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## Corporate Social Disclosure: Explanatory Theories and Conceptual Framework

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### Abstract

*The expectations of consumers, employees, investors, partners of business and local communities to the role of companies in the folk have increased. Thus, guidelines, principles and codes are recommended for the proper conduct of business. Governments, nongovernmental organizations (NGOs) and local communities are demanding to increase transparency and accountability, not only in the daily operation of enterprises, but also in terms of how its operations affect the Society. Indeed, in our research paper we examine the explanatory theories the activity of social responsibility of the company and the corporate social disclosure, the relationship between these different theories and the evolution of communication accounting of social information by companies over time.*

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### Key Words

*Corporate Social responsibility, Corporate Social Disclosure, Agency Theory, Stakeholders Theory, Legitimacy Theory.*

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## **I. INTRODUCTION**

The concept of social responsibility today there is a renewed interest on the part of companies as well as all stakeholders. This concern is considered more pressing as a result of various financial and accounting scandals in the area of governance and ethics, which cost dear to shareholders and other stakeholders.

Many companies adopt moral values such as integrity in their daily operations management, and develop ethical codes describing responsible behavior. Thus, they become increasingly aware of the importance of their role as the acting companies in solving socio-economic problems. Indeed, in recent years we have noticed growing interest to towards the concept of corporate social responsibility. This responsibility can be social, such as the role that businesses play in promoting the health and safety of their employees, protecting the environment, the fight against corruption and respect for human rights in the communities where they operate.

Some researchers try to examine the characteristics of socially responsible companies. Philips and Claus [1] emphasize that the concept of social responsibility appears more frequently in industries with high product differentiation and strong regulation. While, McWilliams and Siegel [2] find that the degree of social responsibility depends on the company size, degree of diversification, its research and development, its advertising efforts, its sales, income consumers, market conditions and its life cycle.

Communication of information on social responsibility is now a must for businesses socially engaged. Thus, Perez [3] considers that accountability (Accountability) is now inherent in the principle of responsibility; one cannot exist without the other. Indeed, if we do not realize we cannot be responsible.

The company must define a formal system of communication that must be maintained to resolve conflicts that may arise. This system should include a clear definition of social actors, the language they use and means of communication. Thus, the role played by the social reporting was often limited by the literature in the context of financial reporting which mainly concerns the economic dimension of corporate responsibility.

The review of the literature on the diffusion of social information identified three approaches most often used by research and enrolling in this area, namely, the positive accounting theory, the theory of legitimacy and the theory of stakeholders.

The dissemination of social information has been considered, on the one hand, in terms of the stakeholder theory (Stakeholder theory) as a form of social accountability. Under this approach, the company communicates social information at "any group or individual who can affect or be affected by the achievement of the organization" [4].

On the other hand, under the theory of legitimacy, CSD information is intended to show "the convergence between the values associated with organizations or related to their activities and the standards acceptable behavior by the social system to which they belong" [5]. In addition to

these theories that belong to the current interpretive, political and contractual theory provides a framework to explain the behavior of corporate social disclosure. Traditionally, this theoretical current which is based on theories of agency and regulation has objective to explain the choice of accounting methods by managers.

Thus, the theory of generalized agency allows the introduction of relationships other than the shareholder relations managers and creditors-CEOs, and considers the relationship between the managers and other stakeholders of the company to explain the practical of CSD company information.

Ullmann [6] highlights the difficulties of researchers to register their reflection within a theoretical framework. Thus, studies dissemination practices involve concurrently to each of these theoretical frameworks and no consensus has emerged among researchers concerning the preferred approach.

Thus, this research paper, we examine three theories mentioned above and their relationship with the practices and commitments in corporate social responsibility activities. We start by defining the concept of social communication. Then, we present the theory of agency and positive accounting theory, then we present the theory of the stakeholders, afterwards the legitimacy theory is analyzed. We close this first section by a synthesis of the relationship between different theories. At the second section we discuss the evolution of the practice of disclosure of social information through the use of various communication media according to the approach of accounting and management. Finally the results of our analysis and discussion represent a model of the full report which exposes a huge challenge for business organizations, requiring a significant commitment of resources to communicate their commitment to CSR activities. Failure to meet this challenge enables business organizations to continue to avoid responsibility for their continued non-viability. This article ends with a personal opinion on how the implementation of the framework of social accounting and sustainability could proceed.

## **II. THE CONCEPT OF COROPRATE SOCIAL DISCLOSURE**

### ***A. Definition of CSR***

Companies are now increasingly aware that commercial success and profits for shareholders does not arise from of maximizing short-term profits, but instead require a behavior that justifies and reinforces social responsibility.

According to Capron [7], social accounting has a variety of meaning from multiple authors and user groups. Some confusion exists because the same terms are used in different ways in different countries, and they do not cover the same fields. However, in general, we note that this is the information system than it aims to express negative or positive contribution of the company to its environment.

The social accounting has been discovered in the 60s, and she is cared only the areas that

concern human dimension. Then, in the 1980s, it was extended to the protection of the environment in the name of environmental accounting. Thus, the object of a social accounting therefore encompasses environmental and social concerns.

The research conducted on the topic of social responsibility has tried to address different aspects of corporate behavior, through the information they broadcast. Thus, the social reporting has become a relevant research to study the different behaviors that accompanied this movement; however, the term of reporting was mainly linked to financial accounting. According to Gray et al. [8], the financial reporting aims to financial mapping of specific economic events made by a company to provide and present information necessary for various users. According to that idea, it is a restricted view of the interactions that can occur between the organization and its economic and social environment.

In this context, the social reporting defines the factors that govern the relations of business with the Company, the major international CSR initiatives, the codes of conduct, the international and national law, the corporate governance, the public pressure, the reputational risk, and the investor pressure.

## **B. The Type of the Social Disclosure**

The social disclosure can be defined as the announcement of financial and non-financial information relating to the interaction of the company with its natural environment [9]. It can generally be considered the publication of information on the activities of the company, its aspirations and its image among the public with regard to the environment, the community, employees and consumer issues [10]. In this context, Haron et al. [11] indicate that social disclosure provides positive information that confirms that the operation of the company is in harmony with the environment. On the one hand, this disclosure shows that the company is required to organize training programs for employees, and that the policies of waste management are effective. On the other hand, societal disclosure may be negative, indicating that the operation of the company is to the detriment of the environment, such as the inability to control or reduce pollution, or failure to solve a social problem.

Aaronson and Reeves [12] suggest that stakeholders exert pressure on companies to develop their practices in the field of CSR activities. This pressure is seen as a catalyst for governments and other institutions to prepare the various accreditation guidelines and standards of CSR practices and social reporting mechanisms. However, these efforts do not attempt to make the societal as mandatory disclosure, but trying to find a way in which company shares will be empowered. Thus, Van der Lann [13] recommends the emerging form of social disclosure, disclosure sought by which all stakeholders are demanding companies to report on social and environmental activities.

In the same line, Hope [14] explains that the commitment on CSR activities is based on five factors at the country level: the audit costs, laws, the efficiency of justice, the superiority of law and shareholder protection. Aerts et al. [1] analyze the determinants to explain international

differences in the practice of environmental disclosure across a sample of countries. Thus, their research showed that companies in the United States have the highest level of these societal practices, followed by Canada, the Netherlands, France, Belgium and Germany. Indeed, in countries where the implementation of CSR activities is high, the researchers found that mandatory disclosure is heavily regulated, resulting in higher levels of disclosure. As a result, companies in North America that operate in the regulatory environment compared to firms in continental Europe, they disclose more environmental expenditure information related to its environmental risks, the pollution reductions and sanitation.

### **III. THEORETICAL FOUNDATION**

The use of an appropriate theoretical framework that clarifies the disclosure of social information is needed to explain why governments are increasingly aware of the importance of non-economic issues. Indeed, this theoretical framework has two levels at the country level and at the enterprise level. Thus, at the country level we find the factors that determine the sensitivity of the community to the importance of corporate social responsibility (CSR), and therefore the level of pressure on companies. While the level of business includes factors that determine its response to social pressure and the degree of disclosure, this level also identifies the benefits of disclosure for companies. The two levels are linked in a way that the factors affecting the level in the companies are those same in the countries.

Therefore, in order to analyze the determinants of social disclosure we examine the agency theory (A), the politico-contractual theory (B), and then we focus on the theory of interest groups that defined the different stakeholders (C). Finally, we study the theory of legitimacy in order to explain the incentives of social reporting (D).

#### **A. Agency Theory**

The agency theory captures the firm as a legal fiction, node a set of contracts (formal and informal), or an agency relationship between partners (stakeholders) that compose it. Indeed, Watts and Zimmerman [15] based upon the principle that the stakeholders act in a relational way to maximize their personal utility. The system of coordination of individual actions is based on delegation and relations (explicit or implicit) that mandate. Thus, given the asymmetry information of contractors, limitation and incentive clauses are necessary to reduce the differences of principal-agent interests.

Thus, the assumptions on which the agency theory is based according to the study of Watts and Zimmerman[15] are:

- Conflicts of interest between shareholders and creditors in order to guard against wealth transfers made to the detriment of creditors, loan contracts include clauses formulated from accounting ratios restricting the action of leaders. This leads tempting of School Rochester to hypothesize of debt that the indebted companies must focus on accounting methods and the practices enhancing the result.

- Conflicts of interest between shareholders and managers: To reduce the risk of opportunistic behavior by managers, companies give them profit sharing plans are generally which based on accounting indicators. This reasoning leads to the hypothesis of compensation that executives in firms with high capital dilution must focus on accounting methods that increase income.

The theoretical models developed framework within of the agency theory emphasizes the studies contractual relationships between managers, shareholders and creditors. Thus, disclosure of social information is an important tool in the context of contract management shareholder-managers. Indeed, shareholders bear the costs of monitoring to increase their information on the practices of leaders. Thus, they will try to use accounting information disclosed to defend their own interests, and demonstrate to shareholders that management is effective.

Indeed, we are based on the research of Dierkes and Preston [16]; these authors argue that the social diffusion is a response or a reaction to the regulator pressure (Securities and Exchange Commission)<sup>1</sup>. On the other hand, the researchers add that large companies are subject to special attention from the public.

In the same line, Hackston and Milne [9] suggested as an explanation of the social disclosure in the annual reports, the size and sector of activity as variables that explain the political visibility of the firm. Indeed, they propose to study the relationship between the economic performance of companies and their broadcasts of social information, and the influence of multiple listing on these disclosures. The result of this study confirmed the importance of size as a factor stimulating social accounting practices.

## **B. Positive Accounting Theory**

With their article in 1978, Watts and Zimmerman initiate a powerful stream of research referred to as the expression of positive political theory or contract theory. This theory was developed in a deductive and normative interaction, and considers that the choice of accounting methods by companies is a reflection of agency relationships within the enterprise, and political costs they may incur.

The main results presented by Watts and Zimmerman [15] showed that the accounting disclosures published by companies have information content for the financial markets. Thus, the results unanticipated by the market produce abnormal returns in the same direction and with variations connected. However, Watts and Zimmerman [15] point out that financial and extra-financial disclosure have no informational content to the extent that they provide information about the cash flows of companies. In order to make assumptions regarding the behavior of users of accounting, we rely on the agency theory and the theory of regulation.

In this sense, the theory of regulation, the political process is seen as an agreement between the

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<sup>1</sup> The Securities and Exchange Commission (SEC) is the U.S. federal agency for regulation and supervision of financial markets. Its powers and composition were substantially modified by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

people who want to maximize their personal interests through transfers of wealth. This theory highlights the existence of political and fiscal costs, which are anticipated by managers in their accounting choices.

The third hypothesis tested in the context of the research program of Watts and Zimmerman (1978) [15] set out the theory of regulation. Thus, according to this theory, in order to limit the risk of the emergence of fiscal or administrative regulation, and does not attract competitors in the sector, large companies can reduce their political visibility by seeking the most of profit neutral in their favor relations with the government or the political class. This reasoning leads to the hypothesis that the size of large firms discloses social and environmental information in their annual reports [17].

According to the politico-contractual theory highly leveraged firms adopt accounting methods that increase their profits. In the same line of ideas, Belkaoui et al. [18] argue that firms that undertake specific expenditures putting out their commitment in social responsibilities, have a primary objective of change in accounting period results and clauses in their contract debt. Indeed, the decision to dissemination of social information in the annual management reports is motivated by this vision by reducing the accounting profit related to costs of social commitments. Thus, Belkaoui and Karpik [18] find a negative relationship between the CSD (corporate social disclosure) information and leverage the firm level.

However, by referring to the notion of exclusive costs, company managers must give importance to the negative consequences resulting from the dissemination of social information. Exclusive costs are borne by the firm when the social disclosure is necessary for third parties whose interests diverge from those of shareholders [19]. Thus, the ability of the firm to bear exclusive costs is related to the level of social disclosure in annual reports of management or separate reports. As a result, companies with high debt levels are less communicate social information, since these disclosures negatively affect the review of firm by financial institutions.

### **C. Stakeholders Theory**

Interest groups, stakeholders, beneficiaries, stakeholders, are translations of 'stakeholders'. The theory of stakeholders was established to meet the most critical existed in the area of corporate social responsibility, namely that of the economist Milton Friedman. In 1970, Friedman published in the New York Times Magazine article "The Strategic Responsibility of Business is to Increase Profits", where it announced that it is inconceivable to define the social responsibility of the company in terms other than maximizing shareholder wealth.

Friedman presents five reasons. First, the company is an "artificial person". Therefore, it cannot have moral responsibility. Secondly if the company accepts the social responsibilities then profit will no longer be the main objective, and there will be interference from political and economic mechanisms. Third, Friedman confirms the argument of "visible hand" of Adam Smith, stating that social welfare is achieved when each carries its own interest. Fourth, on the one hand, managers are the agents of shareholders, and on the other hand, they promote and protect



their own interests. In this contest, the fifth reason presented by Friedman is the fact that the costs of achieving moral goals will have a negative impact on shareholders since they can reduce dividends, or on consumers because they cause an increase in price, or on employees as they cause a decrease in wages.

But the concept of stakeholders continues to be a central theme of corporate social responsibility. So the development of this concept is based around the issue of integration of different stakeholders with their often-divergent interests in the activities and decisions of the company. Thus, the practice of social responsibility by enterprises is hampered by two concepts: the concept of the visible hand and the concept of the hand of government.

Jensen [21] suggests that the stakeholder theory should not be seen as a legitimate competitor to the maximization of value because it fails to provide a full explanation of the purpose of the company or of its objective function. Thus, if the value maximization provides company managers a simple goal, the stakeholder theory led managers companies to serve several parts.

Moreover, Bollecher and Mathieu [22] propose maximizing the value enlightened<sup>2</sup>, that which according to them is equivalent to the theory of enlightened stakeholders. Indeed, maximizing the value enlightened uses much of the structure of stakeholder theory but accepts maximization of the value of the firm in the long term as a criterion for making the exchanges required between the partners. Similarly, the theory of enlightened stakeholders defines the maximizing of value in the long term as an objective of the firm and therefore solves the problems that reveal multiple objectives, accompanying the traditional theory of stakeholders.

#### **D. Theory of Legitimacy**

The theory of legitimacy is based on two fundamental ideas; companies need to legitimize their activities, and the process of legitimacy that confers benefits to businesses. Thus, the first element is compatible with the idea that social disclosure is related to the social pressure. In this context, we say that the need for legitimacy is not the same for all companies due to the degree of social pressure to which the company is exposed, and the level of response to this pressure. Indeed, there are a number of factors that determine the degree of social pressure on companies, and responses to that pressure. These factors are potential determinants of corporate social disclosure. The second component is based on the idea that companies can expect to benefit by a legitimate behavior based on the social responsibility activity. In addition, we argue that the legitimacy theory provides a comprehensive framework to explain both the determinants and consequences of social disclosure.

The academic literature has shown that companies use corporate social disclosure as a response to the pressure of public policies on social responsibility. In this context, social accounting is seen as a response to social conflicts between shareholder wealth and social demands of other stakeholders such as environmentalists, workers, consumers, and minorities [23]. Indeed, the

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<sup>2</sup> This theory is based on maximizing the long-term value as an objective criterion of arbitration of conflicts of interest.



increasing social pressure on irresponsible companies, sometimes accompanied by negative media coverage led the private sector to develop relationships with the country [24]. Thus, Walden and Schwartz [25] suggest that public policy pressures in the years 1960 to 1970 led to a substantial increase in corporate social reports, although this pressure has decreased during the 1980s.

The increase of social pressure may arise from dissatisfaction government, new policy actions, or increased by regulation surveillance [25]. However, Boulding [26], Walden and Schwartz [25] note that public social pressure is composed of three non-market environments: the cultural environment which is composed of the values and attitudes of the population, the political environment that is created always new laws and penalties, and legal environment includes laws, regulations and possible sanctions. Indeed, cultural changes can have a significant effect on political action and more, on the legal structure. Thus, public pressure may increase due to public concerns, political bodies or regulatory of agencies [26-27].

According to Aerts and Cormier [28], the concept of legitimacy is a multi-faceted and multi-dimensional phenomenon. Thus, the legitimacy refers to the characteristics to be legitimate by its implementation in a framework through which something is considered right and good [29]. Indeed, the legitimacy is considered an intangible asset that determines the ability of a firm to accumulate capital and personnel that may influence survival.

However, Zimmerman and Zeitz [30] indicate that there are strategic actions that lead to legitimacy, while legitimacy in turn generates other resources that enable its survival and growth. In addition, legitimacy has an important role to win support for the activities of the firm, and at the same time it forms a niche for its support.

On the one hand, Patten [31] states that social legitimacy is distinct from the economic legitimacy, but this social legitimacy are not certain on the market, rather through public policies. While Aerts and Cormier [28], indicate a distinction between normative and cognitive legitimacy regulators. They find that the legitimacy of environmental reports has been discussed in the literature is mainly a normative legitimacy, which incorporates an important regulatory component. Thus, the laws, regulations and formal rules are benchmarks, more there was an alignment between corporate behaviors with the relevant standards of values, the legitimacy is normative [32].

On the other hand, Tilling [33] supports the idea that there are two broad categories of the theory of legitimacy, institutional legitimacy refers to the type of organizational structure, this legitimacy has gained acceptance of the folk whole. While the legitimacy of the organization (strategic legitimacy) which refers to companies, seeking legitimating by the approval or waiver of sanctions stakeholders in the folk.

Consequently, the theory of organizational legitimacy states that a company can occupy one of the four phases over its legitimacy, establish the legitimacy, maintain the legitimacy, extend the legitimacy and defend the legitimacy.

In this sense, Tilling [33] confirms that the development of the theory of legitimacy, the possibility that the firm may not be able to successfully defend its legitimacy and begins to lose should be added to the model. This phase of loss of legitimacy is more likely to be overwhelmed by the support of the media, the monitoring by NGOs, and monitoring by government regulation. Thus, during the phase of this loss, the firm is more likely to increase its social and environmental disclosure in order to meet a specific threat. Accordingly, Suchman [34] supports the idea that the theory of the legitimacy of an institutional point of view means firms, managers, performance measures and public needs.

### **E. Relationships between Different Theories Examining Practices of CSR**

Freedman and Stagliano [35] indicate that it is probable that there is not an only motivation to disseminate social information. These depend largely on the attitude of officers towards stakeholders of the company.

Deegan [36] emphasizes the voluntary nature of corporate social disclosure and attempts to establish a list of reasons that lead managers to make decision disseminate such information, including:

- The desire of CEO to comply with the law;
- Considerations of "economic rationality" for the benefit for company appear to "what is good";
- The belief in the need for responsibility and accountability, linked to the awareness of the leaders of the existence of inalienable rights of individuals information that must be satisfied at all costs;
- Meet the demands of creditors;
- Meet the expectations of civil society;
- Respond to threats to the legitimacy of the company and related attention.

The interpretation given Hill and Jones [37] of the agency theory and the theory of the firm as a node of contracts, through the stakeholder theory, allows to highlight the specific role of CEO and their differential position vis-à-vis other stakeholders in the organization. Managers appear to be unique in that they are the center of the node and contracts are the only group maintaining a contractual relationship with all stakeholders.

They noted the information asymmetry between managers and other stakeholders and oppose the concentration of resource control by leaders at the diffusion control of resources between the different stakeholders.

Mitchell, Aggle and Wood [38] emphasize the important role of the CEO in this perspective. The

organization depends on an environment consisting of set divergent interests. It is necessary to draw the attention of the CEO or send him requests so that reconciles stakeholders.

The priority of stakeholders and depends on perceptions CEO, thus, Mitchell et al. [38] questioned the role of the characteristics of the manager in the process of identification and classification of stakeholders. These researchers suggest that these characteristics play the role of moderator in the relations with stakeholders. The values of CEOs, especially their position in relation to the social regulation or their propensity to continue or sacrifice their own interests and their ability to understand their environment are characteristics that can guide decisions of the CEO.

#### **IV. INSTITUTIONAL PROPOSALS FOR THE DISSEMINATION OF SOCIAL INFORMATION**

##### **A. The Model of Ramanathan (1976)**

Ramanathan [39] outlines a standard diffusion through the definition of six concepts intended to implement the objectives of measurement and distribution, defined for accounting societal.

The first three concepts defined by Ramanathan allow operationalizing the first objective measurement attached to the social accounting and determine the criteria for societal-level performance of the company. The first concept of social accounting is that of social transaction [40]. To define this concept to exploit the first objective measurement, Ramanathan recalls that many transactions between the Society and the Company, for example, positive or negative externalities, are not market transactions. Thus, it defines a social transaction as "the use or supply by the company of socio-environmental resources that affects the absolute interest or on various social components of the company and which is not made through the market".

To clarify this definition, two new concepts are in turn defined: the concept of social costs/revenues and the social outcome. Social costs represent the sacrifice, by the Society, the resources consumed by the company during the social transaction, while social income are the benefits derived by the Company, the resources produced by the company during the social transaction [41]. These are, respectively, measures of positive and negative externalities. These two concepts involved in determining a third, social outcome, which represents the net business for the period social contribution. This income is calculated by the algebraic Sleeping net income of the company, measured in the traditional way, and the aggregation of its social costs and revenue.

To translate the other two objectives of social accounting, measuring social performance at the macro level and standard diffusion, Ramanathan [39] proposes to define the concepts of social components, social equity, and finally, net social contribution.

Social components are different of social groups to which the company is supposed to be bound by a social contract. Each of these groups can measure changes in its rights with respect to the company, resulting from social transactions: thus, Ramanathan defines social equity. Finally, it is possible to define the net social contribution of a firm as the aggregation of its non-market

contributions to the welfare of the Society, less non-market withdrawals made by the firm on the resources of the Society [42].

### **B. Dierkes Standards and Preston (1977)**

Dierkes and Preston [17] proposed several standards of corporate societal disclosure some of which are inspired by broadcasts from companies.

The first broadcast standard proposed by these researchers applies to information environmental. This framework focuses to a defined set of factors the environment, the disclosure of commitments "input" of the company (investments, costs, and hours of labor) and performance "outputs". There is specified, in performance, the external side effects such as effects of pollution on the surrounding communities or the ecosystem are excluded from broadcasts. Dierkes and Preston [17] state that "such effects, which are also of importance, cannot be considered only through extensive studies in depth and can be integrated into a system of continuous and regular reporting".

Dierkes and Preston [17] provide a standard of comparison for further spread of societal performance of the company with a number of standards.

The diffusion framework proposed by these researchers, from the point of view of societal performance of the company on the one hand, a description of the policy or program of the company on a particular theme. On the other hand, are published the current available data on the implementation of this policy or program. To enable comparison, the standard provides to include one or more standards face levels social performance of the company [43].

The model of "compliance report standard" advocated by Gray, Owen and Maunders [44] is in continuation of the previous. The researchers emphasize the eminently simple character of this model whose objective is to indicate. "For businesses, the level of compliance with their social performance levels of performance standards defined in a number of areas framed by standards".

For each topic dissemination, the report mentions the required standard and that the source is at the origin, the comparative performance of the enterprise for year (n) and year (n-1) and relative the industry average. There is also provided a narrative section to clarify the terms used, making mention of inspections by a competent body and the response from the company.

### **C. Environmental Report Generated by the Environmental Accounting**

The environmental report is a document issued by the company to show how environmental policy and rely effort to reduce the negative impact that its activities have on the environment. However, this report is one of the main channels of communication companies that have achieved good environmental performance. Thus, this document becomes a tool to demonstrate the company's efforts to integrate the environment into its management system and its policy of environmental responsibility [45].

According to Neu, Warsam and Pedwel [46], the managers responsible for the publication of environmental information operate their choice at the nature of information and its presentation. Thus, these managers make a quantitative and qualitative assay, and act on the format, including the choice of colors and patterns of visual communication in order to influence the opinion of users.

In this context, the environmental report can also be influenced by a cost / benefit analysis. Thus, the benefits generated by the processing and disclosure of the information contained in the environmental report must exceed the level of business costs necessary to achieve this communication [47].

#### **D. Environmental Information Contained in the Financial Statements**

The United States, Canada, Norway, Sweden, and France are the only countries where there are recommendations to present and include environmental information from the financial statements or annual report disclosed by the company.

Thus, the U.S., the basic texts leading to the presentation of environmental information in accounting is the general standard of FASB N° 5 on the recognition of latent risks. This standard states that if a loss to a probable latent risk and sufficiently certain in amount, it should be recognized as liabilities and risks in the notes to financial statements. This position allows integrating quality and quantity in the financial statements any financial impact of a latent environmental risk. In addition, the SEC (Securities and Exchange Commission) sanctioned the company does not make the disclosure in its report K-10 any risk to the protection of the environment and have a significant impact on the accounts.

#### **E. Accounting Standards in Publishing Social Information**

The designing a communication strategy in terms of overall performance is an important aspect of the mandate given to the company management and pertaining to the creation of value [48-49]. Thus, the communication strategy in terms of social and environmental performance is a compromise between several constraints and requirements. However, a communication strategy can be seen as resulting from a financial assessment of the economic costs and benefits there under (the theory of information costs), or as a response to media exposure (theory of legitimacy).

During the last decade and there is no obligation that force, companies began to make public in their annual reports information on their performance in the social and environmental protection [50]. Several authors such as [51-53] stress the imperfection of this tool to the extent that they noticed a wide variety of practices and indicators making it very difficult decision making. Similarly, Capron and Quarel - Lanezelée [54] state that the social reporting differs from one company to another.

The Global Reporting Initiative (GRI) is an international company that is given the mission to develop and disseminate recommendations and guidelines of general application for the

production of reports on sustainable development. These reports are used by companies to realize economic, environmental and social dimensions of their activities, products and services [55].

In this sense, the 'GRI' has developed a series of indicators to measure and assess the impact of business activities on the Company. These quantitative and qualitative indicators. They are divided into three categories: economic, environmental and social effects, then under various categories and aspects covered. Thus, there may be one or more indicators treaty appearance. So we distinguish the main indicators that it is mandatory to mention, and additional indicators.

#### **F. EPA "Environmental Protection Agency"**

This is the most influential in its class and the most active, taking serious measures to sanction polluting enterprises body. The EPA is funded by the U.S. government in sixty years federal agency whose mission is to control polluting companies, pursued after justice, their imposing financial sanctions and denounced their polluting activities. Indeed, several research studies have shown that not only the operating system, stock prices and the image of continuity polluting enterprises are affected by the disclosure of environmental and social information, but the information published by the EPA on these companies, and the consequences of their activities on the environment [52].

In addition, the U.S., the thresholds are exceeded by industrial pollution is very uneconomical given the financial penalties and legal actions for damages brought by the EPA against the polluting company. Thus, by the powers vested in him, the EPA can force polluters to disclose certain information as in the case of its decision in 1996 which forced the companies in the sector of the chemical industry to make public accounting information and not accounting for the pollution emitted and generated by these companies. This decision was strongly opposed by industrial firms because this information affects the competitiveness [56].

#### **G. Environmental Management and Audit System or 'EMAS'**

European countries have developed management procedures contractual pollution in the form of private contract between individuals and the State. Thus, companies spend a voluntary agreement with the government committing to a defined administratively and especially obtain convincing results in terms of reducing environmental damage procedure. The Netherlands and Germany, after an initial environmental analysis, companies have more contractual relationships with authorities in establishing action plans [57]. In exchange for this commitment, the companies will have a wide margin of maneuver in the environmental objectives and especially the means to work with an easing of controls. It is in this sense was conceived system of environmental management and audit 'EMAS'. The system 'EMAS' is to provide industrial establishments' voluntary certification of an environmental strategy planned and adapted to local environmental and socio-political context of the company.

#### **H. Codes of Ethics**

Interest in organizational ethics codes intensified in the 1990s [59]. However, such documents are not new organizational devices. Studies in the 1950s found that between 15 % and 40 % of large companies have ethical codes. In 1992, the proportion increased to 93 % of U.S. firms examined, and 83% of companies in North America and Europe [60]. Thus, the standard for large U.S. firms in the 1990s and they must have a code of ethics or a written code of conduct.

Firms have codes for several reasons. Codes of ethics are an attempt to improve the organizational climate so that individuals can behave in an ethical manner [53]. Thus, according to Schwartz and Carroll [61], ethical controls are necessary because the legal system and the market does not necessarily lead to organizational behavior that considers the moral impact of business decisions. Indeed, other authors find that firms need codes of conduct to run the business as a profession like medicine or law. Codes of ethics are guide professions, they can also be regarded as attempts to institutionalize the morals and values of the founders of the firm so that they become part of the culture of the company and they help socialize new individuals in the culture.

## **I. Social Report**

Social audits can be defined as “the publication by the company of information on how it captures the environmental and social impacts of its activities” [54].

The publication of a social report is chosen by some companies as a technique in the process of communication on the social responsibility of the company. This is a report on the economic and social impact of business activity and summarizes the commitments, the process of implementation and outcomes [62].

In addition to its strategic management functions (definition of social responsibility strategy of the company), internal communication (used to transmit the values of the company to employees and subsidiaries to raise awareness of their individual responsibility and their legitimate sustainable development) waiting, this report also provides a tool for external communication. The publication of this report in the context of a growing government interest for the presentation of business performance in the social field.

## **V. CONCLUSION**

This article reviews the accounting newborn; the corporate social responsibility, its practices, its disclosure and explains the different theory which promotes a framework for developing the model of social accounting. The objective of this framework is to provide guidance for the future development of social and environmental accounting. Whether or not it will be beneficial to apply the model structure of traditional financial accounting and social accounting framework for sustainable development. Consequently, the practice of social accounting should benefit from the history of financial accounting. On the one hand, a first current research considers, indeed, the social reporting of companies as a branch of traditional accounting. Among the proponents of this approach, we quote Ramanathan [39]; Gray, Owen and Maunders [44] who consider that research in social reporting should follow the same rules as financial reporting.



In this context, the social information is complementary and consistent with the disclosure of economic and financial information on which the socially responsible investor base to evaluate the ethical performance of companies with whom it wishes to invest.

On the other hand, the second stream of research examines the disclosure of social information through the social contract between the firms to society [63]. Indeed, this new method of reporting is not only to shareholders but also other stakeholders of the firm. This communication is an important technique in the relationships between managers and shareholders, and other stakeholders. As a result, we can move forward explanations to the spread of new forms of social reporting as the publication of the information in autonomous social reports, without legal commitment by a large number of companies. This self-reports are not intended to shareholders only, but to all stakeholders with an interest in the company.

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