morale is addressed using declarative statements.

5. Discussion and Conclusion

In this chapter, we offer a comprehensive examination of the extent and nature of CSR reporting in Mexico. We conducted a detailed manual content analysis by combining cross-sectional and volumetric studies of annual reports, sustainability reports and corporate websites. In addition to the volume and content of disclosures, we looked at the semantic features of the information, considering (i) the economic sign that communicates the expected impact of CSR activities on a company's future performance and (ii) the type of information that distinguishes whether CSR activities are measured and described in monetary, numerical, declarative, or pictorial terms.

In general, our findings are aligned with previous research. We support Logsdon et al. (2006) findings that CSR in Mexico is not new, in addition, Muller and Kolk (2009) and Muller and Whiteman (2006) found that CSR activities are structural rather than incidental, as Mexico has experienced growing awareness of CSR. We found that only 29 companies (40%) in our sample issued a sustainability report, whereas the majority (60%) decided not to disclose through a SR. These results suggest that Mexican companies' CSR reporting is across all disclosure media, in a manner similar to their Western counterparts (Patten and Crampton, 2004). In addition, following Meyskens and Paul (2010), our findings suggest an increased international influence and a dramatic increase in voluntary GRI compliance. Twenty-eight percent (28%) of our sample reported to GRI standards; out of those companies, half the reports had external verification, representing almost 11% of the total sample. This finding links with Bastida-Ruiz et al. (2013), who found that in Mexico, a sustainability indicators framework can be adopted from international structures to local situations. We also found high proportions of corporate governance disclosure similar to research conducted by Dyer and Whetten (2006). The greater numbers of corporate governance disclosures may be due to the composition of businesses in the Mexican corporate sector, which has long been dominated by family-owned, highly diversified conglomerates organised as "grupos" (Logsdon et al. 2006). The majority of Mexican family-owned firms have traditionally preferred to maintain secrecy about the extent of their holdings and operations (Meyskens and Paul, 2010). They may prefer to focus on corporate governance disclosures rather than on details of daily operations, executive salaries, and other facets they would prefer to keep confidential.

With respect to disclosures about some categories (e.g. corporate governance, environment, employees, and community), we found CSR reporting in Mexico is comparable to that in developed countries. In our sample, corporate governance disclosures were followed by employee, community, environment, marketplace, and energy. Environment currently holds fourth place, although there seems to be an increased emphasis on environmental disclosures with growing awareness of the sustainable consumption of natural resources (Jimena, 2010). This may be a shift in priorities due the fact that environmental concerns constitute the only area where effective stakeholder consultation takes place (Weyzig, 2006).

However, we found that the volume of disclosures varies among media, in line with literature suggesting that the media of disclosure is directed to different audiences (Mitchell et al., 1997). The content of CSR information that companies choose to disclose in their annual reports is significantly different from the content of information that they disclose through sustainability reports and websites (Patten and Crampton, 2004 and Guthrie et al., 2008). Measured in terms of the mean of disclosure, the most discussed CSR themes in annual reports are corporate governance, employees, marketplace, followed by environment, community, and energy. Conversely, sustainability reports convey information about corporate governance, community, environment and employees, with less space devoted to marketplace and energy. Similar patterns are observed for website disclosure although its disclosure scores on average are significantly lower than the ones observed for other reporting media. These findings seem to suggest that companies use disclosure media for different purposes, with a performance-driven principle behind CSR communications at all levels (Amezaga et al., 2013).

Our research also found industry sector to significantly influence CSR information disclosure, supporting studies by Araya (2006), Wanderley et al. (2008), Perez-batres et al., (2010) and Perez-batres et al., (2012). Each industry prioritises certain disclosure topics, which clearly relate to the type of stakeholder they mostly affect. For example, the energy industry’s focus was “environment prevention and repair” while in the material industry it was “corporate governance information” followed by “community local influence.” These findings seem to underline the importance of the industry to discharge its accountability duties, providing evidence of legitimacy-based drivers of CSR reporting (Guthrie and Parker, 1989, p. 344). In addition, the volume of themes disclosed through the different media, as discussed in the previous section, suggests that the industry has identified those societal groups to whom the business might be accountable (Woodward and Woodward, 2001, p. 1) and discharged its duties of accountability to certain key stakeholders identified in different media. In addition, seem to support why CSR programmes are often perceived with suspicion and distrust, where society believe that companies use their privileged position to exploit poor and middle-class Mexicans and link CSR programmes to tax evasion and some fraudulent activities (Velazquez et al., 2009). However, the findings from Paul et al. (2006) and Meyskens and Paul (2010) point towards a legitimacy-based explanation, as they find increased CSR disclosure in industries that are vulnerable to social criticism, such as petroleum, cement and tobacco.

Our findings seem to support that there is a general association between the content and the semantic properties of corporate social responsibility information, highlighting the need to consider semantic properties of communication in future investigations. We found companies report more substantive, either positive or negative CSR information via the annual report, whilst disclosing their largely symbolic and predominantly positive CSR information thru sustainability reports and corporate websites, which potentially have smaller audiences, or audiences of lesser importance. Unsurprisingly, we find companies tend to use considerably more positive or neutral disclosures than negative disclosures. However, the comparison across media shows that positive disclosures appear on corporate websites, followed by sustainability reports and then by annual reports—this difference is statistically significant for all three reporting media. We also reported that negative disclosure is more prevalent in the annual reports relative to both sustainability reports and corporate websites. Perhaps this finding is mainly because annual report disclosures are mandatory to a certain extent, while disclosures in sustainability reports and corporate websites are predominantly voluntary. On the other hand, we observed that disclosure is mainly declarative in all of the analysed reporting media. Monetary information is more common in the annual reports while mostly absent in the sustainability reports. Pictorial information is mostly observed in the sustainability reports. Overall, this evidence suggests that CSR information provided through annual reports is more accurate than that disclosed by other reporting media. Conversely, sustainability and corporate websites are used to convey boilerplate information, confirming that these media tend to be more symbolic, rather than substantive CSR reporting tools (Michelon et al., 2015).

In summary, we find that CSR reporting in Mexico has a general association between the content and the semantic properties of CSR information, suggesting a "pecking order" approach. We found that companies report their more substantive CSR information via the annual report to their most "critical stakeholders," whilst disclosing their largely symbolic CSR information via sustainability reports, and corporate websites, which potentially have a smaller audience, or an audience of lesser importance. Our results support Araya (2006) and Logsdon et al. (2006) suggesting that cultural and historical factors influence the nature of CSR reporting in Mexico. These include a lack of disclosure regulations and a preference for command-and-control approaches; limited non-regulatory pressure, little media exposure, a weak shareholder culture, focus on lower costs, confidentiality culture, and stakeholders with little legitimacy and few resources to exert influence. Our results stress the potential lack of stakeholder engagement in the Mexican setting, which we explore in more detail in the next chapter.

We contribute to the limited literature exploring CSR reporting in Mexico. We found that CSR reporting in Mexico across different disclosure media is similar to that in US or UK companies (Patten and Crampton, 2004). By following overseas studies using similar sampling and measurement techniques, this study provides a benchmark of CSR disclosure in a context of distrust and disbelief from which further work can proceed. Overall, our study suggests that business engagement with CSR and its reporting is still weak in Mexico, which may further increase the audience's suspicion over the incentives of such communication.

In addition, we contribute by conducting a survey of CSR reporting across industries and reporting media (annual reports, sustainability reports and corporate websites). We go beyond the examination of the amount of disclosure to provide a comprehensive analysis of the content and the sematic features of CSR reporting in Mexico. Our analysis of the semantic properties of disclosure as well as of the multiple media examined illustrate that there is still a considerable room for improvement until reporting genuinely addresses Mexican stakeholder expectations and informs their decisions.

Chapter 4 Determinants behind CSR reporting

1. Introduction

The aim of this chapter is to investigate the determinants for CSR reporting in Mexico. As discussed in the previous chapter, although there appears to be evidence of ongoing increases in CSR reporting in Mexico, it is not clear what is driving the increased disclosures. The literature shows that common external drivers found in other settings, such as regulation or stakeholder engagement, do not appear to be at work in Mexico (Weyzig 2006; Velazquez et.al., 2009), highlighting the need for further research, adopting more sophisticated designs and alternative theoretical propositions.

An important, albeit unanswered, question is whether, and to what extent, internal corporate governance characteristics affect CSR reporting behaviours in Mexico. Exploring the role of corporate governance for CSR disclosure in Mexico is particularly worthwhile, given the lack of stakeholder engagement and related regulation in this country, which suggest the presence of potential internal drivers. In line with other Latin American countries, concern about corporate governance has been increasing in Mexico, principally due to the demands of international investors and the pressures faced by newly privatised companies as well as the process of mimetic isomorphism within Mexico, where business people are responding to governance movements in other countries, particularly its neighbour, the USA. However, a major threat to its corporate governance model arises from the conflicts occurring among families that desire to retain control in the face of increased needs for external financing (Orantes, 2016). Mexico indeed has an insider, family-owned governance system that is characterised by concentrated equity ownership, a weak emphasis on minority interest protection in securities law and regulation, and relatively weak requirements for disclosure (Husted and Serrano, 2002). Therefore, in this chapter we examined the extent to which several corporate governance characteristics related to the ownership structure and the composition of firm governing bodies affect CSR reporting in Mexico.

Drawing on the broader concept of accountability, as well as on stakeholder and legitimacy theories we examine the relationship of foreign ownership, board composition (proportion of independent directors), board leadership (whether the CEO is also the chairperson of the board), gender (proportion of female directors) and structure (whether there is a CSR-dedicated committee) to CSR reporting. Similarly to Cerbioni and Parbonetti (2007) and Michelon and Parbonetti (2012), we proposed a theoretical framework to explore the possible association of governance mechanisms with semantic properties of CSR reporting, including the economic sign (whether it is positive, negative or neutral) and managerial orientation (whether it is of monetary, numerical, declarative or pictorial nature). We provide evidence that legitimacy-based drivers of CSR reporting are also at play in Mexico. We find that corporate governance affects both the content and the semantic properties of CSR information published, as well as the choice of the disclosure media and develop explanations for the noted differences in disclosure patterns.

This chapter contributes to the literature by delving deeper into the findings of the previous chapter by identifying and exploring a wide range of determinants of CSR reporting. Whilst a number of commonly found determinants in the Western literature are identified, the study also focuses on corporate governance determinants. In doing so, we echo calls in the CSR literature and the governance literature for wider accountability (Bebbington, 2004; Brennan and Solomon, 2008). Following Michelon and Parbonetti (2012) who argue that good corporate governance and CSR reporting can be seen as complementary mechanisms used by companies to enhance relations with stakeholders and mediate potential conflicts with shareholders, by exploring governance-based determinants we also contribute to the related growing corporate governance literature. As later discussion on our hypotheses will reveal, the existing literature is rather inconclusive and generally focuses on outsider governance systems. Focusing on the family-based Mexican setting, given its proximity to the U.S., offers further insights into the explanations behind these inconclusive findings. We believe that it is particularly worth exploring the role of corporate governance in Mexican CSR reporting provisions given the above noted lack of stakeholder engagement and related regulation, suggesting the presence of potential internal drivers. The remainder of the chapter is structured as follows. The next section provides the literature review, then the theoretical framework, followed by the hypotheses, the methods employed in the study, the results and then the concluding section, which discusses key findings.

2. Literature review

The CSR reporting literature reviewed in Chapter 3 and its findings point towards a corporate governance explanation of Mexico's CSR reporting. Mexico has an insider, family-owned governance system, which is characterised by concentrated equity ownership, a weak emphasis on minority interest protection in securities law and regulation, and relatively weak requirements for disclosure (Husted and Serrano, 2002). Concern about corporate governance has been increasing in Mexico, as with the rest of the world. In Mexico's case, this is principally due to the demands of international investors, the pressures faced by newly privatised companies, as well as the process of mimetic isomorphism within Mexico, where business people are responding to governance movements in other countries, particularly the U.S.

A major threat to the Mexican corporate governance model arises from the conflicts occurring among families that desire to retain control in the face of increased needs for external financing. To some extent, this has been softened by raising funds through stock classes that do not enjoy full voting rights (Husted and Serrano, 2002). More recently Mexican firms have improved corporate governance by adopting the Code of 'Best' Corporate Practices. The Code was originally developed on a voluntary basis, and listed companies were required to indicate their degree of compliance with several provisions. Since 2003, amendments concerning the transparency of financial reporting have been made legally enforceable (Machuga and Teitel, 2009). New rules were designed to protect minority shareholders, safeguard the independence of auditors and better define the duties of the board of directors. The effectiveness of the Code, however, is still undermined by the strong family control, shared directorships across companies, weak legal environment based on the civil law tradition and limited law enforcement mechanisms (Machuga and Teitel, 2009). These issues are discussed in more detail in the hypotheses section, which follows the theoretical framework outline.

3. Theoretical framework

The theoretical arguments of this study draw on accountability, stakeholder, and legitimacy frameworks to explain how corporate governance can influence CSR reporting decisions. Although both corporate governance and CSR have been extensively analysed before, very few studies have attempted to merge and identify interplays between them (Michelon and Parbonetti, 2012). Furthermore, as the succeeding discussion on the hypotheses demonstrates, findings from that literature are largely inconclusive.

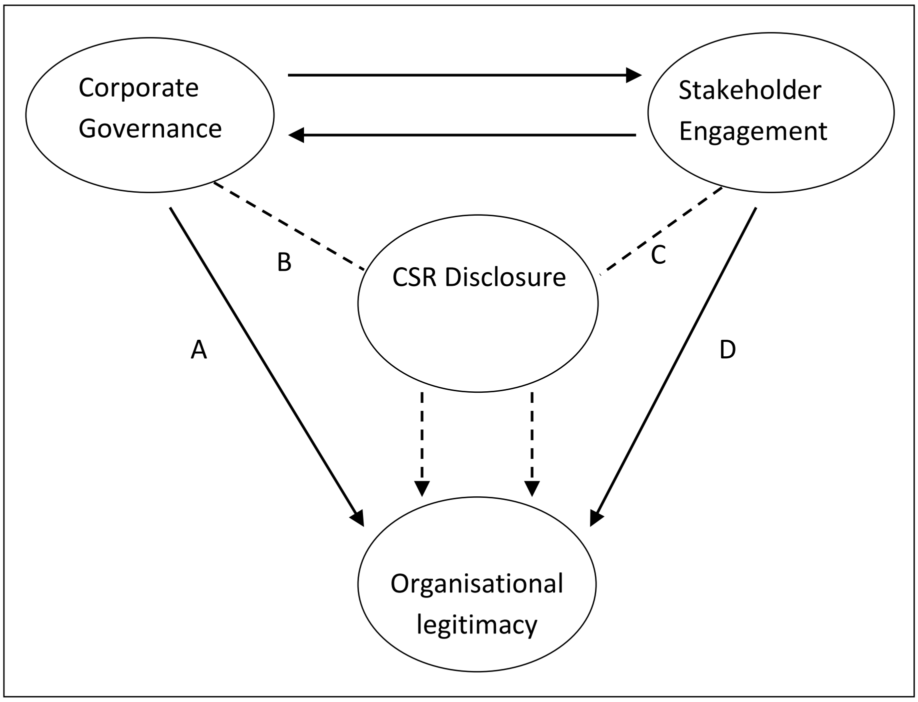
Accountability, stakeholder, and legitimacy theories have all been previously utilised to explain corporate decisions to disclose corporate social responsibility information, despite offering largely overlapping arguments (Gray et al., 1995a). They argue that accountability involves two responsibilities or duties: the responsibility to undertake certain actions (or forbear from taking actions) and the responsibility to provide an account of these actions. Stakeholder theory would take these arguments further and suggest "the identification of those societal groups to whom the business might be considered accountable, and therefore to whom an adequate account of its activities would be deemed necessary" (Woodward and Woodward, 2001, p. 1). Legitimacy theory would then underline the importance of a business to discharge its accountability duties to identified key stakeholders "in return for approval of its objectives, other rewards and ultimate survival" (Guthrie and Parker, 1989, p. 344).

Within the corporate governance domain, the above arguments offer an alternative perspective to the conventional shareholder-centric model. This is reflected in Shleifer and Vishny's (1997) approach, suggesting that corporate governance "deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment" (p. 737). A key associated objective would then be to mediate agency conflicts between management and shareholders. However, there are now increasing calls to "extend corporate accountability to non-shareholding stakeholder groups" (Brennan and Solomon, 2008, p. 892). Indeed, more recent definitions of corporate governance emphasise the multiple accountability bonds of the organisations with their stakeholders. Notably, OECD (2004) defines corporate governance as a set of relationships between firm's management, its board of directors, its shareholders and other stakeholders. Such a broader accountability perspective would suggest stakeholder engagement as essential in order to develop an understanding of stakeholders' expectations. A prerequisite for "good corporate governance and accountability" would then be to "focus on addressing these social, environmental, economic and ethical expectations" (Unerman and Bennett, 2004, p. 685).

In line with the broader accountability perspective above, we argue that corporate governance and CSR reporting can be seen as complementary mechanisms used by companies to enhance relations with stakeholders. Figure 4.1 below graphically summarises our theoretical arguments and presents a modification of Michelon and Parbonetti's (2012) framework to more closely reflect the objectives of our study. We propose that corporate governance and stakeholder engagement can impact organisational legitimacy, either directly or indirectly, by influencing CSR reporting decisions. More specifically, we note that the board may be itself a mechanism of legitimacy and reputation (link A); however, the board may also decide on the definition of the accountability of the company, thereby also affecting the CSR reporting to stakeholders and indirectly influencing the organisational legitimacy (link B). Likewise, stakeholder engagement may indirectly influence the levels of CSR information published by the organisation as part of its dialogue with stakeholders (link C); and directly enhance organisational legitimacy, as it allows organisations to adjust behaviour to meet stakeholder expectations (link D).

To stress the importance of (or potential lack of) stakeholder engagement in the Mexican setting, we deviate from Michelon and Parbonetti by additionally acknowledging direct, two-way links between corporate governance and stakeholder engagement: corporate governance may determine the stakeholder engagement approach and how stakeholders' interests are considered at the board level; whilst stakeholders may in turn, if consulted, have a direct input on the board's decisions and occasionally control or appoint the board in more participative governance models. Such interactions would also ultimately be expected to influence the company's definition of accountability and CSR reporting policies.

Figure 4.1 Theoretical Framework: Determinants for CSR disclosure.



Prior to developing hypotheses to explore these arguments we should note the distinction between substantive vs. symbolic legitimation, originally proposed by Pfeffer and colleagues (Pfeffer and Salancik, 1978; Pfeffer, 1981). Substantive legitimation would generally involve "real, material change to organizational goals, structures and processes, or in socially institutionalized practices" (Savage et.al., 2000, p. 48). Symbolic legitimation, on the other hand, involves the "transformation of the identity or meaning of acts to conform to social values" and is predicated on the proposal that "the acceptance of authority resides in the *belief* in the legitimacy of the order independently of the validity of that order" (Richardson, 1985, p. 143, emphasis in the original). Previous studies exploring the linkages of corporate governance with CSR reporting have not explored this distinction. By conducting a thorough content analysis and additionally considering the quality of disclosure, we also offer some insights into related practices by Mexican companies.

4. Hypotheses development

To explore the applicability of our framework, and with reference to our Mexican setting presented in Chapter 3 and other corporate governance studies, we analyse the impact of foreign ownership, board composition, leadership, gender and structure on CSR reporting.

Foreign ownership

Araya (2006) explored non-financial reporting in Latin America and found evidence of a positive link between company internationalisation and non-financial reporting. In the South, and South East Asian context, Teoh and Thong (1984), Chapple and Moon (2005) and Muttakin and Subramaniam (2015) findings suggest that companies with foreign ownership are more likely to provide more CSR information. This is also expected to generally be the case in Mexico as previous studies (KPMG, 2016) find Mexican companies' CSR provision to trail that of organisations from more developed countries such as the U.S. and the U.K. (and a spilover effect would thus be expected). Moon (2014) suggests that companies in emerging or developing countries are often involved in CSR at some level through international supply chains or in the search for new international markets.

However, this may not be the case for all types of disclosure. As per legitimacy and stakeholder theories, organisations may provide more CSR reporting to address salient stakeholder concerns. As the preceding discussion illustrated, for foreign owners, disclosure about local stakeholders such as community may not be a priority and may therefore decrease related disclosure provisions. Weyzig (2006) also accordingly notes that, despite that Mexico has received large amounts of foreign direct investment, MNEs have established very few linkages with the local economy. Given the opposing theoretical perspectives and findings, we hypothesise that:

H1: All else being equal, CSR reporting is associated with foreign ownership.

Board composition

Independent directors are seen as accountability mechanisms as their role is to help ensure that companies are pursuing the interests not only of shareholders but also of stakeholders (Zahra and Stanton, 1988; Haniffa and Cooke, 2005). Because independent directors are less aligned with management, they may be more inclined to encourage firms to disclose a wider range of information to stakeholders, potentially conveying information to a broader set of stakeholders. In doing so, they also ensure congruence between organizational decisions and societal values and corporate legitimacy (Haniffa and Cooke, 2005; Michelon and Parbonetti, 2012). Indeed, a number of studies find a positive association between the proportion of independent directors on the board and the provision of voluntary disclosure (Cerbioni and Parbonetti, 2007; Muttakin and Subramaniam, 2015).

Most Mexican companies are family controlled with family members in key management positions and occupying important positions on the board of directors. Owners/managers often serve on each other's boards, making it questionable whether or not any directors are truly independent. Furthermore, directors married to members of the controlling family but not working for the company are considered independent. Godparents of family members are also viewed as being independent (Machuga and Teitel, 2009). From an agency point of view, it could be argued that corporate social responsibility is used by management as an entrenchment strategy in order to gather support from stakeholders. The monitoring intensity of the board, therefore, as expressed by the increased presence of independent directors, should constrain managerial discretion and may have a negative effect on a firm's CSR activities and related reporting (Mallin et al., 2013). Michelon and Parbonetti (2012), however, find no association between the proportion of independent directors and CSR reporting. Given the opposing theoretical perspectives and findings, we hypothesise that:

H2: All else being equal, CSR reporting is associated with the proportion of independent directors serving on the board.

Board leadership: CEO duality

CEO duality means that the CEO of a company also holds the board chairperson position. It has been argued that CEO duality constrains board independence and reduces the possibility that the board can properly execute its oversight and governance role (Cerbioni and Parbonetti, 2007). This could then result in a lower level of voluntary disclosure and transparency.

In Mexico however, given the dominance of the family control model, it is usual for the founder or senior family member to still be tied to the company and serve as chairman of the board, while a younger family member acts as CEO (Husted and Serrano, 2002). Furthermore, according to the managerial entrenchment perspective discussed above, the presence of CEO duality may decrease the board's monitoring intensity and may actually have a positive impact on the provision of CSR reporting. Empirical research on the impact of CEO duality on voluntary disclosure has been inconclusive (Ho and Wong, 2001; Cheng and Courtenay, 2006: no association; Gul and Leung, 2004: negative association). In the CSR reporting domain, Michelon and Parbonetti (2012) find no association, whilst Muttakin and Subramaniam (2015) find a negative association between CEO duality and corporate responsibility reporting. Given the opposing theoretical perspectives and findings, we suggest that:

H3: All else being equal, CSR reporting is associated with CEO duality.

Board gender

From a stakeholder theory point of view, more gender-diverse groups might take a longer-term perspective and understand and relate to their stakeholders better. It has been argued that gender-diverse boards monitor more intensively as female directors have better attendance records (which in turn ultimately benefits male director attendance) and women are also more likely to join board committees (Adams and Ferreira, 2009). According to the literature on gender-based differences, women and men are different in the way they play their leadership role: while men are characterised mainly to agentic attributes (ambition, leadership ability and intelligence) (Eagly et al., 2003), women are more ascribed to communal characteristics (attractiveness, warmth, compassion and cooperativeness). Bilimoria (2000, p. 27) suggests that women are valued as board members for their ability to "provide strategic input and generate productive discourse." Such abilities, combined with the communal characteristics predominant in female directors, are more likely to lead to the women's active involvement in issues of a strategic nature that concern the firm and its stakeholders (Mallin et al., 2013). Shaukat et al. (2016) also find that more gender-diverse firms achieve superior corporate social responsibility performance. Given the congruent theoretical perspectives and findings, we suggest that:

H4: All else being equal, CSR reporting is positively associated with board diversity.

Board structure

A company's board structure, given that it defines its internal organization and division of activities among committees, affects the directors' involvement in shaping the mission and the strategy of the company (Zahra and Pearce, 1989). The presence of a CSR committee or of a person responsible for sustainability issues at the board level indicates the company has an active strategic posture with regard to stakeholders (Ullman 1985; Michelon and Parbonetti, 2012). A number of studies find that there is a relationship between the presence of a CSR committee and corporate social responsibility provisions: e.g. Michelon and Parbonetti find (weak) support, whilst Mallin et al. (2013) find that stakeholder-oriented governance mechanisms lead to higher environmental performance, and eventually lead to more transparent environmental disclosure. We accordingly suggest that:

H5: All else being equal, CSR reporting is positively associated with the presence of a CSR committee.

5. Methodology

1.1. Sample selection

To test our hypotheses, we used the same sample and the data gathered in chapter 3. Our sampling approach is similar to that suggested by Gray et al. (1995), who propose that representative CSR samples should include the largest listed companies, a selection of companies from reliable rankings, and a selection of best practice exemplars. We selected 2010 for our analysis, as this allows a sufficient number of years for the corporate governance changes introduced by the revised Codes earlier in the decade to be applied (Machuga and Teitel, 2009). The total number of companies analysed was 73. The data was gathered from the CSR information we examined in a wide array of reporting media including annual reports, sustainability reports, and corporate websites. All reports were published in Spanish.

1.2. Measurement of variables

1.2.1. CSR reporting

The analysis of the semantic properties (economic sign and type) of information presented in CSR reporting permitted us to differentiate the firms that disclose general boilerplate information from those that provide specific information to help readers understand the corporate social responsibility activities, objectives and results. This methodology allowed building both a total score for a company and various scores for more specific aspects of its disclosure.

Based on the model, we built 14 different disclosure scores. The first five relate to the content of information disclosed: the disclosure index of Environmental (ENV_AR), Energy (ENER_AR), Employees (EMP_AR), Marketplace (MP_AR), Community (COMM_AR), and Corporate Governance (COGOV_AR) information. The next three are related to the economic sign: the disclosure index of CSR information that has (1) a positive economic impact (POS_AR), negative economic impact (NEG_AR) or no impact (NEU_AR). The last four indices relate to the type of information used to discuss corporate social responsibility activities, distinguishing among monetary (MON_AR), numerical (NUM_AR), declarative (DEC_AR) and pictorial (PIC_AR). Finally, for the annual report disclosure we also computed a summary measure of the extent of CSR information relative to other non-CSR information (CSRINFO_AR).

1.2.2. Independent and Control variables

For the independent variables, we rely on several governance-related variables that, according to the literature, serve as a proxy for the ownership and the board of directors' characteristics. Foreign ownership (FORE_OWN) is measured as a dummy variable, taking the value 1 if the firm is owned by foreign shareholders, 0 otherwise (Cho et al., 2013). Following Cerbioni and Parbonetti (2007) and Mallin et.al. (2013), board composition (B_INDEP) was measured by the proportion of independent directors and the board gender (B_GEN) was measured by the proportion of women directors sitting on the board; board leadership (B_LEADER) was measured by a dummy variable that took the value of 1 if the CEO was also the chairperson of the board and 0 otherwise; the board structure (B_STRUC) was measured by a dummy variable that took the value of 1 if the board of directors has a CSR committee or other sustainability-related committee, 0 otherwise. We also include the board size (B_SIZE) to account for the total number of directors sitting on the board (Lipton and Lorsch, 1992; Jensen, 1993). All the data on ownership and board of director attributes are collected from the firms' annual reports and corporate websites.

We selected additional control variables on the basis of prior studies that examined CSR reporting. First, we consider whether and to what extent the company follows GRI Standards. Using data from the GRI website, we created an ordinal variable that ranges from 0 to 7 according to the level of GRI Compliance. Then we control for the impact of the industry membership on CSR reporting where a dummy variable (ESI) equals 1 if the firm belongs to one of the environmentally sensitive industries as defined by Patten (1991). We measure reputation (CSR_INDEX) as a dummy variable equal to 1 if the company belongs to the SR_MSE_INDEX, 0 otherwise (Deephouse and Carter 2005; Michelon and Parbonetti, 2012) while as a measure of CSR performance (CSP) we consider whether the firm has the ESR (Empresa Socialmente Responsable) Certification, a certification that is well regarded in Mexico. Finally, we include some firm-specific variables that prior studies have found to be associated with CSR reporting: Leverage (LEV) is measured as the ratio of total debt to shareholders' equity (Ahmed and Courtis, 1999); company size (SIZE) is measured as the logarithm of total assets (Lipton and Lorsch, 1992; Jensen, 1993); and firm profitability (ROA) is proxied by the return on assets. All variables are explained in detail in Table 4.1.

Table 4.1 Variable definition.

Variable	Label	Description
Panel A: Disclosure Variables		
CSRINFO_AR	Total CSR Disclosure Score	Proportion of pages on CSR Disclosure in Annual Report
ENV_AR	Environmental Disclosure Score	Proportion of pages in Annual Report related with Environmental Information
ENER_AR	Energy Disclosure Score	Proportion of pages in Annual Report related with Energy Information
EMP_AR	Employee Disclosure Score	Proportion of pages in Annual Report related with Employee Information
MP_AR	Market Place Disclosure Score	Proportion of pages in Annual Report related with Market Place Information
COMM_AR	Community Disclosure Score	Proportion of pages in Annual Report related with Community Information
COGOV_AR	Corporate Governance Disclosure Score	Proportion of pages in Annual Report related with Other Information
POS_AR	Positive Disclosure Score	Proportion of pages in Annual Report related with CSR Information with Positive Impact on Firm Performance
NEG_AR	Negative Disclosure Score	Proportion of pages in Annual Report related with CSR Information with Negative Impact on Firm Performance
NEU_AR	Neutral Disclosure Score	Proportion of pages in Annual Report related with CSR Information with Neutral Impact on Firm Performance
MON_AR	Monetary Disclosure Score	Proportion of pages in Annual Report related with CSR Disclosure with Monetary Information
NUM_AR	Numerical Disclosure Score	Proportion of pages in Annual Report related with CSR Disclosure with Numerical Information
DEC_AR	Declarative Disclosure Score	Proportion of pages in Annual Report related with CSR Disclosure with Declarative Information

Table 4.1 Variable definition (*continued*).

Variable	**Label**	**Description**
Panel A: Disclosure Variables		
PIC_AR	Pictorial Disclosure Score	Proportion of pages in Annual Report related with CSR Disclosure with Pictorial Information
Panel B: Independent and Control Variables		
FORE_OWN	Foreign Ownership	Dummy variable equals 1 if Foreign ownership; 0 if Mexican ownership
B_INDEP	Board Independence	Proportion of Independent Directors Sitting on the Board
B_GEN	Board Gender	Proportion of Women Directors Sitting on the Board
B_LEADER	Board Leadership	Dummy variable equals 1 if CEO is also the President; 0 Otherwise
B_STRUC	Board Structure	Dummy variable equals 1 if the Board of Directors has a CSR Committee; 0 otherwise
BOD_SIZE	Board Size	Number of Directors Sitting on the Board
GRI	GRI Compliance	Ordinal variable from 0 to 7 for the level of GRI Compliance
CSR_INDEX	CSR Reputation	Dummy variable equals 1 if the Firm Belongs to SR_MSE_INDEX; 0 Otherwise
ESI	Industry Membership	Industry Membership to Environmental Industries
CSP	Social and Environmental Performance	Dummy variable equals 1 if the Firm has ESR Certification; 0 Otherwise
SIZE	Firm Size	Natural Logarithm of Total Assets
ROA	Firm Profitability	Operating Income Divided by Total Assets

6. Results

The purpose of this chapter was to identify whether CSR reporting in annual reports is associated with corporate governance variables. For this analysis we focus on annual report disclosures, given the pivotal role that they play in corporate communication (Adams and Harte, 1998). Moreover, CSR information in annual reports is available for all the analysed companies, thus providing a wider examination of the relationship under investigation for the whole sample. To this aim the following model is estimated

$$D\_SCORE = \beta_0 + \beta_1\, FORE\_OWN + \beta_2\, B\_INDEP + \beta_3\, B\_GEN + \beta_4\, B\_LEADER +$$

$$+\beta_5\, B\_STRUC + \sum_k (\beta_k\, CONT_k) + \varepsilon$$

where D_SCORE is alternatively one of the disclosure indices described in Table 4.1, Panel A and *CONT* is the vector of the selected control variables.

Table 4.2 reports the descriptive statistics for the dependent and independent variables. The mean of the index for the overall disclosure is 0.0786. The maximum value is 0.4432 with a standard deviation of 0.0926. Descriptive statistics for the disclosure score related to the content and the semantic properties of CSR information echo those reported in Table 3.1. Regarding the governance-related variables, we observe that approximately 8% of the sample company has a foreign ownership; 33% of the board members are independent, and the 4.6% are women with a total number of directors sitting on the board being equal to 12. In almost 33% of the companies, the CEO is also the chairperson, and in 34.2% of the firms the board has a CSR committee. Fewer than half of the sample companies report on the Application Level (22%), has an ESR certification (34%), or belongs to a CSR index (26%). Finally, the average sample company is large and has a positive performance.

Table 4.2 Descriptive statistics.

Variable	N	mean	p50	min	max	sd
Panel A: Disclosure Variables						
CSRINFO_AR	73	0.0786	0.0428	0.0028	0.4432	0.0926
ENV_AR	73	0.1267	0.0598	0	0.9418	0.1674
ENER_AR	73	0.0189	0	0	0.2680	0.0505
EMP_AR	73	0.4515	0.4313	0	1	0.2920
MP_AR	73	0.1539	0.0855	0	0.8	0.1707
COMM_AR	73	0.0740	0	0	0.6512	0.1332
COGOV_AR	73	0.1748	0.0444	0	0.9665	0.2479
POS_AR	73	0.5569	0.5811	0	1	0.3133
NEG_AR	73	0.0224	0	0	0.6923	0.1110
NEU_AR	73	0.4205	0.3853	0	1	0.3104
MON_AR	73	0.2196	0.1424	0	1	0.2355
NUM_AR	73	0.0352	0	0	0.4705	0.0791
DEC_AR	73	0.5295	0.5	0	1	0.2653
PIC_AR	73	0.2155	0.0986	0	0.7525	0.2500
Panel B: Independent and Control Variables						
FORE_OWN	73	0.0821	0	0	1	0.2765
B_INDEP	73	0.3300	0.375	0	0.8571	0.2383
B_GEN	73	0.0464	0	0	0.3636	0.0733
B_LEADER	73	0.3287	0	0	1	0.4730
B_STRUC	73	0.3424	0	0	1	0.4778
BOD_SIZE	73	12.4383	12	5	32	4.6097
GRI	73	1.0684	0	0	7	2.2566
CSR_INDEX	73	0.2602	0	0	1	0.4418
ESI	73	0.2328	0	0	1	0.4255
CSP	73	0.3424	0	0	1	0.4778
SIZE	73	10.1801	10.1801	5.3386	14.1022	1.8181
ROA	73	0.0984	0.0767	0.0032	0.3579	0.0803

The Pearson correlation coefficients between independent and control variables reported in Table 4.3 do not suggest serious multicollinearity problems.

Table 4.3 Correlation coefficients.

	FORE_OWN	B_INDEP	B_GEN	B_LEADER
FORE_OWN	1			
B_INDEP	-0.0043	1		
B_GEN	0.1496	-0.2236*	1	
B_LEADER	-0.1033	-0.0468	-0.0259	1
B_STRUC	-0.0058	-0.0073	0.1607	-0.1364
BOD_SIZE	0.1566	0.1805	0.0342	-0.118
GRI	0.1021	-0.1959*	0.0625	-0.0474
CSR_INDEX	0.0498	0.0351	0.1248	-0.1493
ESI	-0.0469	-0.1166	-0.2829*	-0.1096
CSP	0.0993	-0.0635	0.194	-0.0135
SIZE	0.3123*	-0.1789	0.0374	-0.2074*
ROA	0.0646	-0.0028	0.0612	-0.1175

	B_STRUC	BOD_SIZE	GRI	CSR_INDEX
FORE_OWN				
B_INDEP				
B_GEN				
B_LEADER				
B_STRUC	1			
BOD_SIZE	0.0948	1		
GRI	0.2098*	0.1960*	1	
CSR_INDEX	0.164	0.1751	0.3719*	1
ESI	0.0805	-0.166	0.3013*	-0.0314
CSP	0.2092*	0.2714*	0.3644*	0.2298*
SIZE	0.0713	0.4373*	0.4124*	0.3565*
ROA	0.1654	0.1987*	0.1987*	0.2422*

	ESI	CSP	SIZE	ROA
FORE_OWN				
B_INDEP				
B_GEN				
B_LEADER				
B_STRUC				
BOD_SIZE				
GRI				
CSR_INDEX				
ESI	1			
CSP	0.2171*	1		
SIZE	-0.029	0.2543*	1	
ROA	0.0449	0.1598	0.0621	1

Tables 4.4 and 4.5 report the estimation for the association between the different disclosure indexes and the test variables as well as the control variables. Column (1) of Table 4.4 presents the regression results for the Overall CSR score. In line with our hypothesis, the board structure relates positively to the extent of CSR (β=0.0420, p-value <0.05) while neither foreign ownership nor the other board variables has a significant association. Moreover, in our sample the variables that other studies consider as having a statistically significant effect on corporate disclosure are not related to the overall CSR score, with the only exception of CSR_INDEX that is positively and significantly related to the total CSR score (β=0.0725, p-value<0.10).

With regard to the environmental information (Column 2), the regression model shows that, as expected, the disclosure score is positively and significantly related to the proportion of independent directors (β=0.151 p-value <0.10), the proportion of women directors (β=0.659, p-value <0.05) as well as the membership in the environmentally sensitive industries (β=0.136, p-value <0.05). As predicted, information on Community (Column 6) is significantly and negatively related to the foreign ownership (β=-0.0949, p-value <0.05) and the CSR index (β=-0.0793, p-value<0.10) while it is positively related to the economic performance (β=0.524, p-value<0.10). However, contrary to our expectations, Employee disclosure (Column 4) is significantly but negatively related to the board structure (β=-0.141, p-value<0.10). The disclosure of other CSR-related aspects of disclosure follows the same path of the total CSR score.

Table 4.5 reports the results of the regression analysis that considers the semantic properties of the information disclosed. Regarding the economic sign of CSR information (Table 4.5, Columns 1-2-3), results suggest that the disclosure of “good news” positively relates to the level of GRI compliance (β=0.0291, p-value <0.10), while the release of neutral information significantly and negatively relates to board independence (β=-0.301, p-value <0.10) board diversity (β=-1.071, p-value <0.1) and compliance with GRI (β=-0.0297, p-value<0.10); no other governance variable is associated with the disclosure of good news and bad news.

As for the type of the CSR information (Table 4.5, Column 4-5-6-7), we find that the disclosure of monetary information significantly and negatively relates to board independence (β=-0.292, p-value<0.05) GRI compliance (β=-0.0228, p-value<0.10) and economic performance (β=-0.593, p-value<0.05). Moreover, the release of numerical information is significantly and negatively related to the presence of foreign ownership (-0.0480, p-value <0.05) and both the CSP (β=-0.0273*, p-value<0.10) and the economic performance (β=-0.178, p-value <0.10) while it is positively and significantly related to GRI compliance (β=0.0108, p-value<0.10). Conversely, the disclosure of declarative information is positively associated with foreign ownership (β=0.276, p-value<0.10) and membership in environmentally sensitive industries (β=0.137, p-value<0.10). Finally, the use of pictorial CSR information is significantly and positively associated with board structure (β=0.121, p-value <0.10).

In line with our framework, the board structure positively relates to the extent of CSR reporting in Mexico. Furthermore, the above findings are generally comparable to previous studies exploring governance determinants of voluntary disclosure and reflect the local context. In line with Husted and Serrano’s (2002) and Orantes’ (2016) corporate governance reviews of the Mexican setting, which provide similar indications of board proportions, we found companies have strong family with associated challenges in director independence. It is noted, for example, that family members often occupy key management positions and serve on each other's boards, directors married to a member of the controlling family but not working for the company are considered independent, and godparents of family members are also considered independent (Machuga and Teitel, 2009). Interestingly and perhaps related, the percentage of companies having a dedicated CSR committee is considerably higher than the 20% noted by Michelon and Parbonetti (2012) in their mixed European/US sample and the 16% noted by Arena et al. (2015) in their US sample. Kolk (2008) also relatedly notes that only 11% of the largest US companies have a separate sustainability unit. This increased presence of CSR committees, on the one hand, could signal that companies having a CSR committee are more engaged with the sustainability issues at the board level, potentially reflects the deep-rooted indigenous cultural traditions of philanthropy, business ethics and community embeddedness in the region (Visser, 2008) and as a consequence, they are more likely to disseminate information concerning the CSR. On the other hand, it could suggest that the CSR committee and CSR disclosure are both symbolic means of acquiring stakeholder legitimacy and do not reflect a substantive commitment towards CSR.

Table 4.4 Regression results for CSR disclosure scores related to content.

	-1	-2	-3	-4
VARIABLES	CSRINFO_AR	ENV_AR	ENER_AR	EMP_AR
FORE_OWN	0.0508	0.00672	-0.00239	-0.104
	-0.0425	-0.0575	-0.0215	-0.107
B_INDEP	0.0126	**0.151***	0.0301	-0.124
	-0.0467	-0.0759	-0.0256	-0.14
B_GEN	-0.0442	**0.659****	0.0064	-0.145
	-0.174	-0.279	-0.0694	-0.552
B_LEADER	-0.0134	-0.046	0.0066	-0.071
	-0.0214	-0.0434	-0.012	-0.0781
B_STRUC	**0.0420****	-0.00145	0.0193	**-0.141***
	-0.0195	-0.0427	-0.0167	-0.071
BOD_SIZE	-0.00199	-0.00447	-6.24E-05	0.00537
	-0.00247	-0.00525	-0.00105	-0.00885
GRI	-0.00255	0.00382	0.00456	0.00395
	-0.00514	-0.008	-0.00366	-0.0171
CSR_INDEX	**0.0725***	-0.0643	8.95E-05	-0.107
	-0.0406	-0.0449	-0.0152	-0.0995
ESI	-0.018	**0.136****	0.0204	-0.00711
	-0.0221	-0.0613	-0.0159	-0.0875
CSP	-0.0167	-0.00851	-0.0076	0.0329
	-0.0209	-0.0654	-0.0115	-0.0863
SIZE	-0.00274	0.00422	0.00404	-0.01
	-0.00643	-0.014	-0.00434	-0.0254
ROA	0.0143	-0.189	-0.0334	-0.579
	-0.117	-0.186	-0.0718	-0.374
Constant	0.108	0.0766	-0.044	**0.685*****
	-0.0684	-0.175	-0.038	-0.245
Observations	73	73	73	73
R-squared	0.198	0.212	0.155	0.149
Max VIF		1.89		

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

Table 4.4 Regression results for CSR disclosure scores related to content (*continued*).

	-5	-6	-7
VARIABLES	MP_AR	COMM_AR	COGOV_AR
FORE_OWN	0.129	**-0.0949****	0.0656
	-0.129	-0.0452	-0.107
B_INDEP	-0.0235	-0.00508	-0.0287
	-0.101	-0.0806	-0.118
B_GEN	-0.0665	-0.116	-0.339
	-0.314	-0.225	-0.459
B_LEADER	0.0541	0.0164	0.0399
	-0.0446	-0.0351	-0.0605
B_STRUC	0.0253	-0.00469	**0.102***
	-0.0472	-0.0366	-0.0562
BOD_SIZE	-0.00189	0.00628	-0.00523
	-0.00574	-0.00483	-0.00543
GRI	0.000143	0.00157	-0.014
	-0.012	-0.00692	-0.0137
CSR_INDEX	-0.00612	**-0.0793***	**0.256*****
	-0.0469	-0.0414	-0.0902
ESI	-0.0615	-0.015	-0.0729
	-0.0622	-0.0336	-0.0507
CSP	0.00499	0.0156	-0.0374
	-0.0514	-0.0437	-0.0564
SIZE	-0.00209	0.00846	-0.0046
	-0.0184	-0.0107	-0.0185
ROA	0.186	**0.524***	0.0916
	-0.252	-0.275	-0.343
Constant	0.168	-0.114	0.227
	-0.176	-0.131	-0.193
Observations	73	73	73
R-squared	0.091	0.224	0.24
Max VIF		1.89	

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

Table 4.5 Regression results for CSR disclosure scores related to semantic properties.

	-1	-2	-3	-4
VARIABLES	POS_AR	NEG_AR	NEU_AR	MON_AR
FORE_OWN	-0.0322	-0.000286	0.0325	-0.0764
	-0.142	-0.0399	-0.124	-0.0751
B_INDEP	0.206	0.0948	**-0.301***	**-0.292****
	-0.164	-0.0628	-0.161	-0.124
B_GEN	0.8	0.271	**-1.071***	-0.604
	-0.555	-0.23	-0.566	-0.499
B_LEADER	-0.0583	0.0533	0.00494	-0.0702
	-0.0886	-0.0369	-0.0879	-0.0594
B_STRUC	0.0766	-0.0297	-0.0469	-0.0138
	-0.0764	-0.0194	-0.0761	-0.0604
BOD_SIZE	-0.00957	-0.003	0.0126	0.00352
	-0.01	-0.00292	-0.00943	-0.00633
GRI	**0.0291***	0.000598	**-0.0297***	**-0.0228***
	-0.0174	-0.00281	-0.0175	-0.0132
CSR_INDEX	-0.102	0.0107	0.0911	-0.082
	-0.105	-0.0232	-0.101	-0.0597
ESI	-0.0127	0.0716	-0.0589	-0.0934
	-0.105	-0.048	-0.0959	-0.0699
CSP	0.0442	-0.0242	-0.0201	0.102
	-0.0931	-0.0224	-0.0904	-0.0732
SIZE	0.0215	-0.00481	-0.0167	0.00854
	-0.0269	-0.0129	-0.026	-0.0187
ROA	0.0941	0.00734	-0.101	**-0.593****
	-0.428	-0.15	-0.405	-0.295
Constant	0.321	0.0449	**0.634****	**0.338***
	-0.25	-0.117	-0.248	-0.192
Observations	73	73	73	73
R-squared	0.133	0.192	0.142	0.252
Max VIF		1.89		

* p<0.10; ** p<0.05

Table 4.5 Regression results for CSR disclosure scores related to semantic properties (*continued*).

VARIABLES	-5 NUM_AR	-6 DEC_AR	-7 PIC_AR
FORE_OWN	**-0.0480****	**0.276****	-0.152
	-0.0219	-0.119	-0.0935
B_INDEP	0.0676	0.123	0.101
	-0.0504	-0.133	-0.122
B_GEN	0.0638	0.413	0.127
	-0.103	-0.632	-0.548
B_LEADER	0.00185	0.0598	0.00857
	-0.0241	-0.0649	-0.0707
B_STRUC	-0.0249	-0.0825	**0.121***
	-0.0189	-0.066	-0.0634
BOD_SIZE	-0.0012	-0.00835	0.00603
	-0.00159	-0.00687	-0.00738
GRI	**0.0108***	0.00365	0.00838
	-0.00592	-0.018	-0.0152
CSR_INDEX	0.0352	0.0715	-0.0247
	-0.0277	-0.088	-0.0936
ESI	0.0129	**0.137***	-0.0563
	-0.025	-0.0727	-0.065
CSP	**-0.0273***	-0.0725	-0.00269
	-0.0148	-0.0771	-0.0835
SIZE	0.00627	-0.0122	-0.00261
	-0.0071	-0.0242	-0.0184
ROA	**-0.178***	0.471	0.3
	-0.0964	-0.454	-0.344
Constant	-0.0239	**0.608****	0.0779
	-0.0773	-0.263	-0.208
Observations	73	73	73
R-squared	0.245	0.202	0.139
Max VIF		1.89	

* p<0.10; ** p<0.05

7. Conclusions

In summary, in this chapter we examined the extent to which several corporate governance characteristics related to the ownership structure and the composition of firm governing bodies affect CSR reporting in Mexico. Our findings generally support our theoretical framework by showing an association between the governance variables and both the content and the semantic properties of CSR reporting published by Mexican companies, our results suggest that corporate governance and CSR disclosure can be considered two complementary governance mechanisms, but only if we take into account the content of CSR information. If we look at the semantic properties of that information, our evidence points towards the symbolic use of CSR governance mechanisms, which presently leads to CSR disclosures that are less informative and accurate and, hence, of lower quality. Among the board-related variables, the presence of a CSR committee is one of the most relevant factors since it is positively related to the overall level of disclosure, employee disclosure and to other CSR related disclosures. Also, the proportion of independent directors and women directors play a significant role in explaining the CSR information especially that related to the environmental dimension. This finding is in line with arguments by Rao and Tilt (2015), who suggest that social information includes large sections that are regulated, particularly in the annual report, whereas environmental information includes more discretionary elements for female directors to potentially influence. Importantly, the presence of foreign ownership shows a significant but negative association with information about the local community. With regard to the control variables, our results mostly confirm those of previous studies (Patten, 1991, Michelon and Parbonetti, 2012) pointing towards a relationship with membership in the CSR

Index and to environmentally sensitive industries with the content of CSR reporting, supporting our legitimacy-based interpretations.

Considering the economic sign of information, we note that governance-related variables do not play an important role in explaining the disclosure of positive vs. negative information, although they show a negative association in the presence of neutral information. Moreover, the empirical results show that the type of information is mostly related to the ownership structure of the firm. Indeed, companies with foreign ownership tend to reduce the use of numerical disclosures and to increase the amount of information provided in a declarative form. Conversely, among the board-related variables we find that only board independence and board structure are relevant factors. These results are partially surprising given that a more independent board that includes a CSR committee tends to release less monetary but more pictorial information. Results also seem to reinforce suggestions that companies voluntarily report to GRI to advertise compliance.

Our results on the CSR committees give further evidence to Rodrigue et al.'s (2013) interview-based findings, suggesting that environmental mechanisms are employed at the board level to protect the organisation from reputational and/or regulatory harm, but are not necessarily intended to proactively improve environmental performance. Rodrigue et al.'s findings are from a U.S. setting, suggesting a potential regional pattern when combined with the findings of this study. Findings about board independence may be explained due to the potential high presence of family-related directors on the board.

Our study also provides empirical evidence to previous literature suggesting that foreign ownership may have a positive impact on types of disclosure such as the environment (Andrew et al., 1989; Teoh and Thong, 1984), but have a negative impact on community (e.g. Hunter and Bansal, 2007; Meyskens and Paul, 2010). Foreign owners seem to neglect communications to local stakeholders in Mexico and to potentially prioritise salient stakeholders nearer headquarters.

Given the dominance of the family ownership setting in the country and the generally high proportions of community disclosure overall, the findings may also point towards a link of family ownership with community disclosure, which is worth exploring further. Dyer and Whetten (2006), in their S&P500 sample, show that while family and non-family companies exhibit very similar type of “positive” engagement with corporate social responsibility, family firms have significantly fewer areas of negative social and environmental impact than their non-family counterparts, a finding which the authors attribute to the unwillingness of family companies to damage their reputation at local levels.

Our results lend support to our revised Michelon and Parbonetti’s (2013) framework, stressing the importance of (or potential lack of) stakeholder engagement in the Mexican setting. Indeed, we find that even when companies tend to disclose more corporate social responsibility information, their propensity to communicate any information (not only positive and boilerplate information but also negative and accurate disclosures) is still low, suggesting that in our sample there is still widespread a “ticking the box” behaviour.

Coupled with the findings from the CSR committees and foreign ownership above, we suggest that business engagement with CSR and its reporting is still weak in Mexico, which could increase suspicion about the incentives of such communication. Both foreign investors and the domestic private sector need to more actively engage with stakeholders in order to make corporate social responsibility action and communication more meaningful and genuinely instrumental in business conduct.

This chapter contributes to the literature in a number of ways. First, we add to existing studies on corporate governance and CSR disclosure (Haniffa and Cooke, 2005; Michelon and Parbonetti, 2012) by providing an integration of accountability with stakeholder and legitimacy theories to assess the relationship between ownership structure and characteristics of the governing bodies to CSR disclosure. Second, by exploring governance-based determinants in a Latin American setting, we also contribute to the related growing literature in developing countries (Amezaga et al., 2013; Fifka, 2012; Muttakin and Subramaniam, 2015; Visser, 2008). Third, in contrast to the previous studies, we go beyond the examination of the amount of disclosure to provide a comprehensive analysis of the content and the sematic features of the CSR disclosure of Mexican companies. Focusing on the family-based Mexican setting, also given its proximity to the USA, we argue that, when considering the content and semantic features of CSR information, good corporate governance and CSR disclosure can be seen as complementary mechanisms used by companies to enhance relations with stakeholders and mediate potential conflicts with shareholders.

Given the controversial findings regarding foreign ownership and CSR disclosure noted in this chapter, in the next one we delve deeper into the issue by examining reporting in the context of cross-border mergers and acquisitions in a case-study setting.

Chapter 5. The acquisition of Grupo Modelo by AB-InBev: the impact on CSR reporting

In previous chapters we present a comprehensive examination of the extent of the CSR reporting by Mexican and foreign companies operating and reporting in Mexico finding that there is a general association between governance variables and both the content and the semantic properties of the information published by the sample companies. In this chapter we study stakeholder reporting within the context of mergers and acquisitions. Framed in legitimacy and stakeholder salience theories, we study how the company responds to institutional pressures through sustainability reports. In particular, we examine communications to stakeholders during the lengthy acquisition of Modelo by AB-InBev, two breweries with different cultures, but both concerned with sustainable earnings growth.

1. Introduction

Stakeholders may exert important pressures on the firm, but the response to their demands may be based on how important the stakeholder is to the company, rather than the actual importance of the issue itself (González-Benito and González-Benito, 2006). Mitchell et.al. (1997) stakeholder salience theory posited that the degree to which managers prioritise competing stakeholder claims depends on stakeholders' attributes: their power to influence the firm, the legitimacy of the stakeholders' relationship with the firm, and the urgency of stakeholders' claims on the firm. Nonetheless, the prioritisation of stakeholders' claims by a firm does not always reflect the hierarchy and intensity of pressures the firm receives from the various stakeholders (Vazquez-brust et.al., 2010).

Furthermore, in the context of multinational corporations, researchers have argued that the impact of mergers and acquisitions on CSR initiatives and reporting policies is not clear (Yang and Rivers, 2009). Some researchers such as Waddock and Graves (2006) have argued that stakeholder concerns about corporate social responsibility are not relevant in merger and acquisition decisions because acquirers can impose their policies on the acquired firm. In contrast, corporate governance research allows for the possibility of acquirers adopting practices of acquired firms when benefits outweigh costs (Goergen, 2012), although this is yet to be observed by CSR studies.

As we explained in Chapter 2, the Mexican corporate sector has long been dominated by family companies that are characterised by concentrated equity ownership, a weak emphasis on minority interest protection in securities law and regulation, and relatively weak requirements for disclosure (Husted and Serrano, 2002). This context has made room for informal rules and practices such as fidelity or family leadership to prevail and mediate accountability relationships (Orantes, 2016). For example, Dyer and Whetten (2006) show that family firms have significantly fewer areas of negative social and environmental impact than their non-family counterparts, a finding that they attribute to the unwillingness of family companies to damage their reputation at local levels. Furthermore, some family-owned companies are highly diversified conglomerates organised as 'grupos'. In these groups, Husted and Serrano's (2002) and Orantes' (2016) highlight that the companies' strong family control challenges corporate governance. It is noted, for example, that board's independence is weakened as family members often occupy key management positions, directors married to a member of the controlling family but not working for the company are considered independent, and godparents of family members are also considered independent (Machuga and Teitel, 2009). Therefore, practices such as conflict of interest and lack of transparency in corporate governance appear to be quite common, despite these being unethical if not illegal in western settings (Logsdon et al., 2006).

In this context, the aim of this study is to explore how multinational mergers/acquisitions impact CSR reporting to stakeholders. Our case study examines the acquisition of the Mexican brewery “Grupo Modelo” (Modelo) by the multinational “Anheuser-Busch InBev” (AB-InBev) covering five years from 2010 to 2014. We examine the sustainability reports released by both the acquiring and acquired companies, during the time prior to and after the acquisition. We propose a simplified framework for understanding our empirical findings and explore whether the content of the sustainability reports responds to institutional pressures influenced by stakeholders´ salience and business culture.

The purpose of our research is to explore how stakeholder reporting changed after a merger/acquisition. Our theoretical contribution to the literature on the strategic responses to institutional pressures is to consider the influence of stakeholder salience and business culture (Mitchell et al., 1997). The empirical contribution of this study is the observation of the changing salience of stakeholders during the dynamic period of the merger/acquisition where the company conforms to or resists the new environment (Oliver, 1991). The rest of the chapter is organised as follows. We begin with the literature review of the study. Next, we describe the methodology and our theoretical framework for the analysis. Thereafter, we present the empirical findings and conclusion.

2. Literature Review

The impact of mergers and acquisitions on CSR initiatives and reporting is not clear (Yang and Rivers, 2009). Some researchers have argued that the impact of mergers and acquisitions on CSR is contingent on the acquiring's legitimacy problems (Yang and Rivers, 2009). In other words, multinational subsidiaries are likely to adapt to local practices to legitimise themselves when the acquiring company suffers major legitimacy problems. In contrast, the subsidiaries will be less likely to adapt to local practices when they are strongly annexed to the acquiring company, and the benefits from gaining internal legitimacy (i.e. within the newly founded group) outweigh those from gaining external legitimacy (Yang and Rivers, 2009).

Other researchers have argued that CSR is positively affected after a merger or acquisition. For example, Knecht and Calenbuhr (2007) indicate that during a merger or acquisition there is an increased interest in broadening the scope of due diligence to focus on the identification of environmental and social intangibles and their impact. This is because CSR may impact business results, brand value and reputation; therefore, environmental and social intangibles are accepted as crucial assets in acquisition decisions (Knecht and Calenbuhr, 2007). Furthermore, some researchers such as Waddock and Graves (2006) have argued that stakeholder concerns about CSR are not germane in merger and acquisition decisions because the acquiring company can execute new policies on the acquired firm. This imposition does not necessarily improve stakeholder practices and may actually increase concerns by the stakeholders. Stakeholders could be more apprehensive about the merged company´s practices than they were of the target company (Waddock and Graves, 2006). As far as we know, to date, stakeholder reporting in the specific context of mergers and acquisitions has not yet been examined in depth.

Merger and acquisition challenges are exacerbated when companies operate in a global environment. Multinational companies have national and global spheres of activity; they identify adherence to regulations in the national business context as fundamental, while at the same time including global issues is necessary for their long-term survival (De Geer et al., 2009). It follows then that multinational subsidiaries exist in conditions of institutional duality since they experience pressures to obtain both internal legitimacy from the parent company and external legitimacy from their local environment (Kostova and Roth, 2002). On one hand, multinational companies are attentive in interpreting local stakeholder expectations when defining their corporate social responsibility orientation (Yakovleva and Vazquez-brust, 2012).

Yet, on the other hand, multinational companies have broad societal concerns that challenge core CSR strategies because the companies engage in complex interactions with distant and diverse stakeholders (Sybille et al., 2005). As a case in point, Hunter and Bansal (2007) found considerable stakeholder reporting variation across countries, among subsidiaries of different firms and among subsidiaries of the same multinational company. Accordingly, corporate governance and disclosure practices of firms having global exposure are different from firms having only domestic exposure (Madhani, 2015). Summarizing, multinational companies face pressures from both the home and the host countries (Pedersen and Gwozdz, 2014), whereas a desire for internal legitimacy emerges as the primary motivation for stakeholder reporting in MNE subsidiaries (Momin and Parker, 2013).

Institutional pressures are determinants of CSR when companies face social and environmental demands from different stakeholders (Pedersen and Gwozdz, 2014). In addition to institutional pressures for CSR, Bondy et al. (2012) acknowledge that CSR has not only become institutionalized in society but that a form of this institution is also present within multinational companies. This is to say that during institutionalization, a set of shared meanings is expected at the core of the organisation. The essence of Bondy et al.'s argument is that although multinational companies recognise the importance of their impact on stakeholders, they focus their activity on CSR practices that are strategically aligned with the core operating strategy.

Oliver (1991) examines how companies respond to institutional pressures and provides a theoretical rationale underlying a conformity or resistance behaviour of organisations when relating to the institutional environment. The author elaborates on five forms of strategic responses: acquiescence, compromise, avoidance, defiance, and manipulation. This distinction is important because responses are presented with an increasing level of resistance. In fact, Oliver reaffirms that the choice between acquiescence or resistant strategies depends on "why these pressures are being exerted, who is exerting them, what these pressures are, how or by what means they are exerted, and where they occur" (Oliver, 1991, p.159). In sum, the choice depends on the degree to which the organization agrees with the intentions or objectives that institutional constituents are attempting to achieve.

Institutional pressures influencing perceptions and actions within the organisation may lead conformity to be the comprehensive response to institutional pressures in stakeholder reporting. Some researchers argue that organisations may embrace a proactive approach to institutional pressures instead of just conforming to or resisting them. Hence, the responses to institutional pressures are determined by a wide range of internal and external factors, such as competitive advantage, uncertainty, and the diffusion of institutional expectations among others (Pedersen and Gwozdz, 2014). Actually, Pedersen and Gwozdz (2014) find that some companies use institutional pressures as an opportunity to improve social and environmental performance beyond stakeholders' requirements. Similar to Goodrick and Salancik (1996), Pedersen and Gwozdz (2014) find that uncertainty of institutional standards increases judgment when choosing between different responses.

However, the authors concede that stakeholder conflict/consistency influences the organisation´s strategic response choices, but at the same time, the strategic responses are dynamic; in other words, resistance at one time and conformity in another. Nonetheless, organisations are considering legitimacy threats when adopting disclosure strategies (Négre et al., 2016). Citing Suchman (1995), Négre et al. (2016) consider that organisational legitimacy is the result of managers' active strategies and managers' passive responses to external pressures because legitimacy has two perspectives. The first perspective is where legitimacy can be influenced or manipulated by organisations to gain societal support, thus, one in which an organisation is dependent for survival. The second perspective is where "society generates cultural pressures that transcend any single organization's purposive control and thus managers' practices are constructed by external institutions" (Négre, et al., 2016, p.9). In this paper, we assume that stakeholders' pressures influence managers' perceptions and therefore organisations' strategic response.

We contribute to the theoretical development on the strategic responses to institutional pressures by considering the influence of stakeholder salience and business culture. Mitchell, et al. (1997) expanded on what Freeman (1994) called "The Principle of Who or What Really Counts": to whom or to what managers pay attention. The authors propose a theory of stakeholder salience and explain that managers prioritise stakeholder relationships. Stakeholder salience posits that the degree to which managers prioritise competing stakeholder claims depends on the managerial perception of stakeholders' attributes: their power to influence the firm, the legitimacy of the stakeholders' relationship with the firm, and the urgency of stakeholders' claims on the firm. The authors demonstrate how power and legitimacy interact when combined with urgency. The possession and combination of these attributes generate seven classes of stakeholders, as shown in table 5.1.

Table 5.1 Qualitative Classes of Stakeholders.

Salience	Attributes			Classification
	Legitimacy	Power	Urgency	
Low		✓		Dormant
	✓			Discretional
			✓	Demanding
Moderate	✓	✓		Dominant
		✓	✓	Dangerous
	✓		✓	Dependant
High	✓	✓	✓	Definitive

Mitchell et.al. (1997) name "latent" stakeholders those who possess only one of the attributes. Latent stakeholders include 1) dormant stakeholders, who possess the power to impose their will on a firm, but because they do not have a legitimate relationship or an urgent claim, their power remains unused; 2) discretionary stakeholders, those who possess the attribute of legitimacy, but they have no power to influence the firm and no urgent claims. In this class, the absence of power and urgent claims means that managers have no pressure to engage in an active relationship with these stakeholders, although they can choose to do so; 3) demanding stakeholders, who are those with urgent claims, but they have neither power nor legitimacy, so the "noise" of urgency is insufficient to project a stakeholder claim beyond latency. "Moderately" salient stakeholders are those who possess two of the attributes, and are named "expectant" stakeholders. This classification includes 4) dominant stakeholders, which are those who possess both power and legitimacy, so their influence in the firm is assured. These stakeholders are "dominant" in deference to the legitimate claims they have on the firm and their ability to act on these claims; 5) dependent stakeholders are those who lack power but have urgent and legitimate claims. Because the power in this relationship is not reciprocal, its exercise is governed either through the advocacy or guardianship of other stakeholders or through the guidance of internal management values; 6) dangerous stakeholders are those with the attributes of urgency and power but without legitimacy. The authors suggest “coercion” as a description for this class of stakeholders because the use of coercive power often accompanies an illegitimate status. Mitchell et.al. (1997) argue that stakeholders who possess a combination of all three attributes are “highly” salient stakeholders because when such a stakeholder’s claims are urgent, managers have a clear and immediate mandate to attend to and give priority to that stakeholder’s claim; thus, this class is likely to move from that of a dominant stakeholder into the seventh category of “definitive” stakeholder. Finally, entities with no power, legitimacy, or urgency in relation to the company are not stakeholders at all and are perceived as having no salience by a firm´s managers.

Nonetheless, the prioritisation of stakeholders’ claims by a firm does not always reflect the hierarchy and intensity of pressures the firm receives from the various stakeholders (Vazquez-brust et al., 2010). Some stakeholder groups may exert important pressures on the firm, but the satisfaction of stakeholder demands may not be based on these pressures, rather on the importance given to each stakeholder group’s interests (González-Benito and González-Benito, 2006). Thus, some stakeholder demands may be discarded by managers who fail to classify them as corporate priorities (Mitchell et.al., 1997).

In summary, the impact of mergers and acquisitions on CSR is contingent on the stakeholders’ claims of the aquiring firm (Yang and Rivers, 2009). Furthermore, acquiring firms can impose their CSR policies on the acquired firm (Waddock and Graves, 2006). Therefore, multinational subsidiaries exist in conditions of institutional duality since they experience pressures to obtain both internal legitimacy from the multinational company and external legitimacy from their local environment (Kostova and Roth, 2002). Multinational companies face pressures from both the home and the host countries, whereas a desire for internal legitimacy emerges as the primary motivation for stakeholder reporting in MNE subsidiaries (Momin and Parker, 2013). On the other hand, the responses to these institutional pressures are determined by a wide range of internal and external factors Pedersen and Gwozdz (2014). Oliver (1991) provides a theoretical rationale underlying a conformity or a resistance behaviour of organisations for conforming with the institutional environment. The choice depends on the degree to which the organization agrees with the intentions or objectives that institutional constituents are attempting to achieve.

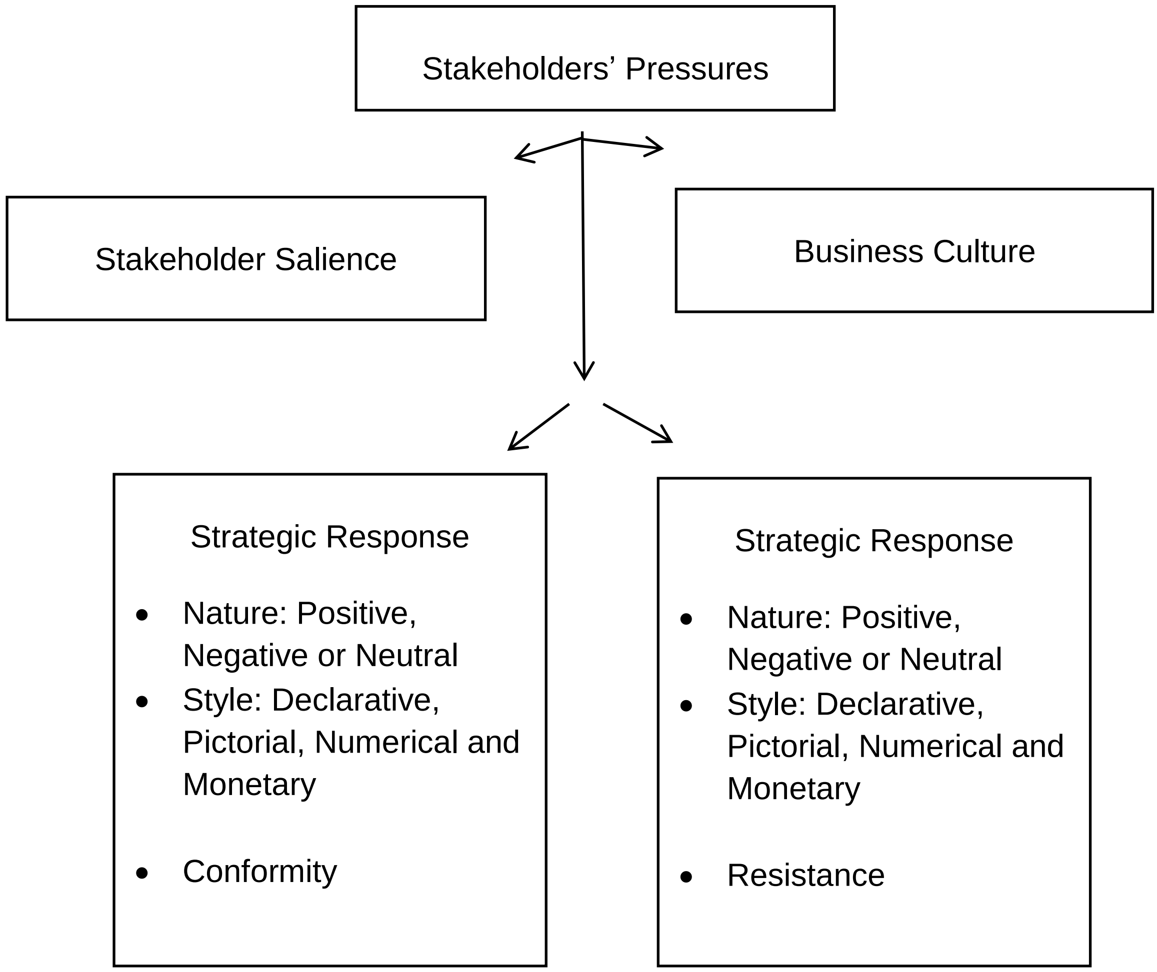
Mitchell, et.al.'s (1997) stakeholder salience theory posited that the degree to which managers prioritise competing stakeholder claims depends on the managerial perception of stakeholders' attributes: their power to influence the firm, the legitimacy of the stakeholders' relationship with the firm, and the urgency of stakeholders' claims on the firm. The aim of this study is to explore how multinational mergers/acquisitions impact corporate social reporting to stakeholders. Our view is that stakeholder conflict/consistency influences the organisation´s strategic responses (Pedersen and Gwozdz, 2014).

3. Methodology

We use the case study method because the focus of the study is on exploring a contemporary set of events, over which the investigator has no control. We opted for a descriptive case study because this type of study is used to describe an intervention or phenomenon of real life situations (Yin, 2008). Miles and Huberman (1994) define a case as a phenomenon of some sort that occurs in a bounded context, such that the case is the unit of analysis (p. 25). Case studies are often used to examine contemporary events for exploratory, descriptive or/and explanatory purposes. One of the strengths of case studies is that they analyse a variety of evidence, which often include direct observations of the event and interviews with the people involved (Yin, 2008). A conceptual framework explains either graphically or in a narrative form, the main objects to be studied and the presumed relationships among them (Miles and Huberman, 1994 p. 18). Based on legitimacy theory, as explained in the previous section, our conceptual framework (see figure 5.1) assumes that strategic responses to institutional pressures are shaped by stakeholders´ salience and business culture.

Overall, we expect conformity will be the dominant corporate social responsibility response. In our analysis, we focus on the relationship between stakeholders' pressures and strategic responses during the acquisition period of Modelo by AB-InBev. AB-InBev took management control of Modelo following the combination on June 4, 2013. Because the merger/acquisition dealing began in 2010, we set the period from 2010 to 2014, three years prior, the acquisition year, and one year after. We first explore both companies´ stakeholders pressures based upon news gathered from Factiva to establish the foundation for analysis strategic responses of both companies through their sustainability reports. Over the acquisition period, we gathered a total of 103,379 news items for AB-InBev, of which we considered 35,197 to be related to CSR. For Modelo, we collected a total of 17,725 news items and we considered 5,275 to be related to CSR. As in Chapters 3 and 4, we grouped stakeholders into: 1) Energy, 2) Environment, 3) Employees, 4) Marketplace, 5) Community, and 6) Corporate Governance.

Figure 5.1 Framework: Strategic responses to stakeholders' pressures.



We also considered the nature and style of each disclosure. We looked at AB-InBev´s corporate website to identify the company business culture. We find the driving forces behind AB-InBev's culture are ten principles built on ownership, meritocracy and informality (AB-InBev SR 2014). We examined both companies´ annual sustainability reports of each year of the acquisition period. In addition, we developed an initial draft of an instrument to conduct the semi-structured interviews. We assessed the comprehensiveness of the questions by conducting a pilot test. This procedure is recommended to increase the reliability of case studies (Yin, 1994). After reviewing the pilot test, some of the questions were rephrased, and others were reorganised to improve the flow of the interview. The instrument is presented in Appendix 7. We conducted a person-to-person interview with a former external auditor [Interviewee 1] and with a customer from "La Comarca Lagunera" where the "Territorio Santos Laguna used to be located" [Interviewee 2]. We also received a written response to the interview from the responsible manager of the sustainability report at Modelo [Interviewee 3].

The interviews were recorded and transcribed. In addition, notes were taken during the interviews. Quotes from interviews conducted in Spanish are included herein, translated into English, and noted as [Spanish]. Since we obtained only three interviews, our case study is mainly archival, i.e. based on document content analysis. Next, we conducted a content analysis and compared the topics covered by the news items with the topics covered by the companies in their sustainability reports to uncover whether a dialogue exists between the company and the different stakeholders' groups. The nature of the disclosure was classified as 1) positive (information praising the company), 2) negative (information criticising the company), or 3) neutral (information that neither praised or criticised the company). The style of the information was classified as 1) narrative (written information), or 2) non-narrative (pictorial, numerical and monetary information). Our research approaches the strategic responses to institutional pressures by examining how a process of a merger/acquisition affects CSR reporting.

Case study setting

AB-InBev is a brewery company that has grown by mergers and acquisitions. The story began in 1999 when Jorge Lemann and two partners created the Brazilian brewery company AmBev, Brazilian Companhia de Bebidas das Américas, a conglomerate of many Brazilian breweries they had been acquiring through the 1990's. In 2004, AmBev merged with the Belgian brewer Interbrew to become InBev ("In" from Interbrew and "Bev" from AmBev). Interbrew was a company founded in 1987 with the merger of the Belgian breweries "Artois" and "Piedboeuf." Artois was founded in 1717 when the master brewer Sebastian Artois purchased the company founded in Leuven, Belgic by Den Hoorn in the 14th century. In 2008 InBev bought the U.S.-based Anheuser-Busch and in 2013 the company acquired Modelo.

Cerveceria Modelo was founded in 1925 by Braulio Iriarte. In 1930, the company came under the control of Pablo Díez Fernández, who became its CEO and company's majority stockholder by 1936. Díez Fernández kept Modelo a private company that financed its expansion through earnings rather than borrowing. By 1956, Modelo was one of the leading brewers in the country. Antonio Fernández Rodríguez succeeded Díez Fernández in 1971. Under his leadership, Modelo's market share grew from 39 percent in 1977 to 45 percent in 1985. Cerveceria Modelo changed its name to Grupo Modelo in 1991 and went public in 1994 on the Mexican Stock Exchange with 13 percent of its shares. With the advent of the North American Free Trade Area (NAFTA), Modelo sold a 17.7-percent stake in the company to the U.S.

company, Anheuser-Busch. The deal was: Anheuser-Busch received an option to raise its stake in Modelo to 50 percent within four years, Modelo remained as the exclusive distributor of Anheuser-Busch's products in Mexico, and the two companies would not open breweries or bottling plants in each other's country. Anheuser-Busch exercised its option by raising its equity holding in Grupo Modelo to 37 percent in 1995 and 50.2 percent in 1997. Although Anheuser-Busch maintains equity at 50.2 percent, the company does not control Modelo because its stake represents 43.9 percent of the voting rights.

In 1997, Carlos Fernández, great-nephew of the founder, succeeded as CEO. In 2007, Modelo entered into a joint venture with Constellation Brands to import and market Modelo's brands in the U.S. through Crown Imports. In 2008, InBev bought Anheuser-Busch and became AB-InBev. AB-InBev inherited the 50.2 percent stake of Modelo. Arguing that Anheuser-Busch failed to consult Modelo on Anheuser-Busch's sale to InBev, Modelo filed in the U.S. for arbitration against Anheuser-Busch, Modelo released the following comment:

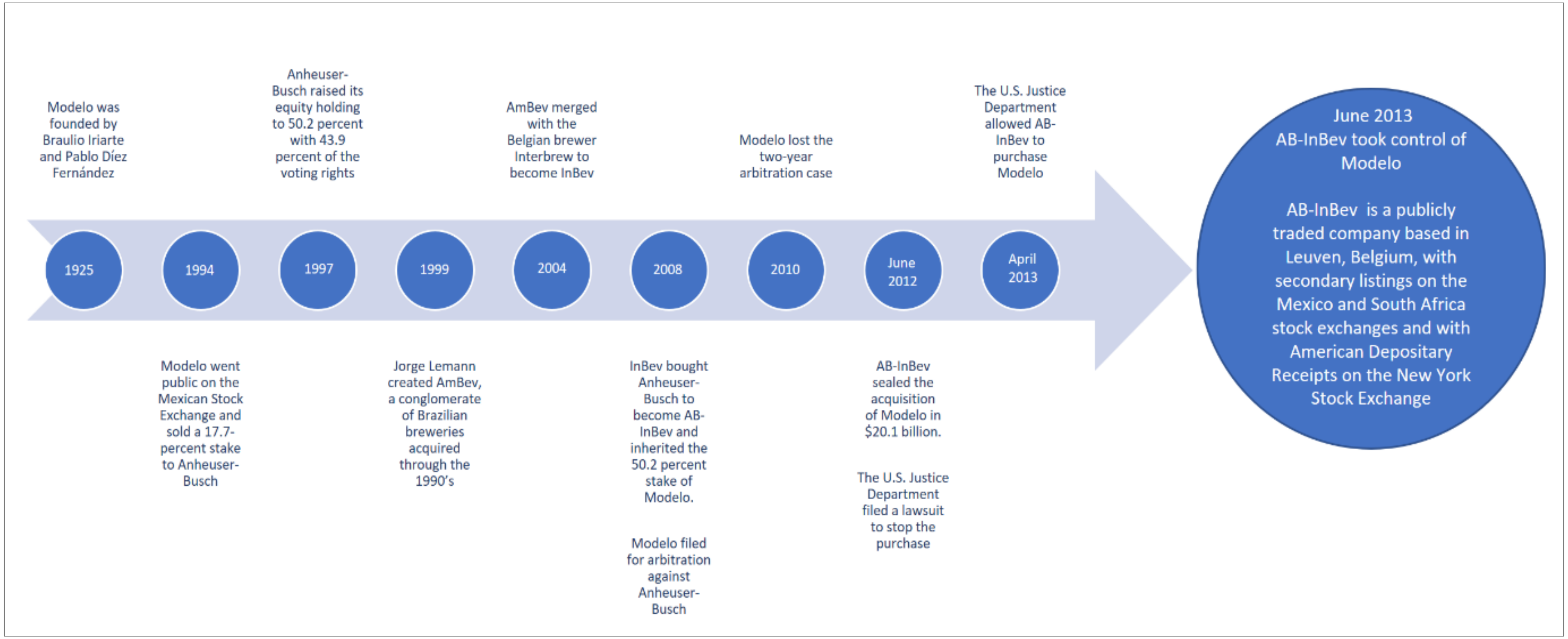
> “Our agreement with Anheuser-Busch was carefully constructed to ensure we have a definitive say in who our partner is. We are confident that our agreement, which is governed by Mexican law, gives us the right to decide whether or not to consent to the potential acquisition of Anheuser-Busch by InBev”.

Modelo lost the two-year arbitration case; in 2010, the arbitration panel said that the combination did not violate the agreement and awarded no damages. Modelo said the result would not alter the corporate structure nor the way in which Modelo would be managed, although, analysts speculated that the Mexican brewer's controlling shareholders will face increasing pressure in coming years to sell their stake to AB-InBev.

In June 2012, AB-InBev sealed the acquisition of Modelo in a $20.1 billion deal. But the U.S. Justice Department filed a lawsuit to stop AB-InBev's proposed purchase of Modelo because the merged firm would control nearly half the beer sales in the U.S. In April 2013, the U.S. Justice Department filed an agreement in court that resolved the antitrust lawsuit and allowed AB-InBev to purchase Modelo. The agreement required Modelo to sell its 50 percent stake in Crown Imports to Constellation Brands, giving them 100 percent ownership and control. As a result, Grupo Modelo's brands will continue to be imported, marketed and distributed independently in the U.S. through Crown Imports.

In June 2013 AB-InBev took management control of Modelo. Modelo's name remained, and the headquarters were maintained in Mexico City with Modelo's family members playing a key role in the firm's Board of Directors. In addition, Modelo's family members joined AB-InBev's Board of Directors. They committed to invest $1.5 billion of their proceeds from the tender offer into shares of AB-InBev, to be delivered within five years via a deferred share instrument. As a result, Anheuser-Busch InBev is a publicly traded company (Euronext: ABI) based in Leuven, Belgium, with secondary listings on the Mexico (MEXBOL: ABI) and South Africa (JSE: ANB) stock exchanges and with American Depositary Receipts on the New York Stock Exchange (NYSE: BUD). Figure 5.2 next provides a graphical timeline of these developments.

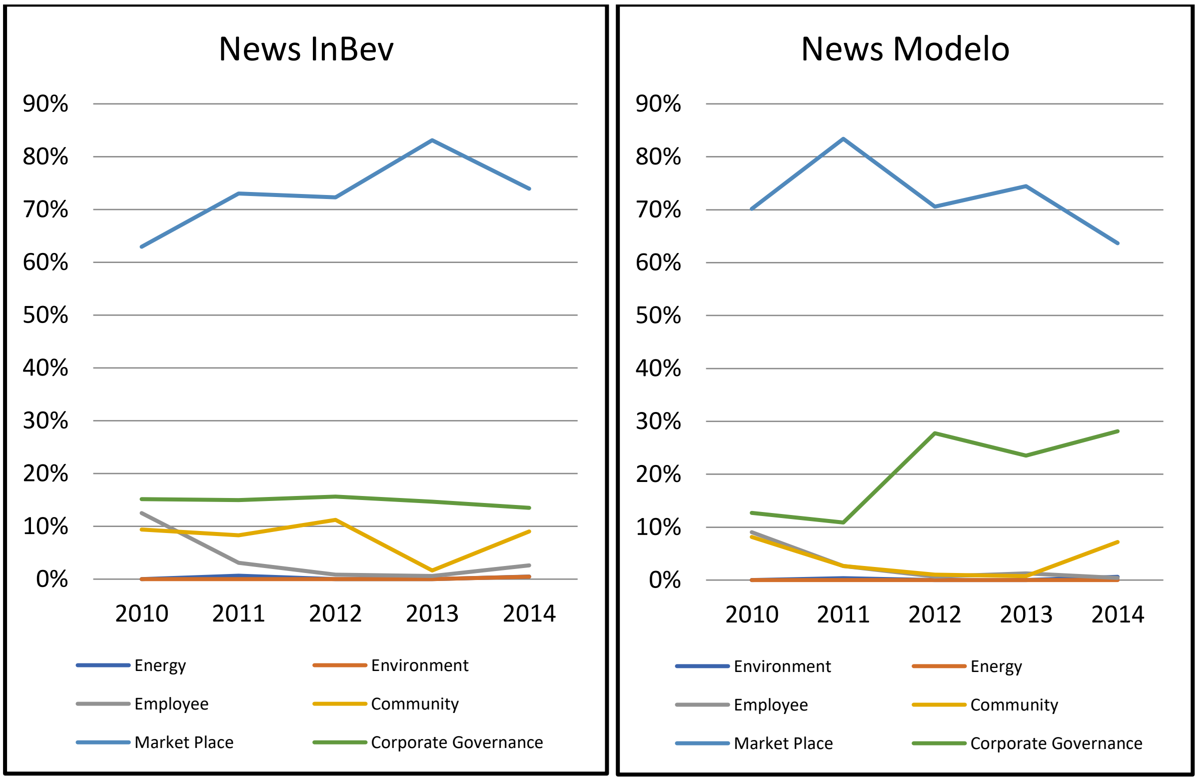
Figure 5.2 Merge timeline.



4. Analysis and discussion

As explained in the methodology section, news items serve as a proxy for institutional pressures. The un-tabulated content analysis of the news items finds that there is a greater volume of news about AB-InBev than Modelo, although the percentage of coverage among CSR topics is similar across years (see figure 5.3).

Figure 5.3 Comparison percentage of news items coverages among stakeholders.



Hence, we postulate that before the merger, shareholders created pressure to control the Board of Directors; after the merger shareholders' ownership was dispersed. We also find stakeholders' pressures about CSR accountability; the company before the merger was voluntarily reporting to GRI and after the merger the company no longer reports to GRI. However, the acquiring company, who reports to GRI and releases a voluntary independent assurance report, includes Modelo's along with their other subsidiaries in the report. In addition, we document institutional pressures about environmental concerns such as energy, greenhouse emissions, water protection, and solid waste, among others (Figure 5.4 presents institutional pressures before and after the merger). We find that employees and unions pressed for employee engagement and accountability for incidents and injuries and customers were pressuring for consumer information which after the merger arises to product making concerns too. As an example, interviewee 3 told us about the taste of the product:

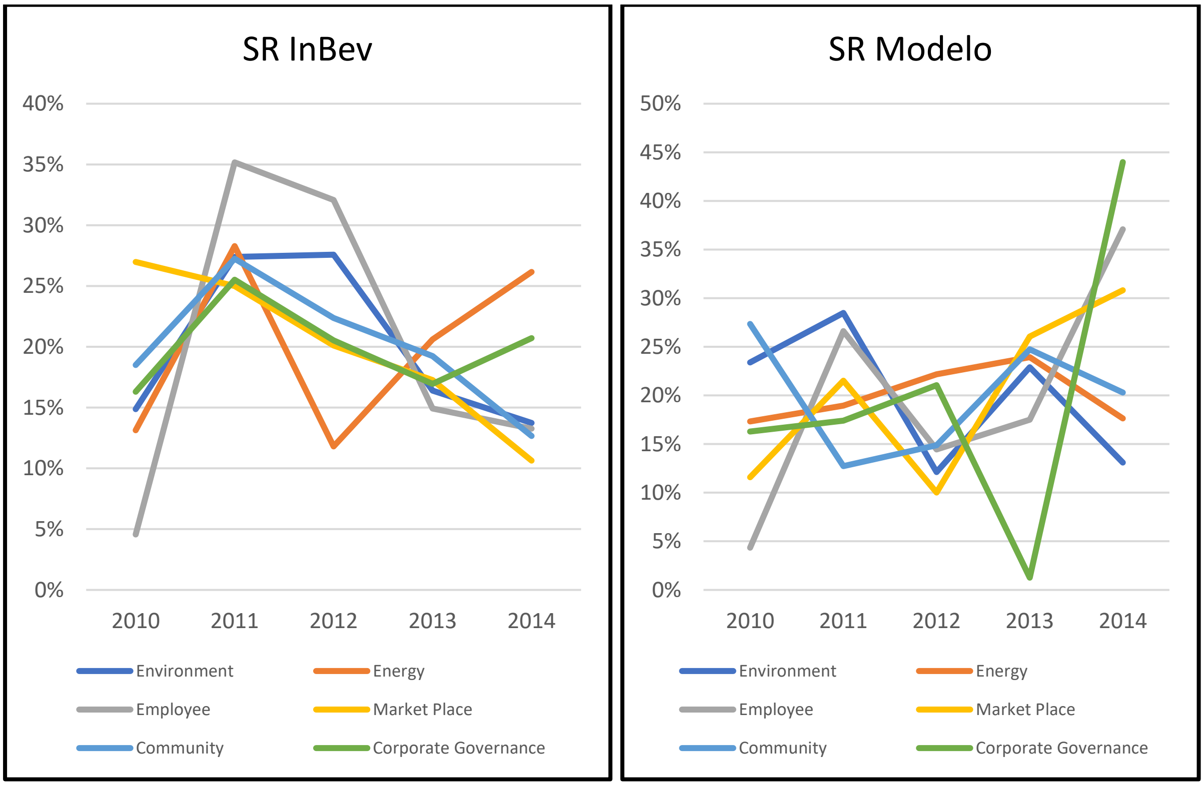
"After the acquisition, the taste of the beer changed. I did not like it as much so I tried other brands but the experience was not the same. I grew up watching football games with my family; I am passionate about football and I have always associated it with Corona beer so I returned to drinking Corona" [Spanish] (Interviewee 3).

Figure 5.4 Framework analysis of stakeholders' pressures.

Stakeholders' Pressures Pre-merger	**Stakeholders' Pressures Post-merger**
• Family control on Board of Directors. • Voluntary standardisation initiatives (GRI) • Local and global industry associations. • Environmental concerns (Energy, greenhouse emissions, water protection, and solid waste). • Employees and unions (Employee engagement and incidents and injuries). • Customer pressures (consumer information). • Local community. • Other companies • Government (corporate governance, health and safety standards) • Media	• Disperse shareholder ownership (additional – indirect - pressures by all those affecting the acquirer company's reporting). • Voluntary standardisation initiatives (assurance of CSR reports). • Local and global industry associations (higher pressure by the local). • Increased environmental concerns (Energy, greenhouse emissions, water protection, and solid waste). • Employees and unions (Employee engagement and incidents and injuries). • Customer pressures (product quality and consumer information). • Increased concerns by local community. • Other companies • Government (corporate governance, health and safety standards) • Increased media scrutiny

In our study, stakeholder reporting over the period serves as a proxy for the extent of the firms' relative concern towards each stakeholder class. The content analysis of the sustainability reports suggests that stakeholder reporting through sustainability reports have a different pattern than the pattern of the news items. As depicted in figure 5.5, the volume of disclosure among topics changes on a yearly basis, thus suggesting changes in stakeholder salience. It is interesting to see that for Modelo, corporate governance shows substantially more variability than the other topics. The least amount of disclosure was in 2013, the year when Modelo was fully consolidated with AB-InBev's financial reporting. The following year, corporate governance disclosures were greater than in any previous years of the analysis.

Figure 5.5 Comparison percentage of Sustainability Reports coverage among stakeholders.



We calculate the mean of stakeholder reporting over the period to weigh companies' preferential order for stakeholders. Some interesting observations emerge; we find, in general, that disclosure preferences of both companies are consistent, with environment and community at the top while energy is at the bottom. We link this finding to a quote from Interviewee 3, the questionnaire interview with the responsible manager of the sustainability report who worked at Modelo prior to and after the acquisition:

> "…we are focused on having our CSR programmes aligned with our value chain." All CSR programmes were aligned with AB-InBev´s CSR" [Spanish].

After reviewing the evidence from sustainability reports' content analysis and from interviews, as shown on figure 5.6, we classified stakeholders' salience as follows: We considered society concerns on energy and environment as dormant stakeholder since we did not find any news items related to energy or environment over the period, however, the company discloses energy and environmental information. We believe that society, in this case, is a stakeholder that may possess the power to exert pressure on energy and the environment, but without a strong influence on the company or an urgent claim, its power remains unused. On the other hand, we considered society concerns on companies local influence as a dangerous stakeholder with moderate salience, since several news items regarding societal concerns about local influence came up, society may not possesses a strong influence but possesses power and urgent claims. We considered customers as demanding stakeholder, who may have urgent claims and may make noise with insufficient power to project their claims as their power is disseminated. We considered employees to have moderate salience before and after the merger with legitimate claims, we classify employees before the merger as dominant stakeholders because they have the power to secure their claims, having a strong relationship with the company with many of them employed for 20 years or more. After the merger, we classify them as dependent stakeholders, because the power in the new relationship is no longer reciprocal. Employee's claims become urgent and their power is exercised through the advocacy of other stakeholders. We considered the founding family of the company as definitive stakeholders, because their influence was assured and they have legitimacy, power and urgent claims. However, we classified them as dominant stakeholders with moderate salience after the acquisition, because their urgency was diminished, but still have legitimate claims and ability to act on those claims.

Figure 5.6. Framework analysis stakeholders' salience.

Stakeholders' Salience Pre-merger						
Stakeholder	Attributes			Salience	Group	Description
	L*	P**	U***			
Society / Energy		✓		Low	Dormant	May possess power, but they do not have a strong influence neither an urgent claim. Their power remains unused. We did not find any related news items over the period.
Society / Environment		✓		Low	Dormant	May possess power, but they do not have a strong influence neither an urgent claim. Their power remains unused. We did not find any related news items over the period.
Employees	✓	✓		Moderate	Dominant	Strong company loyalty, with many employees serving tenures of 20 years or more. Employees have legitimate claims and power to secure them.
Customers			✓	Low	Demanding	The power is disseminated. Thus, the noise of urgency is insufficient to project the stakeholder claim beyond latency.
Society / Local influence		✓	✓	Moderate	Dangerous	As in energy and environment, society may not possess a strong influence but regarding local influence, society has power and urgent claims. We find several related news items.
Original shareholders / owners	✓	✓	✓	High	Definitive	They were the founder family, so their influence was assured.

Figure 5.6. Framework analysis stakeholders' salience (*continued*).

Stakeholders' Salience Post-merger						
Stakeholder	Attributes			Salience	Group	Description
	L*	P**	U***			
Society / Energy		✓		Low	Dormant	Possibly because their power remains unused, we do not find a salience change.
Society / Environment		✓		Low	Dormant	Possibly because their power remains unused, we do not find a salience change.
Employees	✓		✓	Moderate	Dependent	We find a change in salience because the power in this new relationship is no longer reciprocal. And because their power is exercised through the advocacy of other stakeholders, its claims become urgent.
Customers			✓	Low	Demanding	We do not find a salience change. Possibly because their ownership is disseminated, the relationship is not strong and power remains unused.
Society / Local influence		✓	✓	Moderate	Dangerous	Even though the salience does not change, we find increased local concerns. We find several news items.
Original shareholders / owners	✓	✓		Moderate	Dominant	As a result of selling their controlling interest, their urgency has been diminished. However, they still have legitimate claims and ability to act on those claims.

L*	Legitimacy
P**	Power
U***	Urgency

The proxy for business culture is inferred from the sustainability reports (see figure 5.7). We find that the years before the merger (2010, 2011 and 2012) the sustainability report discloses the same values: honesty, loyalty, respect, responsibility, and confidence. The company stated:

> "Aware of the importance that values have in the development of Mexican society, we are concerned with disseminating and promoting this important topic [values] among colleagues [employees], customers, partners and suppliers" [Spanish] (Sustainability report, 2012)

Modelo was well-known not just because of its Corona beer but also because of its organisational culture. For example, the factories provided football fields where employees could play and also meet on Sundays with their families. Modelo was also known for its corporate social responsibility commitment with the community, as interviewee 3 explains us:

> "... football teams did not have many resources; but then local businessmen began to sponsor them. As they saw the business potential, they bought the teams. … There is rivalry among football teams and also among their sponsors. Corona Beer is seen as the symbol that our football team is one of the best, if not <u>the</u> best" [Spanish] (Interviewee 3)

However, after the merger we identify a change in business culture. Astonishingly, in 2013, the sustainability report did not mention company's culture and values at all, possibly due to the uncertainly and ambiguity during transition. In 2014, the company disclosed the same ten principles espoused by AB-InBev.

Figure 5.7 Framework analysis business culture.

BUSINESS CULTURE

Pre-merger

In 2010, 2011 and 2012 the sustainability report (SR) discloses the same values: [Spanish]

“Aware of the importance that values have in the development of Mexican society, we are concerned with disseminating and promoting this important topic [values] among colleagues [employees], customers, partners and suppliers.

Values:

1. Honesty.
   We act with uprightness and integrity, maintaining an equal treatment with all our fellows.
2. Loyalty.
   We are part of the "Modelo family", behaving according to the values and the business objective of the organization.
3. Respect.
   We keep at all times the proper consideration to human dignity and its environment.
4. Responsibility.
   We fulfil our duty, making ours the policies and guidelines of the company.
5. Confidence.
   We act with accuracy, punctuality and loyalty to strengthen our workplace environment.”

BUSINESS CULTURE

Post-merger

In 2013, their SR does not mention company’s culture and values. In 2014, the SR discloses the same ten principles that AB-InBev has.

Furthermore, AB-InBev 2014 SR in page 5 explains that the SR was divided in a self-contained PDF document and the corporate website. The PDF document summarizes activities, initiatives and achievements, while the website provides further information on the company’s strategy.

Ten Principles built on ownership, informality, candor, transparency and meritocracy.

1. Our shared Dream: Our Dream is to bring people together for a better world.
2. People grow at the pace of their talent.
3. We foster an ownership culture that values accountability, integrity, continual improvement and a mind-set of doing the right thing for the long term.
4. We are never completely satisfied with our results.
5. The consumer is the boss.
6. We are a company of owners. Owners take results personally.
7. Common sense and simplicity.
8. We manage our costs tightly.
9. Leadership by personal example.
10. Integrity, hard work, quality, and responsibility are key to building our company.”

Oliver (1991) identifies different strategic responses that organisations use in response to institutional pressures, depending on the nature and context of the pressures themselves. The author affirms that conformity is useful to organisations in terms of enhancing their likelihood of survival; however, the scope of conditions under which organisations are able to conform is bounded by organisational capacity, conflict, and awareness. The first CSR report after the merger is the 2013 Sustainability Report. Over the period, we find that most of the disclosures are positive and non-narrative both in the pre-merger and the post-merger period. This also applied in AB-InBev sustainability reports. After the merger, the company tends to disclose more volume of CSR information. However, the firm continues to communicate mostly positive information and negative disclosure continues to be low, as we discussed in Chapter 3. The percentage of positive disclosures is significantly higher than that computed for negative and neutral disclosures. In addition, the percentage of non-narrative disclosures is higher than that computed for narrative; within non-narrative, pictorial disclosure is very high. Figure 5.8 presents the framework analysis of strategic responses to institutional pressures.

The first year of the merger, Modelo's disclosures about corporate governance were fewer than any other year. The sustainability report does not include a letter from the CEO as it had in the past. It addresses the merger/acquisition briefly until page 7 and only mentions AB-InBev seven times. Instead before the merger, shareholders had control of Board of Directors, and they tried to keep it, as reported in the press:

> "In a fast-consolidating global beer industry, Grupo Modelo SAB Chief Executive Carlos Fernandez is trying to keep his company in the family" (The Wall Street Journal, 14 March 2011).

Figure 5.8 Framework analysis strategic responses.

STRATEGIC RESPONSES

Main changes in stakeholders' reporting:

Modelo's 2013 Sustainability Report is the first of the post-merger company. We observed this report was smaller than previous Modelo's Sustainability Reports. Disclosures about corporate governance were fewer than any other year. It does not include a letter from the CEO as always did before. It refers to the merger/acquisition briefly until page 7. It only refers to InBev seven times. We found that both companies were voluntarily reporting to GRI until 2012. However, after the merger, Modelo stopped reporting to GRI whilst InBev continued doing so, including Modelo. The 2014 Sustainability Report of the post-merger company was released only on the corporate web-page, that is, the company did not disclose a print copy neither in a downloadable PDF format.

<table>
<tr><th><u>Pre-merger</u></th><th><u>Post-Merger</u></th></tr>
<tr><td>We find that most of the disclosures are positive and non-narrative during the period.

Nature
The percentage of positive disclosures is significantly higher than that computed for negative and neutral disclosures.
Style
The percentage of the non-narrative disclosure, particularly in pictorial form, is higher than the computed for narrative.
</td>
<td>We find that the volume of disclosure increased on average. We find most of the disclosures are positive and non-narrative as well.

Nature
Positive disclosure remains high and negative disclosure is still low.
Style
Levels of non-narrative disclosure, particularly in pictorial form, remained high.
</td></tr>
</table>

Even after the merger and the dilution of shareholder control, founding family members remain on the Board of Directors and take a place in the parent company:

> "As previously announced, Ricardo Tadeu will serve as Zone President Mexico and Chief Executive Officer of Grupo Modelo, effective

immediately. Mexico will become AB-InBev's seventh Zone. Grupo Modelo's headquarters will remain in Mexico City, and it will continue to have a local board, which will be appointed by AB-InBev at the next shareholders meeting of the company. Carlos Fernandez, Maria Asuncion Aramburuzabala and Valentin Diez Morodo have been invited to continue to play an important role on Grupo Modelo's Board of Directors. Maria Asuncion Aramburuzabala and Valentin Diez Morodo will also join AB-InBev's Board of Directors, subject to the approval of AB-InBev's shareholders at the next shareholders meeting"

Companies were voluntarily reporting to GRI until 2012. However, after the merger, Modelo no longer reports to GRI, with AB-InBev continuing to do so and including Modelo. The 2014 Sustainability Report of the post-merger company was released only on the corporate website; that is, the company did not disclose a print copy nor a downloadable PDF file.

We note conformity with respect to energy and environmental concerns which is probable as a result of the Mexican context. As explained in Chapter 2, the Mexican Standard for Social Responsibility NMX-SAST-26000-IMNC2011 provides guidelines in five areas including environment on the other hand, the Secretary of Environment and Natural Resources (SEMARNAT) with the Federal Attorney of Environmental Protection (PROFEPA) examine companies' compliance with legal regulatory structures, including water, emissions, waste, energy, soil and subsoil, noise, environmental risk and impacts, natural resources and wildlife. As described earlier, we found neither energy nor environmental institutional pressures over the five-year period; however, a concern emerged during one of the interviews:

"Closely related to everything about the care of the environment, there is the care of the water, which for them is obviously the main material, not

> the most expensive. The company establishes their production plants based on the quality of the water. Thus, [water] is a very important resource for their production; they had many campaigns focused on the care of water" [Spanish] (Interviewee 1)

In addition, we observe that during 2010, 2011 and 2012 both companies were committed to preserving the environment and reducing energy costs. For example, they worked on developing a source of renewable energy, attempted to reduce GHG emissions, recycled waste material as an innovative energy resource, provided eco-friendly coolers to retail outlets, and improved irrigation efficiencies in their barley growers. Probable because (as discussed in Chapter 2) the country faces considerable environmental challenges, with its rich biodiversity being threatened (BBC News, 2002; Global Forest Watch, 2016) and given that Mexico was the first country in the developing world to pass a comprehensive climate change bill, with a goal for the country to generate 35% of its energy from clean energy sources by 2024 and to cut emissions by 50% by 2050, from the level found in 2000 (BBC News, 2012) Modelo post-merger and AB-InBev continued environmental and energy programmes efforts during 2013 and 2014, as their communications also suggest:

> "After achieving all of our 2012 environmental milestones, we established a new set of seven targets in 2013, four of which are externally focused. Our aim is to reach these by the end of 2017" (AB-InBev SR 2013, p. 4).
>
> "AB-InBev established seven environmental targets for 2017, which were developed in conjunction with our stakeholders and achieve relevant topics for the company and our stakeholders" [Spanish] (Modelo SR 2013 p. 41)

Modelo's pre-merger environmental programs have continued in the combined company, although not as environmental programs but as the volunteer/community, as the following disclosure shows:

> "With our program "Re-vive" [Bring it back to life], we look actively in reducing the amount of materials we use in our manufacturing and distribution processes. We recycle everything we can and use recycled materials when it makes sense for the way we package and ship our products. We also work to optimize the recyclability of our bottles, cans and packaging." [Spanish] (Modelo SR 2013, p. 24.)

Furthermore, some of Modelo's CSR programmes were adopted by the parent company:

> "In 2014, we engaged communities and brought together volunteers for beach clean ups in Mexico, Canada, Spain, Italy and the United Kingdom. With every beach adopted, we recognized the shared efforts of the volunteers by providing them access to Corona SunSets Festivals" (AB-InBev SR 2014, p.26)

But responses to employees have changed dramatically. Before the merger, neither conformity nor resistance with employees and unions. The company provided football fields for the employees and their families, as the company had disclosed:

> "We have implemented programs to ensure a good working environment among our fellows and their families". [Spanish] (Modelo SR 2010 p. 44)

After the merger, however, AB-InBev reduced some Modelo employees' benefits, especially those high in the hierarchy. For example, executives used to fly business class; whereas after the merger they were restricted to economy class. Another example is the use of elevators—the headquarters used to have special elevators for top executives; now those elevators can be used by everybody. As a final example, the football fields described above were paved over to make room for additional parking lots. The company closed the football fields without providing any related disclosure in the sustainability reports.

Furthermore prior to the merger, employees expressed great loyalty to the company and worked for it almost all their life, as we knew from our interviews:

> “They [Modelo] had a great respect relationship with employees, they had many programs for employee development, on all that has to do with talent, if you visit any of the Grupo Modelo plants or distribution agencies, you can really see the "engagement" of the people, they have the shirt well put on, there is a great sense of belonging … When we reviewed the process of the retirement and liquidation of employees, we found that the timing of people’s retirement was impressive, that is, the number of people that met the retirement age was extremely important [High], which speaks again to ‘engagement’, of the level of satisfaction, and I tell you, I believe there was a perfect balance between the compensation [salaries] and the recognition of the employees. It was a very dedicated and devoted company to celebrate the success [of employees] and to recognize that the success [of the company] was due to all [the work of everyone together]” [Spanish] (Interviewee 2).

Furthermore, some of Modelo’s CSR programmes were adopted by the parent company:

> “In 2014, we engaged communities and brought together volunteers for beach clean ups in Mexico, Canada, Spain, Italy and the United Kingdom. With every beach adopted, we recognized the shared efforts of the volunteers by providing them access to Corona SunSets Festivals” (AB-InBev SR 2014, p.26)

But after the merger, the company downsized, and 3,000 jobs were lost. We did not find much information about it; therefore, we think that confirms the moderate salience of employees in the post-merger.

Another issue of relevance is the resistance to disclosure about injuries and fatalities. Although the sustainability reports focus on how the company instructs employees to avoid injuries and fatalities and disclosed all their programs for health and safety in detail, there is almost no data on injuries and fatalities provided. The following is a brief disclosure about employee safety:

> "Unfortunately, we regret to inform that one of our colleagues [Colaboradores] had an accident and died while supervising beer transportation. In order to avoid these kinds of accidents in the future we have implemented control measures for those activities". [Spanish] (Modelo SR 2012, p.40)

Furthermore, despite the fact that on April 8th, 2013 the news media reported that seven workers died while cleaning a tank at Modelo brewery in Mexico City the 2013 sustainability report of the post-merger Modelo did not disclose the accident. Instead, they disclosed: "In 2013 we implemented the "Cero accidentes" [Zero accidents] campaign in company´s factories and stores" [Spanish] (p. 38). In the parent company, we find a brief disclosure regarding its health and safety employees' performance results:

> "AB-InBev took management control of Grupo Modelo following the combination on June 4, 2013. … there was an incident before AB-InBev took management control in Mexico that resulted in three employees and four contractor fatalities" (InBev SR 2013, p. 50).

There were changes in position in response to customer pressures. On the one hand, there was conformity to national production. Modelo's brands were well known all over the country and outside. After the merger, Corona would continue to be produced in Mexico, as declared by Carlos Fernandez, former CEO, prior to the merger/acquisition negotiations:

> "Patriotism and Mexican pride are part of the Modelo success recipe. There is a romance and a mystery to something made only in Mexico. It could never be the same if we were making it next door. Local production and awareness of customer sensibilities. We will do what we have to do to keep production in Mexico" [Spanish] (Armshaw and Farris, 2007).

On the other hand, there was also resistance to consumer information. Modelo and AB-InBev have similar concerns about consumer drinking responsibility. Yoon and Lam (2013) examined the alcohol industry's CSR engagement; the authors analyse CSR activities from websites of three transnational alcohol corporations, including AB-InBev. Yoon and Lam concluded that these companies shift the blame from those who manufacture alcoholic products to those who consume them. In our case study, companies promote responsible drinking, campaigning not to drive if alcohol consumption has been excessive. The campaign raises consumers' awareness by showing the consequences of excessive drinking because, in the end, consumers decide how much to drink. Our point is, we find resistance to institutional pressures influenced by stakeholder salience and business culture by shifting the blame to the consumers as Yoon and Lam (2013) argued. For example, the responsible drinking campaign continued and the Modelo seems to influence AB-InBev:

> "In 2013, our Mexican colleagues participated for the first time in Global Be(er) Responsible Day (GBRD), following the combination of AB-InBev and Parent Company in June 2013. Some 10,000 Grupo Modelo employees in the region invested more than 61,000 hours participating in activities that reached more than 1.4 million people. Nearly 250 organizations, including government agencies, schools, universities, soccer teams and NGOs joined in GBRD activities, and Facebook,

> Twitter, and the #YoSoyResponsable hashtag amassed more than 13 million impressions" (AB-InBev SR 2013, p. 14)

Furthermore, the U.S. government tried to block the acquisition, arguing that the merger would affect competition among brewers in the country that might affect consumers. But Modelo sold its stake in Crown Imports, to mitigate the effect on competition. Hence, we interpret this evidence as resistance to governmental concerns.

Before the merger, there was conformity with local and global industry associations. The company discloses all the associations in which the company participates, as for example 'Cerveceros Lationamericanos' (Latin-American Brewers). After the merger, the company continues doing so, although with more participants. It is interesting to find that 2014 was the first year that Modelo included 'Cerveceros de Mexico,' the national association of brewers. AB-InBev relatively disclosed:

> "Mexico invited its peer companies from the national beer association, Cerveceros de México, to participate in the first industry-wide celebration … Our Modelo volunteers participated in the program to fight against underage drinking and sales. The campaign included the hashtag "#NoTeHagasGuey" [Don't Fool Yourself]" (AB-InBev SR 2014, p. 11)

Local influence in the community was one of the top topics disclosed in the sustainability reports. Waddock and Graves (2006) assert that an M&A may result in a reduction of corporate community involvement on the target firm since community relations programs are frequently controlled by headquarters. In line with this argument, we find that after the merger, the programs that were aligned with AB-InBev remained, while the other programs were closed, in conformity to headquarters but not to stakeholders at the local (Mexican) level. However, the manager responsible for the sustainability report explained to us that Modelo could align some of these programs with AB-InBev's volunteer programme. For example, after the merger sports teams owned by Modelo were sold, the company continued the relationship as sponsors. This indicates resistance to headquarters but conformity to stakeholders. Yet, Modelo again influenced the acquiring firm. For example, Modelo had a "City Modelo Program" that was replicated by AB-InBev two more times, once in another city in Mexico and the other one in Spain. It seems that Modelo has influenced the parent company:

> "Our Grupo Modelo Foundation created its Voluntarios Modelo campaign in Mexico, together with local NGOs, government officials, family and friends to celebrate International Volunteer Day in December 2014. Our employees coordinated more than 200 initiatives across 66 cities. A total of 55,000 people participated in these activities, which included work in schools, parks and squares, Red Cross delegations, beaches, and elderly and child care centers" (AB-InBev SR 2014, p. 35)

As discussed in page 128 figure 5.3 and page 130 figure 5.5, stakeholder reporting through sustainability reports as a means of communicating strategic responses to institutional pressures, followed a different pattern than news items that proxy for institutional pressures over the period. Although at first glance this may be interpreted as an organisational attempt to control, as opposed to being driven by, media communications, this may also be attributed to the transitional nature of the period examined, whereby both the media and the organisations under merge attempt to re-establish relationships and revisit the salience of the stakeholders concerned.

5. Conclusion

In this Chapter, we examined how multinational mergers/acquisitions impact corporate social reporting to stakeholders. We study the acquisition of the Mexican brewery “Grupo Modelo” (Modelo) by the multinational “AB-InBev” (AB-InBev) covering five years from 2010 to 2014. We propose a simplified framework based on stakeholder salience for understanding our empirical findings. The main contribution of this study is the observation of the changing positions of stakeholder salience during the disruptive period of the M&A. Our theoretical contribution to the literature on the strategic responses to institutional pressures is to consider the influence of stakeholder salience and business culture. In general, we find that sustainability reports during the merger period were driven by legitimacy factors and contextual factors.

On the one hand, we observe that corporate social responsibility news items of the acquired firm behave similarly to that of the acquiring company (possibly due to a pre-existing industry effect). The content analysis of the news items suggests that there is a greater volume of news about AB-InBev than Modelo, although the percentage of coverage among CSR topics is similar. Most of the coverage follows marketplace, corporate governance, and community but less employees, environment, and energy. On the other hand, we observe changing positions of stakeholder groups in sustainability reports and resistance and/or conformity to the situation. We attribute these changing positions to legitimacy factors (Oliver, 1991).

Consistent with findings in Chapter 2, the content analysis of sustainability reports shows that disclosures of both companies were mainly positive and non-narrative. The positive disclosure was significantly higher than that computed for negative and neutral disclosures. The percentage of non-narrative disclosure was higher than that computed for narrative, where within non-narrative, pictorial disclosure was the highest. This highlights the symbolic nature of, as well as the isomorphic trends in, related communications, which potentially ease, or are even reinforced by, horizontal mergers such as the one we examine.

Our results provide a new and important way of understanding stakeholder reporting. We contribute to the literature by studying corporate social responsibility stakeholders' pressures (Oliver, 1991) and stakeholder salience (Mitchel et al., 1997). This allows us to uncover new empirical facts about stakeholder reporting during the period of the merger/acquisition, a dimension that has until now been unexplored in-depth in the literature.

Our findings suggest that companies learn from each-other. As expected the acquirer has great influence on the acquired companies' corporate practices -- but they also adopt practices of the acquired firm when deemed useful or indeed necessary. In horizontal mergers, where companies operate in the same industry, it appears to be easier also to identify commonalities in stakeholder salience and take collective related decisions, such as e.g. pushing the blame for excess consumption to consumers for drinking responsibly or collectively addressing environmental concerns. Perhaps in vertical mergers such collective approaches would be less common, although this is yet to be explored.

The case has nevertheless indicated that there are some inevitable shifts in stakeholder salience caused by a merge, particularly in cross-country cases, such as the one herein examined. The noted decline in employee salience as represented by the reduced benefits received by Modelo's employees can be possibly attributed to the acquirer's organisational culture being imposed to the acquired one. Changes in corporate governance disclosure can also be attributed to this cultural shift, as the

Mexican corporate sector has long been dominated by family companies that are characterised by concentrated equity ownership, a weak emphasis on minority interest protection in securities law and regulation, and relatively weak requirements for disclosure (Husted and Serrano, 2002). The salience of previous shareholders recedes and the company moves from being family-owned to a more disperse ownership, which also normally entails greater governance disclosures. Such shifts in ownership models are generally under-studied in the CSR literature and certainly worth being explored further.

Some of the changes a merger brings would be understandable (e.g. reporting to GRI as a group, possibly as part of a cost-cutting exercise) or indeed desirable (more governance disclosure assisting with making operations more transparent). However, decisions such as paving the football fields, employees and their families used to play, or selling the sports teams owned are clearly not in the benefit of stakeholders at the local level, and they can possibly be attributed to their diminishing salience. Although Logsdon et al. (2006) explain that the level of CSR reflects the particular social and political context and suggest that particular types of philanthropy have emerged as alternatives for government services, our findings lend support to Waddock and Graves' (2006) argument for M&As resulting in reduction in corporate community involvement on the target firm, due to these relations being controlled by headquarters. In the post-merge period, the importance of local stakeholders for a company such as Modelo, operating in Mexico, diminishes, whilst for the same company, the importance of stakeholders of the parent company, in this case operating in Netherlands and Belgium, increases.

The changes in stakeholder salience are also reflected in the findings from the analysis of the two companies CSR publications. Whilst the transitional period examined has obviously had an impact on the inconsistent patterns found (as companies take time to adjust to the new corporate relationship and revisit salience of stakeholders) it is clear that the acquired company is over time adopting disclosure policies of the acquirer such as in the areas of environment and corporate governance. However, it is worth noting that in the post-merger period, disclosure on community and employees increases on average, despite the noted reduced related ‘performance’ and diminishing salience over that period. This highlights the legitimating use of related reporting.

The next chapter summarises the findings of the study and explores implications as well as points out directions for further research.

Chapter 6 Discussion and Conclusion

In this thesis, we investigated corporate social responsibility reporting in Mexico. In particular, we investigated the potential for CSR reporting to act as a legitimacy mechanism to influence a company´s reputation and to further enable society to hold organisations accountable for their social impacts. We conducted three studies. The first study described the extent to which Mexican and foreign companies operating in Mexico companies disclose their corporate social responsibility. The second study explored whether corporate governance and corporate social responsibility reporting in annual reports can be seen as complementary mechanisms used by companies to enhance relations with stakeholders. The third study investigated changes in corporate social responsibility reporting as a result of the acquisition of a Mexican company by a multinational company.

The setting of our investigation was Mexico. The country presents a worthwhile field of CSR research because of the social and environmental challenges, large population, and strategic location between the U.S. and Latin America. Furthermore, Mexico’s foreign trade represents a larger percentage of Mexico's economy than it does for any other large country. Our results can be seen as an example of corporate social responsibility reporting trends for other emerging economies in Latin America.

Our first research question explored the extent and nature of CSR reporting in Mexico. In general, our findings support Logsdon (2006), Muller and Kolk (2009) and Muller and Whiteman (2006) as we found that Mexico has experienced growing awareness of corporate social reporting. Consistent with Muller and Kolk (2009) and Muller and Whiteman (2006), we found CSR in Mexico is concerned about environmental, labour and community, compared to developed countries. We also found CSR reporting differs by industry, as in Araya (2006), Wanderley et al. (2008), Perez-batres et al. (2010) and also Perez-batres et al. (2012). Our results seem to support Araya (2006), Logsdon et al. (2006) and Weyzig (2006) who found that the level of CSR reflects the particular history and social context of Mexico, rather than meaningful and genuine CSR reporting. Our results suggest a strategic approach of legitimacy, where management uses corporate narrative strategically to manage audiences' perceptions of organisational legitimacy. Some are impression management strategies (e.g., excuses, justifications, and apologies) to influence organisational audiences' perceptions of an event, and in doing so, restoring legitimacy.

We assessed the extent, content, and semantic properties of CSR disclosure in three different disclosure media. Our results report a significant difference for disclosure scores between AR, SR and WEB. First, we found that the content of CSR information companies choose to disclose on their annual report was significantly different from the disclosures through SR and WEB. For example, the most discussed topic in AR was Corporate Governance followed by Employees while in SR was Corporate Governance followed by Community. WEB followed a similar pattern as SR, although its disclosure scores on average were significantly lower. This evidence suggests that companies use disclosure media for different purposes (Patten and Crampton 2013) and Guthrie et al. 2008). Second, regarding the economic sign, we found that companies tend to use considerably more positive or neutral disclosures than negative ones. This is true for the annual reports, the SR and the WEB. However, the more positive disclosure is provided through web pages, followed by SR and AR and this difference is statistically significant for all three reporting media. We also report that negative disclosure is more prevalent in the AR relative to both SR and

WEB. This finding is in line with Patten and Crampton (2004) and it is mainly due to the fact that AR disclosure is mandatory and mostly unavoidable, while disclosure in SR and WEB is predominantly voluntary and therefore offers more room for image-building. Third, concerning the type of disclosure, we observed that CSR disclosure is mainly declarative in all the analysed reporting media. Average declarative disclosure score for WEB is significantly higher than the one computed for SR and AR. Conversely, monetary information is more common in AR while it is mostly absent in SR. The highest CSR disclosure score for pictorial information is observed in SR and it is significantly different from the related AR and WEB disclosure scores. This evidence suggests that CSR information provided through AR is more accurate than that disclosed by other reporting media. Conversely, SR and web pages are used to convey boilerplate information, confirming that these media tend to be more symbolic, rather than substantive CSR reporting tools (Michelon et al., 2015).

The scant literature that has so far explored CSR reporting in Mexico has focused on identifying disclosure patterns and has explored whether they reflect domestic demand or are influenced by international developments. Overall, our findings suggest an increased international influence and noted dramatic increase in voluntary GRI compliance. We found that Mexican companies disclose CSR information across all disclosure media, in a similar manner to their Western counterparts (Patten and Crampton, 2004). Specifically, companies report their more substantive, either positive or negative CSR information via the annual report, whilst disclosing their largely symbolic and predominantly positive CSR information in their sustainability reports, and corporate websites, which potentially have smaller audiences, or audiences of lesser importance.

Comparatively high proportions of corporate governance and community disclosure were noted, which can be related to the dominance of the family ownership setting in the country (Dyer and Whetten, 2006). In addition, CSR disclosures aimed at increasing awareness of the sustainable consumption of natural resources. Our results showed an increased emphasis on environmental disclosure, which is potentially not unrelated to the fact that environmental concerns constitute the only area where it has been suggested that effective stakeholder consultation takes place (Weyzig, 2006). Our findings also support that there is a general association between the content and the semantic properties of corporate social responsibility information highlighting the need to consider semantic properties of communication in future investigations.

Unsurprisingly (particularly for our developing CSR setting) we find companies tend to use considerably more positive or neutral disclosures than negative disclosures. However, the comparison across media shows that more positive disclosure is provided through corporate websites, followed by sustainability reports and then by annual reports and this difference is statistically significant for all three reporting media. We also reported that negative disclosure is more prevalent in the annual reports relative to both sustainability reports and corporate websites. Perhaps this finding is mainly due to the fact that annual reports disclosures are mandatory to a certain extent, while disclosures in sustainability reports and corporate websites are predominantly voluntary.

We observed that disclosure is mainly declarative in all of the analysed reporting media. Monetary information is more common in the annual reports while is mostly absent in the sustainability reports. Pictorial information is mostly observed in the sustainability reports. Overall this evidence suggests that CSR information provided through annual reports is more accurate than that disclosed by other reporting media. Conversely, sustainability and corporate websites are used to convey boilerplate information, confirming that these media tend to be more symbolic, rather than substantive CSR reporting tools (Michelon et al., 2015).

Given that our findings suggest that CSR reporting, by both national and foreign companies operating in Mexico, is used as an instrument by companies to improve their relations with stakeholders, our second question was to explore corporate governance characteristics as a determinant of CSR reporting. We used the CSR disclosures from annual reports, given the pivotal role that they play in corporate communication (Adams and Harte, 1998) and because annual reports were available for all the analysed companies, providing a wider examination of the relationship under investigation for the entire sample. Our findings generally support our theoretical framework by showing an association between both the content and the semantic properties of CSR reporting disclosure scores with the governance variables. The presence of foreign ownership shows a significant but negative association with information about the local community. Our study provides empirical evidence to support previous literature suggesting that foreign ownership may have a positive impact on types of disclosure such as the environment (Andrew et al., 1989; Teoh and Thong, 1984), but have a negative impact on community (e.g. Hunter and Bansal, 2007; Meyskens and Paul, 2010). Foreign owners seem to neglect communications to local stakeholders in Mexico and to potentially prioritise salient stakeholders nearer headquarters.

We found that the Overall CSR score relates positively to the board structure while neither foreign ownership nor the other board variables have a significant association. In line with our hypotheses, we found that the CSR environmental disclosure score is positively and significantly related to the proportion of independent directors, the proportion of women directors, as well as with the membership in the environmentally sensitive industries. As predicted, information on Community disclosure score is significantly and negatively related to the foreign ownership and the CSR index while it is positively related to the economic performance of the company. However, contrary to our expectations, Employee disclosure score is significantly but negatively related to the board structure. Regarding the semantic properties of the CSR information, for the economic sign we found the disclosure of “good news” positively relates to the level of GRI compliance while the release of neutral information significantly and negatively relates to board independence, board diversity, and GRI compliance. No other governance variable is associated with the disclosure of good news and bad news. Second, with respect to the type of CSR information, we find that the disclosure of monetary information significantly and negatively relates to board independence, GRI compliance, and the economic performance of the company. The release of numerical information is significantly and negatively related to the presence of foreign ownership and the economic performance but positively and significantly related to GRI compliance. The disclosure of declarative information is positively associated with foreign ownership and the membership in environmentally sensitive industries. Finally, the use of pictorial CSR information is significantly and positively associated with board structure.

Our third question was to explore whether stakeholder salience and business culture (Mitchell et al., 1997) influence CSR organisation´s strategic responses during the dynamic period of the merger/acquisition where the company conforms to or resists the new environment (Oliver, 1991). Our analysis revealed that even when local influence in the community was one of the topics with higher disclosure in the sustainability reports, after the merger, the programs that were aligned with AB-InBev remained, while the other programs were closed, in conformity with headquarters but not to stakeholders at the local (Mexican) level. This finding suggests that an M&A may reduce corporate community involvement on the target firm since community relations programs are frequently controlled by headquarters (Waddock and Graves, 2006). However, the manager responsible for the sustainability report explained to us that Modelo could align some of their programs with AB-InBev's volunteer programme. For example after the merger, sports teams owned by Modelo were sold, but the company continued the relationship as sponsors. This indicates resistance to headquarters but conformity to stakeholders.

Our results suggest that acquired companies can also influence the acquirers. For example, Modelo had a "City Modelo Program" that was replicated by AB-InBev two more times, once in another city in Mexico and the other one in Spain. It seems to suggest that real stakeholder engagement CSR programmes are more likely to survive. We used sustainability reports over the period as a proxy for the extent of the firms' relative concern towards each stakeholder class and found that the volume of disclosure among topics changes on a yearly basis, thus suggesting changes in stakeholder salience. Modelo's corporate governance disclosures showed substantially more variability than the other topics. For example, the least amount of disclosure was in 2013, the year when Modelo was fully consolidated with AB-InBev's financial reporting. The following year, corporate governance disclosures were greater than in any previous year of the analysis. When we used news items as a proxy for stakeholder pressures, we found a greater volume of news about AB-InBev than Modelo, although the percentage of coverage among CSR topics were similar across years. We found that employees and unions pressed for employee engagement and accountability for incidents and injuries and customers were pressuring for consumer information, which after the merger, arises to product-making concerns too. Finally, we inferred business culture from the sustainability reports. We found that during the years before the merger (2010, 2011 and 2012), the sustainability reports disclosed the same values: honesty, loyalty, respect, responsibility, and confidence. Modelo was well known not just because of its Corona beer but also because of its organisational culture. The factories provided football fields where employees could play and also meet on Sundays with their families. Modelo was also known for its CSR commitment. However, after the merger we identified a change in business culture. Astonishingly, in 2013, the sustainability report did not mention company's culture and values at all, possibly due to the uncertainly and ambiguity during the transition. In 2014, the company disclosed the same ten principles espoused by AB-InBev.

We contribute to the generally noted lack of stakeholder engagement in corporate social responsibility reporting, which is predicated on trust and recognition of one another's legitimacy. Our findings overall highlight the controversial role of foreign investment as to regards shaping corporate social responsibilities of companies at the local context. Although it clearly benefits practices such as corporate governance or potentially environment, it potentially ignores stakeholder interests at the local level. This reinforces the shareholder prominence view at the expense of stakeholders, and countries, such as Mexico, facing considerable social and environmental challenges offer fertile ground for it. The study also highlights the need for companies to engage with stakeholders and more actively promote their interests, whether at the local level or global (i.e. in cases where these interests need to be defended against foreign investors bringing in their own agendas).

We expand on extant methodological research by conducting a survey of CSR reporting across industries and reporting media (annual reports, sustainability reports and corporate websites) and by utilising manual content analysis and unprecedented measurement detail (in this stream of CSR research). Our results offer further insights into this practice in the Mexican context. Despite that we note improvements in the diversity of content compared to previous studies, our analysis of the semantic properties of disclosure as well as of the multiple media examined illustrate that there is still a considerable room for improvement until reporting genuinely addresses Mexican stakeholder expectations and informs their decisions.

More specifically, in the first study we contribute to the scarce literature exploring CSR reporting in Mexico. We go beyond the examination of the amount of disclosure by conducting a survey of CSR reporting across industries and reporting media (annual reports, sustainability reports and corporate websites) and by providing a comprehensive analysis of the content and the sematic features of CSR disclosures. We find that Mexican companies disclose CSR information across all disclosure media, in a similar manner to their Western counterparts (Patten and Crampton, 2004) at the same time reflecting the national context. In the second study, we add to the existing literature of the relationship between CSR with corporate governance. In doing so, we echo calls in the governance literature for a wider accountability, and in the CSR literature for governance at company level (Bebbington, 2004; Brennan and Solomon, 2008). By exploring governance-based determinants in a Latin American setting we also contribute to the related growing literature in developing countries

(Visser, 2008; Fifka, 2012; Amezaga et al., 2013; Muttakin and Subramaniam, 2015). In the third study, we contribute to the limited CSR reporting research in the context of mergers and acquisitions. Our results support Waddock and Graves (2006) who argued that in mergers and acquisitions, MNE acquiring companies can impose their CSR stakeholder concerns on the acquired firm. However, we strengthened the argument by noting that the acquired company can also influence the acquirer by observing that disclosures respond to both the shifting stakeholder salience as well as the business culture. In summary, by following overseas studies using similar sampling and measurement techniques, this study provides a benchmark of CSR disclosure in a context of distrust and disbelief from which further work can proceed. This study provides some preliminary evidence that foreign ownership may impact CSR disclosure, whether overseas listings companies are meeting CSR reporting requirements of the country where these companies are listed is a matter for further investigation. Although not an original intention of the study, whether any systematic relationship between CSR reporting and companies with dual and multiple (overseas) stock exchange listings exist is open to question.

Our study suffers from a number of limitations, which also offer fertile ground for further research. This study is limited to firms operating and reporting in Mexico and listed on the Mexican Stock Exchange. The study does not include large MNEs operating in Mexico but reporting in another country nor medium or small Mexican firms. The sample size restricts generalisation of the results, and the specific firms in the sample may not represent prevailing corporate social responsibility reporting practices in other settings. The present study provides a foundation for further research in the development of CSR reporting in Mexico.

The research has limitations with respect to the media of disclosure. Because not all companies issue sustainability reports, the relation of corporate governance variables as determinants for CSR reporting across media is not precise. The research implications suggest a further replication of the findings from annual reports to a more in-depth analysis of the corporate governance variables and sustainability reports. Future studies may offer quantitative attributes for balancing CSR through different disclosure media to effectively manage their relationships with their key stakeholders.

Overall, this research focuses on corporate governance and other control variables within the sample in relation to disclosure. Future research would benefit from linking companies' CSR reporting with financial performance to explore potential determinants for CSR reporting. Although our study is based on anecdotal evidence, it suggests that company responses to stakeholders' pressures are influenced by stakeholder salience and business values. Future studies may extend our framework to other industries and different merger settings to explore the role of, and impacts on, CSR communications.

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Appendix 1. Summary of Mexico's CSR literature review

Study	Country/Place	Industry	Study Focus	Key Findings
Amezaga, et al., 2013	Mexico	Large Mexican companies	Examines general condition of business communications regarding CSR analysing the content of Mexican business websites	A high prevalence of corporate CSR information, especially multinational and foreign companies. In addition, the main motivation behind CSR communications seems to be the performance-driven principle
Araya, 2006	Brazil, Chile and Mexico,		Examines whether corporate Latin America is adopting environmental and social disclosures in annual reports and separate reports	Company's country of origin affects reporting choices. In addition, industries with the highest reporting rates in Latin America have high environmental impacts

Study	Country/Place	Industry	Study Focus	Key Findings
Bastida, et al., 2013	Mexico	Industrial Parks	Examines whether international sustainability indicators can be locally implemented to reflect the level of regional sustainability	Sustainability indicators framework can be adopted from international structures to the local/regional situation when companies have framed their performance under international certifications Sustainability indicators in industrial parks are not an addressed topic in Latin America. Mexico can be taken as an example for the other Latin American countries in sustainability trends and shows the current context of the use of this tool for measurement.
Becker-Olsen, et al., 2011	Mexico and United States (US)	Global Brands	Examines the impact of marketing-oriented CSR communications on perceptions of the firm and its brands among consumers	Sustainability indicators framework can be adopted from international structures to the local/regional situation when companies have framed their performance under international certifications. Yet, the results also show the importance of some specific needs according to local tastes and experiences
Blasco and Zølner, 2010	Mexico and France		Explores "normative institutions" attitudes toward CSR	Despite similar institutional conditions in Mexico and France, the interplay of those institutions combined with the historical role of business and its relationship with society produces quite different articulations of CSR in each country

Study	Country/Place	Industry	Study Focus	Key Findings
Husted and Allen, 2006	Mexico	MNEs operating in Mexico	Examines to the realm of CSR, multinational firms' response to pressures from salient stakeholders	Institutional pressures, rather than strategic analysis of social issues and stakeholders, are guiding decision-making with respect to CSR
Husted and Allen, 2009	Mexico	Multinational enterprise (MNE)	Examines the conditions under which CSR is related to value creation in the MNE	Centrality, visibility, and voluntarism are related to value creation.
Jimena, 2010	Mexico, US, Argentina, Chile, Brazil, Mexico, Peru, Spain, Russia, China and Australia	Mining companies	Presents different CSR approaches	Environmental performance remains an obvious key aspect of corporate responsibility; however, the industry is heavily and relatively effectively regulated in that regard by both Federal and State regulatory agencies
Kfuri, et al., 2012	Mexico, Brazil, South Africa and China	Automobile industry	The case of Volkswagen in integrating the sustainability practice in the business model	Sustainability is an opportunity to bringing out innovation in personal mobility, motivating employees in one corner of the World to help those in another geographic location and improving relation with local government bodies to effectively implement the strategies

Study	Country/Place	Industry	Study Focus	Key Findings
Logsdon, et al., 2006	Mexico	Large firms headquartered in Mexico	Explores the approaches to corporate citizenship and corporate social responsibility of large firms	CSR in Mexico is not new and was not brought to Mexico by US firms, but it does reflect Mexico's social and political history and current context.
Lopez-Torres, et al., 2015	Aguascalientes (Mexico)	Family Small and Medium-sized Enterprises (SMEs)	Examines CSR in 297 family SMEs	Both social and environmental factor and economic factors are good predictors of CSR developed in family SMEs.
Maldonado, et al., 2012	Aguascalientes (Mexico)	Small and Medium-sized Enterprises (SMEs)	Analyses co-operation inside SMEs as a marketing strategy	The reduction on purchase costs, financial performance, and innovation have a significant positive influence on co-operation between different organisations

Study	Country/Place	Industry	Study Focus	Key Findings
Meyskens and Paul, 2010	Mexico		Expanding and updating a previous study about corporate social reporting in Mexico	"First generation" companies have reduced the use of local norms that focus on Mexican values, philanthropy, and a Spanish-speaking audience, and are moving more toward global norms of abiding by international standards that emphasize concrete reporting norms, along with social and environmental goals. At the same time, "second generation" companies are evolving their reporting norms in a way similar to what was observed in "first generation" companies, emphasizing local norms in their initial CSR reporting.
Meza, et al., 2016	Mexico and South Korea	Organic Products	Compares the contents of tweets in about organic products in terms of their semantic and hyperlink networks	Koreans sent tweets much more frequently than Mexicans. Mexican tweets focused on basic food products in street markets, whereas Korean tweets highlighted promotions and firms, revealing the corporatist structure of its economy. In both cases, the findings support Twitter as a useful tool for Word-of-Mouth Communication on the online environment, among product consumers, and between consumers and enterprises.

Study	Country/Place	Industry	Study Focus	Key Findings
Muller, 2006	Mexico	Automobile industry	Considers 'global' and ‘local' corporate social responsibility strategies among Mexican subsidiaries of seven European MNEs	A 'lower CSR context' such as Mexico, decentralized decision-making may in fact be associated with higher local CSR performance
Muller and Kolk, 2009	Mexico	Automobile industry	Reports CSR performance across three dimensions: environmental, labor, and community	Local companies do engage in the type of CSR activities commonly associated with CSR in developed countries. CSR activities are comparable to what is known about CSR in developed-country settings. Moreover, six of the nine CSR dimensions are intercorrelated, which suggests that CSR in the Mexican auto parts industry is more structural than incidental.
Paul, et al., 2006	Mexico		Explores corporate social reporting in Mexico from 2000 to 2003	In their social reporting, most companies use the stakeholder concept, conceptualise CSR in terms of philanthropy and publicise CSR mainly in Spanish. Many CSR reports exist in industries vulnerable to social critics such as petroleum, cement, tobacco and chemicals

Study	Country/Place	Industry	Study Focus	Key Findings
Perez-batres, et al., 2010	Mexico, Argentina, Brazil, Chile, Colombia, and Peru		Explores the impact of normative and mimetic pressures associated with United Nations Global Compact (GC) and Global Report Initiative (GRI) membership	Firms from countries with a greater European influence (normative pressure) are twice as likely to be enrolled in the GC/GRI. Additionally, firms listed on the NYSE (mimetic pressure) are also twice as likely to sign up under the GC/GRI. Hence, the normative and mimetic pillars of institutional theory are found to be significant factors for Latin American firms adopting sustainability initiatives.
Perez-batres, 2012	Mexico	Foreign and local firms	Assesses local sustainability initiatives in the largest foreign and local firms. The paper also assesses the degree of sustainability reporting by local firms.	The type of industry (dirty vs. clean), regional home, and engagement in global sustainability initiatives best explain the firm's decision to follow local sustainability initiatives. The type of industry and affiliation to a national sustainability program are highly related to transparent sustainability reporting for large Mexican firms.

Study	Country/Place	Industry	Study Focus	Key Findings
Rimburg, 2012	Oaxaca (Mexico)	Food Industry	Investigates if CSR initiatives implemented by large corporations improve the coffee sector	Oaxaca is not prospering in high quality or niche coffee markets due to interrelated issues of inefficiency in the sector, high levels of poverty in coffee growing regions, lack of business training and agronomy education, and inconsistent aid from both state and federal governments The study also concludes that there is a need for a reform in the sector's auditing practices, and that civil society is a vital component for stimulating increased sales of ethically sourced coffee
Roden and Medina, 2011	Mexico	Listed companies	Examines stock-price and operating performances of companies recognized as socially responsible	Results reveal, from 2000 to 2008, the recognition had a favorable short-term and long-term impact on stock price
Sanchez, et al., 2013	Guadalajara (Mexico)	Manufacturing Small and Medium-sized Enterprises (SMEs)	CSR and their effect on competitiveness	CSR results in better positioning and recognition of firms by society of SMEs

Study	Country/Place	Industry	Study Focus	Key Findings
Suarez, et al., 2015	Mexico, Argentina, Colombia, and Spain	Hotel chains	Examines social initiatives and diversity (54 interviews)	Diversity and social inclusion are in response to the concerns of certain people (human resources personnel or managers) rather than a perfectly shaped policy on the actions to be undertaken After having analysed the actions undertaken by the hotels to promote diversity and social inclusion, the authors concluded that CSR actions are still in their early stages.
Trapero, et al., 2010	Mexico	Consumer	Case study about socially responsible consumer interests of CSR information	Even though CSR was declared as an important issue for the majority of participants, products made with CSR hasn't achieved much influence in the buying decision making or in the need of being informed about the CSR practices
Valor, 2012	Mexico, Argentina and Colombia	Energy industry (oil, gas and electricity)	Evaluates the contribution of the energy industry to the Millennium Development Goals (MDGs)	Companies are making efforts to contribute to the environment, human rights, employment creation and labour rights. However, their effort is close to nil for the Goals with the weakest links with their core business

Study	Country/Place	Industry	Study Focus	Key Findings
Wanderley, et al., 2008	Mexico, Brazil, Chile, China, India, Indonesia, Thailand and South Africa		Explores the influence by country of origin and/or industry sector on CSR information disclosure on corporate websites	Both country of origin and industry sector have a significant influence over CSR information disclosure on the web (CSRIDOW)
Weyzig, 2006	Mexico		Analyses local and global dimensions of CSR in Mexico	CSR developments are mainly driven by global developments, but shaped by context-specific factors. The global dimension is most apparent in the changing perspectives on CSR and the norms for responsible company behaviour. The local dimension strongly influences priority issues and operational aspects of CSR implementation. The virtual lack of stakeholder engagement in CSR implementation and the related focus on internal management and control systems are most remarkable.

Appendix 2. Characteristics of the companies in the sample.

Data ID	Industry Sector	Revenue (Millions of Pesos)	Employees Number	Capital	Trade revenue outside Mexico	Sustainability Report	GRI compliance
1	Energy	1,094,155.00	147,294	MX	Yes	Yes	G3, A+
6	Telecommunication	119,100.20	52,586	MX	Yes	Yes	No
8		394,711.00	55,627	MX	Yes	No	No
9		10,969.90	8,234	MX	No	No	No
10		9,968.00	5,000	MX	Yes	Yes	No
11		52,352.50	24,362	MX	Yes	No	No
15		785.9	562	MX	Yes	No	No
18	Financial Services	5,014.00	7,364	MX	No	No	G3, B+
19		26,646.70	4,717	MX	No	Yes	G3, B+
20		137,709.20	32,568	Spain	Yes	Yes	G3, A+
21		1,435.50	509	MX	No	No	No
23		55,933.00	19,311	MX	No	Yes	No
24		4,225.00	1,848	MX	No	No	No
27		936.7	1,500	MX	No	No	No
31		115,535.20	40,000	US	Yes	No	No
35		26,567.20	5,994	MX	No	No	No
41		8,823.90	7,021	MX	Yes	No	No
43		64,226.70	11,860	Spain	Yes	No	No
45	Consumers Discretional & Services	8,587.10	20,372	MX	Yes	Yes	G3, U
54		42,822.00	37,500	MX	Yes	No	No
58		46,716.50	32,707	MX	No	No	No

Data ID	Industry Sector	Revenue (Millions of Pesos)	Employees Number	Capital	Trade revenue outside Mexico	Sustainability Report	GRI compliance
60	Consumers Discretional & Services	1,184.00	2,070	MX	Yes	No	No
64		13,865.00	9,370	MX	No	No	No
68		5,458.90	3,374	MX	No	No	No
69		0.47	1,500	MX	No	No	No
72	Industrial	19,418.40	12,295	MX	Yes	Yes	No
74		2,617.20	5,429	MX	Yes	Yes	No
75		19,210.90	21,173	MX	No	Yes	No
76		2,836.10	1,932	MX	Yes	No	No
77		24,356.00	8,000	MX	Yes	No	No
78		115,632.00	52,384	MX	Yes	Yes	No
81		66,035.60	70,377	MX	Yes	No	No
82		7,891.00	6,624	MX	Yes	No	No
91		30,871.40	26,587	MX	Yes	Yes	No
93		19,964.20	13,547	MX	Yes	No	No
96		3,342.80	1,732	MX	Yes	No	No
99		4,020.50	7,712	MX	Yes	No	No
102	Healthcare	4,424.70	621	MX	Yes	No	No
103		10,047.50	6,599	MX	No	No	No
104		19,146.80	16,359	MX	No	No	No
105		1,784.40	1,986	MX	No	Yes	No
106		29,791.70	8,349	MX	Yes	No	No
112	Materials	197,801.00	47,624	MX	Yes	Yes	G3, A+

Data ID	Industry Sector	Revenue (Millions of Pesos)	Employees Number	Capital	Trade revenue outside Mexico	Sustainability Report	GRI compliance
113	Materials	23,991.00	16,989	MX	Yes	Yes	G3, A+
114		44,813.00	8,547	MX	Yes	Yes	G3, A+
115		30,699.00	9,372	MX	Yes	Yes	G3, B
116		65,597.30	23,002	MX	Yes	Yes	G3, A+
117		6,783.40	1,040	Dutch	Yes	No	No
118		9,128.70	2,543	MX	Yes	No	No
119		26,307.60	19,795	MX	Yes	No	No
120		2,200.40	1,628	MX	Yes	No	No
121		4,841.10	2,077	MX	Yes	No	No
123		11,474.20	2,212	MX	Yes	Yes	No
124		22,263.90	5,104	MX	Yes	No	No
125		11,321.70	7,938	MX	Yes	Yes	No
126		3,158.90	1,164	MX	Yes	No	No
128		19,333.50	4,378	MX	Yes	No	No
130		175.55	39	MX	Yes	No	No
132	Consumer Staples	24,234.20	19,459	MX	Yes	No	G3, B
133		102,229.00	67,426	MX	Yes	Yes	G3, B
134		196,103.00	127,179	MX	Yes	Yes	G3, A
135		116,353.00	102,000	MX	Yes	Yes	G3, U
136		81,861.60	36,707	MX	Yes	Yes	G3, C
137		270,451.20	176,463	US	Yes	Yes	G3, B
138		2,805.90	1,308	MX	No	No	No

Data ID	Industry Sector	Revenue (Millions of Pesos)	Employees Number	Capital	Trade revenue outside Mexico	Sustainability Report	GRI compliance
141	Consumer Staples	8,265.60	3,497	MX	Yes	Yes	No
142		23,263.00	24,065	MX	Yes	No	No
143		47,901.00	30,635	MX	Yes	Yes	No
144		54,893.30	39,190	MX	No	Yes	No
146		88,637.30	76,800	MX	No	No	No
148		24,702.20	6,949	US	Yes	Yes	No
149		50,489.00	19,083	MX	Yes	No	No
153		774.1	1,693	MX	No	No	No

Appendix 3. Context Units Description (Themes and Categories)

I. Environment

(1) Pollution control during typical business operations; capital, operating and research and development expenditures for pollution abatement;

(2) Prevention or repair of environmental damage resulting from processing or natural resources, e.g., land reclamation or reforestation; undertaking environmental impact studies to monitor the company's impact on the environment; conducting reviews of performance, emphasising specialist consultants

(3) Receipt of an award for the company's environmental programmes or policies.

II. Energy

(4) Disclosure of the company's energy policies; conservation of energy during typical business operations and manufacturing processes;

(5) Research aimed at improving product energy efficiency;

(6) Receipt of an award for an energy conservation programme.

III. Employees

(7) Employee health and safety (reducing or eliminating pollutants, irritants or hazards in the work environment; promoting employee safety and physical or mental health; disclosing accident statistics; receiving a safety award; establishing goals for minority representation in the workforce);

(8) Employee assistance/benefits (providing assistance or guidance to employees who are in the process of retiring or whose work has been made redundant; providing scholarships for employees' children; providing recreational activities/facilities; employee remuneration; disclosing workers compensation arrangements);

(9) Employee morale (providing information on management's relationships with the employees to improve job satisfaction and employee motivation; expressing employee appreciation or recognition).

IV. Marketplace

(10) Product health and safety (health and safety of the product; customer accidents; description of a policy for preserving customer health and safety during the use of products and services; extent to which these policies are visibly stated and applied; monitoring systems and the results of monitoring of these policies);

(11) Costumers and consumers (consumer complaints and related awards; congestion when associated with customer delays but not including additional fuel; specific customer relations (over and beyond ‘our duty to the customer’); provision for disabled, aged or otherwise challenged customers; provision for difficult-to-reach customers);

(12) Suppliers, providers (specific creditor relations; policies with regard to creditors; consultation with creditors (frequency, information generated, use of information)).

V. Community involvement

(13) Donations of cash, products or employee services to support established community activities, events, organisations, education and the arts;

(14) Sponsoring educational conferences, seminars or art exhibits, funding scholarship programmes or activities;

(15) Supporting the development of local and indigenous communities.

VI. Corporate Governance

(16) Corporate objectives/policies: (general CSR objectives and mission statements; ethics; political statements; general references to stakeholders and competitors and to sustainability);

(17) Corporate Governance: general disclosure of corporate objectives/policies relating to the company’s social responsibility to the various segments of society; disclosure of corporate governance practices.

Appendix 4: Content Analysis code protocol

1. Is the information CSR?

   Corporate Social Reporting (CSR) has been defined by Gray et al. (1987, p. ix), as "the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders"

   - If no: do nothing
   - If yes: go to the next question

2. What is the 'topic' of the disclosure? (Follow protocol for thematic categories)
   - Environment
   - Energy
   - Employees
   - Marketplace
   - Community
   - Corporate Governance
3. Is the disclosure positive, negative or neutral?
4. What is the 'quality' of the disclosure?
   - Declarative
   - Monetary
   - Numeric
   - Pictorial
5. Write the code in the report.
6. Apply the GRID to each piece of information considered CSR and count the cells.
7. Write in the CA checklist.
8. At the end, perform the mathematical operations and check for equal sums.
9. Apply the GRI checklist

Appendix 5. Labels used for the 357 coding choices

				Type			Narrative / Non Narrative			
Report	Theme	Category		Positive	Negative	Neutral	Monet	Num	Decl	Picto
Sustainability Report	Environment	1	Pollution Control	SPPLLPOS	SPPLLNEG	SPPLLNEU	SPPLLMON	SPPLLNUM	SPPLLDEC	SPPLLPIC
		2	Prevention and Repair	SPPREPOS	SPPRENEG	SPPRENEU	SPPREMON	SPPRENUM	SPPREDEC	SPPREPIC
		3	Awards	SPAWRPOS	SPAWRNEG	SPAWRNEU	SPAWRMON	SPAWRNUM	SPAWRDEC	SPAWRPIC
	Energy	4	Policies	SEPOLPOS	SEPOLNEG	SEPOLNEU	SEPOLMON	SEPOLNUM	SEPOLDEC	SEPOLPIC
		5	Research	SERESPOS	SERESNEG	SERESNEU	SERESMON	SERESNUM	SERESDEC	SERESPIC
		6	Awards	SEAWAPOS	SEAWANEG	SEAWANEU	SEAWAMON	SEAWANUM	SEAWADEC	SEAWAPIC
	Employee	7	Health and Safe	SHHASPOS	SHHASNEG	SHHASNEU	SHHASMON	SHHASNUM	SHHASDEC	SHHASPIC
		8	Benefits	SHBENPOS	SHBENNEG	SHBENNEU	SHBENMON	SHBENNUM	SHBENDEC	SHBENPIC
		9	Morale	SHMORPOS	SHMORNEG	SHMORNEU	SHMORMON	SHMORNUM	SHMORDEC	SHMORPIC
	Market Place	10	Product	SMPROPOS	SMPRONEG	SMPRONEU	SMPROMON	SMPRONUM	SMPRODEC	SMPROPIC
		11	Customers	SMCUSPOS	SMCUSNEG	SMCUSNEU	SMCUSMON	SMCUSNUM	SMCUSDEC	SMCUSPIC
		12	Providers	SMPRVPOS	SMPRVNEG	SMPRVNEU	SMPRVMON	SMPRVNUM	SMPRVDEC	SMPRVPIC
	Community	13	Philantropic	SCPHIPOS	SCPHINEG	SCPHINEU	SCPHIMON	SCPHINUM	SCPHIDEC	SCPHIPIC
		14	Education	SCEDUPOS	SCEDUNEG	SCEDUNEU	SCEDUMON	SCEDUNUM	SCEDUDEC	SCEDUPIC
		15	Local and Indigeneous	SCLOCPOS	SCLOCNEG	SCLOCNEU	SCLOCMON	SCLOCNUM	SCLOCDEC	SCLOCPIC
	Other	16	Objectives/Policies	SOOBJPOS	SOOBJNEG	SOOBJNEU	SOOBJMON	SOOBJNUM	SOOBJDEC	SOOBJPIC
		17	Information	SOINFPOS	SOINFNEG	SOINFNEU	SOINFMON	SOINFNUM	SOINFDEC	SOINFPIC
Annual Report	Environment	1	Pollution Control	APPLLPOS	APPLLNEG	APPLLNEU	APPLLMON	APPLLNUM	APPLLDEC	APPLLPIC
		2	Prevention and Repair	APPREPOS	APPRENEG	APPRENEU	APPREMON	APPRENUM	APPREDEC	APPREPIC
		3	Awards	APAWRPOS	APAWRNEG	APAWRNEU	APAWRMON	APAWRNUM	APAWRDEC	APAWRPIC
	Energy	4	Policies	AEPOLPOS	AEPOLNEG	AEPOLNEU	AEPOLMON	AEPOLNUM	AEPOLDEC	AEPOLPIC
		5	Research	AERESPOS	AERESNEG	AERESNEU	AERESMON	AERESNUM	AERESDEC	AERESPIC
		6	Awards	AEAWAPOS	AEAWANEG	AEAWANEU	AEAWAMON	AEAWANUM	AEAWADEC	AEAWAPIC
	Employee	7	Health and Safe	AHHASPOS	AHHASNEG	AHHASNEU	AHHASMON	AHHASNUM	AHHASDEC	AHHASPIC
		8	Benefits	AHBENPOS	AHBENNEG	AHBENNEU	AHBENMON	AHBENNUM	AHBENDEC	AHBENPIC
		9	Morale	AHMORPOS	AHMORNEG	AHMORNEU	AHMORMON	AHMORNUM	AHMORDEC	AHMORPIC
	Market Place	10	Product	AMPROPOS	AMPRONEG	AMPRONEU	AMPROMON	AMPRONUM	AMPRODEC	AMPROPIC
		11	Customers	AMCUSPOS	AMCUSNEG	AMCUSNEU	AMCUAMON	AMCUSNUM	AMCUSDEC	AMCUSPIC
		12	Providers	AMPRVPOS	AMPRVNEG	AMPRVNEU	AMPRVMON	AMPRVNUM	AMPRVDEC	AMPRVPIC
	Community	13	Philantropic	ACPHIPOS	ACPHINEG	ACPHINEU	ACPHIMON	ACPHINUM	ACPHIDEC	ACPHIPIC
		14	Education	ACEDUPOS	ACEDUNEG	ACEDUNEU	ACEDUMON	ACEDUNUM	ACEDUDEC	ACEDUPIC
		15	Local and Indigeneous	ACLOCPOS	ACLOCNEG	ACLOCNEU	ACLOCMON	ACLOCNUM	ACLOCDEC	ACLOCPIC
	Other	16	Objectives/Policies	AOOBJPOS	AOOBJNEG	AOOBJNEU	AOOBJMON	AOOBJNUM	AOOBJDEC	AOOBJPIC
		17	Information	AOINFPOS	AOINFNEG	AOINFNEU	AOINFMON	AOINFNUM	AOINFDEC	AOINFPIC
WEB	Environment	1	Pollution Control	WPPLLPOS	WPPLLNEG	WPPLLNEU	WPPLLMON	WPPLLNUM	WPPLLDEC	WPPLLPIC
		2	Prevention and Repair	WPPREPOS	WPPRENEG	WPPRENEU	WPPREMON	WPPRENUM	WPPREDEC	WPPREPIC
		3	Awards	WPAWRPOS	WPAWRNEG	WPAWRNEU	WPAWRMON	WPAWRNUM	WPAWRDEC	WPAWRPIC
	Energy	4	Policies	WEPOLPOS	WEPOLNEG	WEPOLNEU	WEPOLMON	WEPOLNUM	WEPOLDEC	WEPOLPIC
		5	Research	WERESPOS	WERESNEG	WERESNEU	WERESMON	WERESNUM	WERESDEC	WERESPIC
		6	Awards	WEAWAPOS	WEAWANEG	WEAWANEU	WEAWAMON	WEAWANUM	WEAWADEC	WEAWAPIC
	Employee	7	Health and Safe	WHHASPOS	WHHASNEG	WHHASNEU	WHHASMON	WHHASNUM	WHHASDEC	WHHASPIC
		8	Benefits	WHBENPOS	WHBENNEG	WHBENNEU	WHBENMON	WHBENNUM	WHBENDEC	WHBENPIC
		9	Morale	WHMORPOS	WHMORNEG	WHMORNEU	WHMORMON	WHMORNUM	WHMORDEC	WHMORPIC
	Market Place	10	Product	WMPROPOS	WMPRONEG	WMPRONEU	WMPROMON	WMPRONUM	WMPRODEC	WMPROPIC
		11	Customers	WMCUSPOS	WMCUSNEG	WMCUSNEU	WMCUWMON	WMCUSNUM	WMCUSDEC	WMCUSPIC
		12	Providers	WMPRVPOS	WMPRVNEG	WMPRVNEU	WMPRVMON	WMPRVNUM	WMPRVDEC	WMPRVPIC
	Community	13	Philantropic	WCPHIPOS	WCPHINEG	WCPHINEU	WCPHIMON	WCPHINUM	WCPHIDEC	WCPHIPIC
		14	Education	WCEDUPOS	WCEDUNEG	WCEDUNEU	WCEDUMON	WCEDUNUM	WCEDUDEC	WCEDUPIC
		15	Local and Indigeneous	WCLOCPOS	WCLOCNEG	WCLOCNEU	WCLOCMON	WCLOCNUM	WCLOCDEC	WCLOCPIC
	Other	16	Objectives/Policies	WOOBJPOS	WOOBJNEG	WOOBJNEU	WOOBJMON	WOOBJNUM	WOOBJDEC	WOOBJPIC
		17	Information	WOINFPOS	WOINFNEG	WOINFNEU	WOINFMON	WOINFNUM	WOINFDEC	WOINFPIC

Appendix 6. Content Analysis Summary per reporting media

				Nature				Style				
Sustainability Report			**SR**	Positive	Negative	Neutral	Total	Monet	Num	Decl	Picto	Total
Environ ment	1	Pollution Control		2235	40	377	2652	4	1013	1065	570	2652
	2	Prevention and Repair		3794	104	1025	4923	13	951	2353	1606	4923
	3	Awards		244	0	0	244	0	0	204	40	244
Energy	4	Policies		1357	4	330	1691	0	257	674	760	1691
	5	Research		383	0	200	583	0	100	131	352	583
	6	Awards		0	0	0	0	0	0	0	0	0
Employe e	7	Health and Safe		2213	178	515	2906	4	315	1490	1097	2906
	8	Benefits		980	0	0	980	0	191	497	292	980
	9	Morale		2568	128	421	3117	12	394	1451	1260	3117
Market Place	10	Product		1204	0	1344	2548	0	152	601	1795	2548
	11	Customers		944	0	361	1305	0	42	598	665	1305
	12	Providers		1368	0	69	1437	0	273	809	355	1437
Commu nity	13	Philantropic		1404	44	498	1946	11	40	1009	886	1946
	14	Education		1519	70	300	1889	10	53	749	1077	1889
	15	Local and Indigeneous		3627	72	850	4549	133	328	1920	2168	4549
Corp orate Gove rnanc	16	Objectives/Policies		2308	4	944	3256	0	17	1822	1417	3256
	17	Information		3655	0	2016	5671	25	508	3514	1624	5671
				29803	644	9250	39697	212	4634	18887	15964	39697

				Nature				Style				
Annual Report			**AR**	Positive	Negative	Neutral	Total	Monet	Num	Decl	Picto	Total
Environ ment	1	Pollution Control		335	0	0	335	0	44	155	136	335
	2	Prevention and Repair		534	0	0	534	0	13	217	304	534
	3	Awards		200	0	0	200	0	0	100	100	200
Energy	4	Policies		367	0	0	367	0	36	169	162	367
	5	Research		303	0	0	303	24	35	114	130	303
	6	Awards		10	0	0	10	0	0	10	0	10
Employe e	7	Health and Safe		372	0	0	372	9	69	97	197	372
	8	Benefits		1203	16	1366	2585	1169	256	838	322	2585
	9	Morale		479	0	40	519	30	25	241	223	519
Market Place	10	Product		992	16	329	1337	51	118	547	621	1337
	11	Customers		546	16	112	674	0	0	215	459	674
	12	Providers		105	0	16	121	0	0	64	57	121
Commu nity	13	Philantropic		18	0	0	18	0	0	18	0	18
	14	Education		169	0	0	169	0	0	125	44	169
	15	Local and Indigeneous		812	0	0	812	25	32	312	443	812
Corp orate Gove rnanc	16	Objectives/Policies		387	0	352	739	0	3	249	487	739
	17	Information		806	0	705	1511	139	65	829	478	1511
Number of Pages:			1229	7638	48	2920	10606	1447	696	4300	4163	10606

				Nature				Style				
Corporate Web pages			**WEB**	Positive	Negative	Neutral	Total	Monet	Num	Decl	Picto	Total
Environ ment	1	Pollution Control		352	0	0	352	0	40	270	42	352
	2	Prevention and Repair		714	0	137	851	0	10	538	303	851
	3	Awards		94	0	0	94	0	10	50	34	94
Energy	4	Policies		224	0	0	224	0	0	224	0	224
	5	Research		100	0	0	100	0	30	50	20	100
	6	Awards		4	0	0	4	0	0	4	0	4
Employe e	7	Health and Safe		203	0	0	203	0	0	145	58	203
	8	Benefits		20	0	0	20	0	0	20	0	20
	9	Morale		425	0	64	489	0	10	286	193	489
Market Place	10	Product		172	0	24	196	0	0	142	54	196
	11	Customers		103	0	101	204	0	0	102	102	204
	12	Providers		174	0	62	236	0	20	104	112	236
Commu nity	13	Philantropic		248	0	20	268	0	33	171	64	268
	14	Education		170	0	36	206	0	4	134	68	206
	15	Local and Indigeneous		926	0	114	1040	0	308	384	348	1040
Corp orate Gove rnanc	16	Objectives/Policies		518	0	260	778	0	10	449	319	778
	17	Information		368	0	330	698	0	43	314	341	698
				4815	0	1148	5963	0	518	3387	2058	5963

Appendix 7. Case Study Interview Instrument

1. What's your role and how long have you been working for this organisation?
2. Which are Modelo's main concerns regarding CSR (i.e. which are the company's main social and environmental impacts)?
3. Who are Modelo's main stakeholders? How were they identified? How do you manage potential conflicts between the demands of different stakeholders?
4. How has Modelo identified local and global stakeholders? How are the local stakeholders' claims different from global stakeholders?
5. Are these stakeholders consulted? How does stakeholder consultation take place?
6. Which are Modelo CSR programmes and initiatives? How the company chooses them? Why?
7. How have Modelo's CSR programmes been affected by the merge?
8. How has the relation with stakeholders been affected?
9. How has the prioritization of different stakeholders changed during and after the merger?
10. What are your thoughts on these changes?
11. How are CSR programmes aligned with InBev CSR programmes? Why?
12. Which programmes remained since InBev acquired Modelo? Which ones were aborted? Why?
13. Which programmes were implemented after InBev acquired Modelo? Why?
14. Are there committees responsible for CSR? Are they also responsible for CSR reports? Are these written internally (by e.g. an accounting./marketing department) or externally (outsourced)?
15. Are stakeholders consulted when preparing the report? How?
16. Has the CSR reporting process been affected by the merge? How? What are your views on these changes?
17. Who do you think is the audience of CSR communications? Do you think they find it useful?