

Stakeholders' Perceptions on Social and Environmental Disclosure in China

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Abstract

This study investigates social and environmental disclosure practices of socially responsible Chinese listed firms from stakeholders' perspectives. A stakeholder-driven, three-dimensional social and environmental disclosure index that integrates the quantity and two aspects of the quality of disclosure perceived by stakeholders is constructed to assess firms' social and environmental disclosures in their annual reports and Corporate Social Responsibility (CSR) reports. The results of the study indicate that different disclosure types and different disclosure items are perceived as unequally important to stakeholders. CSR reports provide more stakeholder-relevant social and environmental disclosure than annual reports.

Keywords China, Social and environmental disclosure, Social and environmental disclosure index, Stakeholder.

1. Introduction

Social and environmental disclosure is a relatively new practice for Chinese firms. Prior to 2005, a very limited number of Chinese enterprises published social and environmental reports (including environmental reports, corporate social responsibility (CSR) reports, or sustainability reports). With sustainable development as a priority national strategy, the Chinese government has made great efforts to encourage Chinese enterprises to become more socially and environmentally responsible to their stakeholders. In response, the Shenzhen Stock Exchange (SZSE) promulgated the social responsibility guidelines for listed firms in 2006. The Shanghai Stock Exchange (SSE) also issued guidance documents in 2008 to urge listed firms to publicly disclose social and environmental information in their annual reports or CSR reports. Consequently, more and more Chinese listed firms began to publish CSR reports or sustainability reports as supplementary reports to annual reports. All these governmental efforts and relevant agencies' initiatives highlighted the sudden surge in corporate social and environmental disclosure in China. According to the SSE, in 2008, 290 firms out of about 980 firms listed on the SSE published CSR reports in addition to their financial reports, and of them, 282 firms published CSR reports for the first time (China Securities Journal, 2009).

While widespread attention has been given to social and environmental disclosure from academics' and management's perspectives in developed economies, there is limited evidence concerning social and environmental disclosure from stakeholders' perspectives, especially in transitional economies, such as China. This study therefore, aims to provide evidence of the extent and quality of Chinese listed firms' social and environmental disclosures from stakeholders' perspectives. We do so by constructing a stakeholder-driven, three-dimensional social and environmental disclosure index that integrates the quantity and two aspects of the quality of disclosure perceived by stakeholders.

The remainder of this paper is organised as follows. Section 2 reviews the literature related to corporate social and environmental disclosure. Section 3 describes the sample and research methods used in this study. Section 4 presents the empirical results and analyses, and Section 5 provides concluding remarks.

2. Literature review

In most previous studies, corporate social and environmental disclosure was measured by volume-based content analysis (Gray et al., 1995a; Deegan and Gordon, 1996; Hackston and Milne, 1996; Gao et al., 2005). When using content analysis, the selection of appropriate units for coding and measuring disclosure is an important aspect. The commonly used measuring units in the social and environmental disclosure literature include word (Deegan and Rankin, 1996; Deegan and Gordon, 1996), sentence (Tsang, 1998; Deegan et al., 2000), page (Cowen et al., 1987;

Hackston and Milne, 1996), and page proportion (Guthrie and Parker, 1989; 1990; Gray et al., 1995a). Each measuring unit has its own limitations when quantifying the amount of disclosure. For example, pages may include pictures that have no information on social or environmental activities (Al-Tuwaijri et al., 2004), sentences may ignore relevant tables and figures, and page proportions need more subjective judgment on the treatment of blank parts of a page (Unerman, 2000). Therefore, the debate of what being the most appropriate unit of analysis persisted in the social and environmental disclosure literature (Milne and Adler, 1999; Unerman, 2000; Steenkamp and Northcott, 2007). Alternatively, the use of phrase, clause or theme as unit of analysis has been favoured in recent studies (Beattie and Thomson, 2007; Campbell and Abdul Rahman, 2010).

A key assumption underlying content analysis in social and environmental research is that the quantity of disclosure devoted to an item signifies the relative importance accorded to the item (Unerman, 2000). Nevertheless, there has been recognition that reliance on the mere number of disclosure (i.e., quantity measure) may be misleading or insufficient (Cowen et al., 1987; Toms, 2002; Hasseldine et al., 2005). Further, counting the volume of disclosure does not provide an understanding of the type and importance of information being communicated (van der Laan Smith et al., 2005). Having more information being disclosed does not necessarily mean that the disclosure is of high quality. Therefore, some studies investigated corporate social and environmental disclosure by measuring the quality of disclosure (Cormier and Magnan, 1999; 2003; Cormier and Gordon, 2001; Liu and Anbumozhi, 2009). The quality of disclosure is usually assessed by a content analysis disclosure index. Such a disclosure index assigns ratings to the disclosure relating to each of the pre-defined items in a checklist based on the presence or absence and the degree of elaboration of each individual item. Wiseman (1982) proposed a one- to- three quality rating scale for different disclosure types (i.e. general narrative; specific narrative in non-quantitative terms; and description in monetary/quantitative terms) to evaluate disclosure quality and her index was subsequently popularised by many researchers (Walden and Schwartz, 1997; Choi, 1999; Cormier and Gordon, 2001). Some studies updated the approach by developing other indices, such as Hackston and Milne (1996) index and SustainAbility/UNEP (1997) index. The most widely used in recent studies are indices constructed based on the Global Reporting Initiative (GRI) framework (Clarkson et al., 2008; Liu and Anbumozhi, 2009). Most of these extant disclosure indices only focus on the disclosure quality, except Hasseldine et al. (2005), which used a hybrid measure that integrates quality measure and quantity measure into a single disclosure index. In such a way, the index captures the joint effect of quality measure and quantity measure and shows a more comprehensive picture of corporate social and environmental disclosure.

Influential standards and guidelines such as GRI and AccountAbility increasingly inform leading edge disclosure practice and underline the stakeholder accountability of the disclosure process (Cooper and Owen, 2007). For example, according to GRI

(2002, p. 9), “a primary goal of reporting is to contribute to an ongoing stakeholder dialogue. Reports alone provide little value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviour of both the reporting organisation and its stakeholders.” Therefore, under the accountability principle, one of concerns for corporate disclosure is the right of all stakeholders to receive all information relating to the firm, including social and environmental information, and the responsibility of the firm to provide it, even though it is not required by the regulatory bodies. This normative view taken by policymakers in constructing reporting frameworks is helpful, but the facets of disclosure captured through reporting frameworks need to be validated from stakeholders’ perspective to establish the stakeholder relevance of disclosure. In previous studies, the quality of disclosure in a social and environmental disclosure index was determined by researchers through their judgments in assigning unequal values to different disclosure types (Toms, 2002; van Staden and Hooks, 2007; Clarkson et al., 2008). However, researchers’ judgments may not necessarily align with stakeholders’ judgments on the disclosure quality. The quality of social and environmental disclosure should also be ascertained from stakeholders’ perspective. There have been no previous studies engaged in this issue, except Toms (2002) which conducted a questionnaire survey to ask investment professionals’ perceptions on the importance of different types of qualitative environmental disclosure when determining environmental disclosure quality. However, Toms (2002) only considered investment professionals’ perceptions and disregarded other stakeholders who may be interested in corporate environmental disclosure.

Reviewing the literature relating to the use of disclosure indices in accounting research, researchers are divided on the issue of whether disclosure items are treated with equal values or unequal values. Those studies assuming an equal importance to disclosure items argued that subjective weights assigned to items can average each other out (Cooke, 1989). In contrast, those proposing unequal values of disclosure items emphasised the fact that certain items are more important than others, and suggested that the importance weighting of items contributes to enhancing the disclosure relevance as some disclosure items are more informative than others to stakeholders. They noted that an attitude survey among relevant stakeholders can provide information about the relative importance of disclosure items (Beattie et al., 2004). For example, Schneider and Samkin (2008) consulted a stakeholder panel to ask their opinions on the relative importance of disclosure items included in their intellectual capital disclosure index. In the social and environmental disclosure literature, there has been no previous studies that examined the relative importance of disclosure items to stakeholders, but rather have assumed that all disclosure items are of equal value (Clarkson et al., 2011).

Considering the absence of studies that investigate corporate social and environmental disclosure from stakeholders’ perspectives, this study is to provide evidence of social and environmental disclosure practices of Chinese listed firms through constructing a

social and environmental disclosure index which includes stakeholders' perceptions on the quality of corporate social and environmental disclosure.

3. Research methods

3.1 Sample and data source

This study adopted a 'best practice' example - the 100 socially responsible firms identified by the *2008 Chinese Stock-listed Firms' Social Responsibility Ranking List*. This ranking list is the first corporate social responsibility rating system in China, and it is initiated by *Southern Weekend* (one of China's most popular newspapers), and co-investigated by All-China Federation of Trade Unions, All-China Federation of Industry & Commerce, Peking University, Fudan University and Nankai University.

This study triangulated the data sources of sample firms' social and environmental disclosures. On one hand, sample firms' annual reports and corporate social responsibility (CSR) reports for the year 2008 were used in identifying corporate social and environmental disclosure. In early studies, annual report was viewed as the principal means for corporate communication of operations to the public (Wiseman, 1982), and it has been the source for almost all previous social and environmental disclosure studies (Guthrie and Parker, 1989; Harte and Owen, 1991; Gray et al., 1995a; Deegan and Gordon, 1996; Campbell, 2004). Further, the use of sources other than annual reports, such as stand-alone social and environmental reports, has also been found in the extant literature (Frost et al., 2005; Clarkson et al., 2008). Both annual reports and CSR reports were used in this study because it is likely that stakeholders consider all publicly available reports in decision-making (Van Staden and Hooks, 2007). Although firms may disclose social and environmental information in other media than annual reports and CSR reports (e.g. corporate websites), as Unerman et al. (2007, p. 203) suggested: "for pragmatic reasons, it was necessary to place limits on the scope of documents analysed – if this were not done then the number of documents to be analysed for any single firm could have been overwhelming". Therefore, in this study, annual reports and CSR reports were the only two types of reporting media examined.

On the other hand, empirical data were collected through a questionnaire survey to ascertain stakeholders' perceptions on the relative importance of different disclosure types identified from the literature. Empirical data were also collected through a stakeholder panel consultation to ascertain stakeholders' perceptions on the relative importance of disclosure items. By doing so, this study provided insights into sample firms' social and environmental disclosures from stakeholders' perspectives rather than only from the researcher's perspective.

3.2 A stakeholder-driven, three-dimensional social and environmental disclosure index

In this study, a social and environmental disclosure index (SEDI) based on the GRI

Sustainability Reporting Guidelines (G3 version) was constructed to assess firms' social and environmental disclosures in their annual reports and CSR reports. The GRI Guidelines provides an internationally recognised framework for social and environmental disclosure, which is comprehensive and covers all disclosure aspects such as economic, social and environmental performance (Frost et al., 2005). The use of GRI Guidelines as a coding framework to analyse corporate social and environmental disclosure has been found in previous studies (Frost et al., 2005; Clarkson et al., 2008; Adnan et al., 2010). The GRI (G3) Guidelines generally comprise two broad parts: the overall context for understanding organisational performance (i.e. Strategy and Analysis, Organisational Profile, Report Parameters, and Governance, Commitments, and Engagement), and organisational performance indicators (i.e. Economic Performance (EC), Environmental Performance (EN), and Social performance (including Labor Practices (LA), Human Rights (HR), Society (SO), and Product Responsibility (PR))). In total GRI (G3) contains 121 reporting items (GRI, 2006). In this study, these 121 reporting items were used as predefined items to codify corporate social and environmental disclosure.

3.2.1 Disclosure quantity

SEDI comprises three dimensions: the quantity measure, the quality measure relating to disclosure types, and the quality measure relating to disclosure items. The quantity dimension of SEDI was approached by using content analysis to collect the data about how frequently firms disclosed each of the 121 GRI items in their annual reports and CSR reports. The definitions offered in the GRI framework for each reporting item were used to guide the coding of corporate annual reports and CSR reports. Using the theme (each GRI item includes an underlying theme) as the coding and measuring unit, social and environmental disclosure were identified by the 'meaning' implied in the text according to the definition of the GRI item and then counted by the number of times that each item was mentioned in the annual report and the CSR report. This enables to capture disclosure items more comprehensively than by a manifest content analysis technique such as searching for pre-determined words in annual reports and CSR reports.

3.2.2 Disclosure type quality

The quality dimension relating to disclosure types was approached by conducting a questionnaire survey to collect the data about stakeholders' perceptions on the preference of different disclosure types identified from the literature. Based on the literature (Toms, 2002; Clarkson et al., 2008), five disclosure types were identified: (1) general narrative; (2) specific endeavour in non-quantitative terms; (3) quantified performance data; (4) quantified performance data relative to benchmarks (e.g., targets, industry, previous periods); and (5) quantified performance data at disaggregate level (e.g., plant, business unit, geographic segment). Through a preview of sample firms' annual reports and CSR reports, it was found that firms reported their performance information (i.e., EC performance, EN performance, LA performance, HR performance, SO performance and PR performance) with all the above disclosure

types. In addition to performance information, firms were also found to report their contextual information but with less disclosure types: only having general narrative, specific endeavour in non-quantitative terms, and quantified data. Even for GRI Context categories - Strategy and Analysis and Report Parameters, sample firms were found to have much less disclosure types. Therefore, this study designed the questionnaire with using different disclosure types for GRI performance disclosure and context disclosure (please see Table 1). The questionnaire adopted a continuous rating scale where stakeholders were asked to rate the relative importance of five disclosure types by placing a mark at the appropriate position on a continuous line between two fixed points 0 and 100 (Brace, 2004).

Table 1 Disclosure types in the questionnaire survey

Stakeholder specific disclosure (performance items)	
No.	Description
1	General narrative
2	Specific endeavour in non-quantitative terms
3	Quantified performance data
4	Quantified performance data relative to benchmarks (e.g., targets, industry, previous periods)
5	Quantified performance data at disaggregate level (e.g., plant, business unit, geographic segment)
Context disclosure	
No.	Description
1	General narrative
2	Specific endeavour in non-quantitative terms
3	Quantified data

As corporate stakeholders include a wide range of various interest groups and different stakeholder groups focus on different categories of corporate social and environmental disclosures, we surveyed given stakeholder groups about disclosure relevant to them only. This study therefore, designed six stakeholder-specific versions of the questionnaire (i.e. EC version, EN version, LA version, HR version, SO version and PR version) for six broad stakeholder groups identified in the GRI framework (i.e. economic stakeholders, environmental stakeholders, labour stakeholders, human rights stakeholders, society stakeholders, and product stakeholders). Each questionnaire version asked the given stakeholder group to rate the five disclosure types from 0 to 100 by providing specific examples for each disclosure type that represented disclosure in the performance category relevant to that version. Additionally, all stakeholder-specific questionnaires provided common examples for each disclosure type for context items in the GRI framework.

Unlike shareholders where a registry is maintained by a firm as a legal requirement, the lack of information about stakeholder composition specific to a firm posed a challenge to the selection of stakeholders surveyed. A firm's management is

experientially aware of the stakeholder composition of the firm as they prepare the annual report and the CSR report for corporate stakeholders. Hence, this study contacted corporate executives being involved in preparing annual reports and/or CSR reports and requested them to distribute the six questionnaire versions to relevant stakeholder groups of their firms. Based on corporate executives' experiential judgments, each stakeholder group was surveyed for their perceptions on the relative preference of different disclosure types of corporate social and environmental disclosures. A written request was made in the initial recruitment email to ask the 100 sample firms' executives to distribute the questionnaires to their firms' stakeholders. The respondents were required to return questionnaires directly to the researcher, and not to the firm.

3.2.3 Disclosure item quality

The quality dimension relating to disclosure items was approached by conducting a stakeholder panel consultation to ascertain stakeholders' perceptions on the relative importance of 121 GRI reporting items. A stakeholder panel in this study was a group of stakeholder representatives who were convened by a sample firm to give responses to the relative importance of GRI reporting items. This panel comprised 12 various stakeholder members: (1). a large individual shareholder, (2). a manager of an institutional shareholder, (3). a banking loan manager, (4). a chief officer of a government authority, (5). an academic, (6). an auditor partner, (7). a human resource manager of the firm, (8). an employee representative, (9). a customer representative, (10). a manager of a major supplier, (11). a representative of local community, and (12). a local media manager. The selection of panel members from a wide range of stakeholder groups is due to that disclosure items consulted cover diverse GRI categories (i.e., EC, EN, LA, HR, SO and PR). The size of the panel depends on the objective of the research and such a larger panel may be helpful for exploratory purposes to provide diverse perspectives (UN Global Compact, 2010). The panel members were selected based on their involvement with corporate social and environmental activities, knowledge of what might be included in corporate annual reports and CSR reports, and personal experience. To ensure the effectiveness of the stakeholder panel, each panel member was asked to review the list of 121 GRI items in a questionnaire given to them. For each item, the panel members were asked for their opinions on whether the item should or should not be disclosed and the varying degrees of importance if should be disclosed based on the following rating scales as used by Schneider and Samkin (2008) (please see Table 2). The relative importance of each item was determined as the mean (or average) score of the 12 panel members' opinions.

Table 2 Rating scales used for disclosure items in the stakeholder panel consultation

Score	Description
0	Should not be disclosed
1	Should be disclosed but is of minor importance
2	Should be disclosed and is of intermediate importance
3	Should be disclosed and is of very importance
4	It is essential to disclose this item

Source: Schneider and Samkin (2008)

In conclusion, the stakeholder-driven, three-dimensional SEDI constructed in this study was a product of the three disclosure dimensions for a given firm: disclosure quantity score * disclosure type quality score * disclosure item quality score (please see Figure 1).

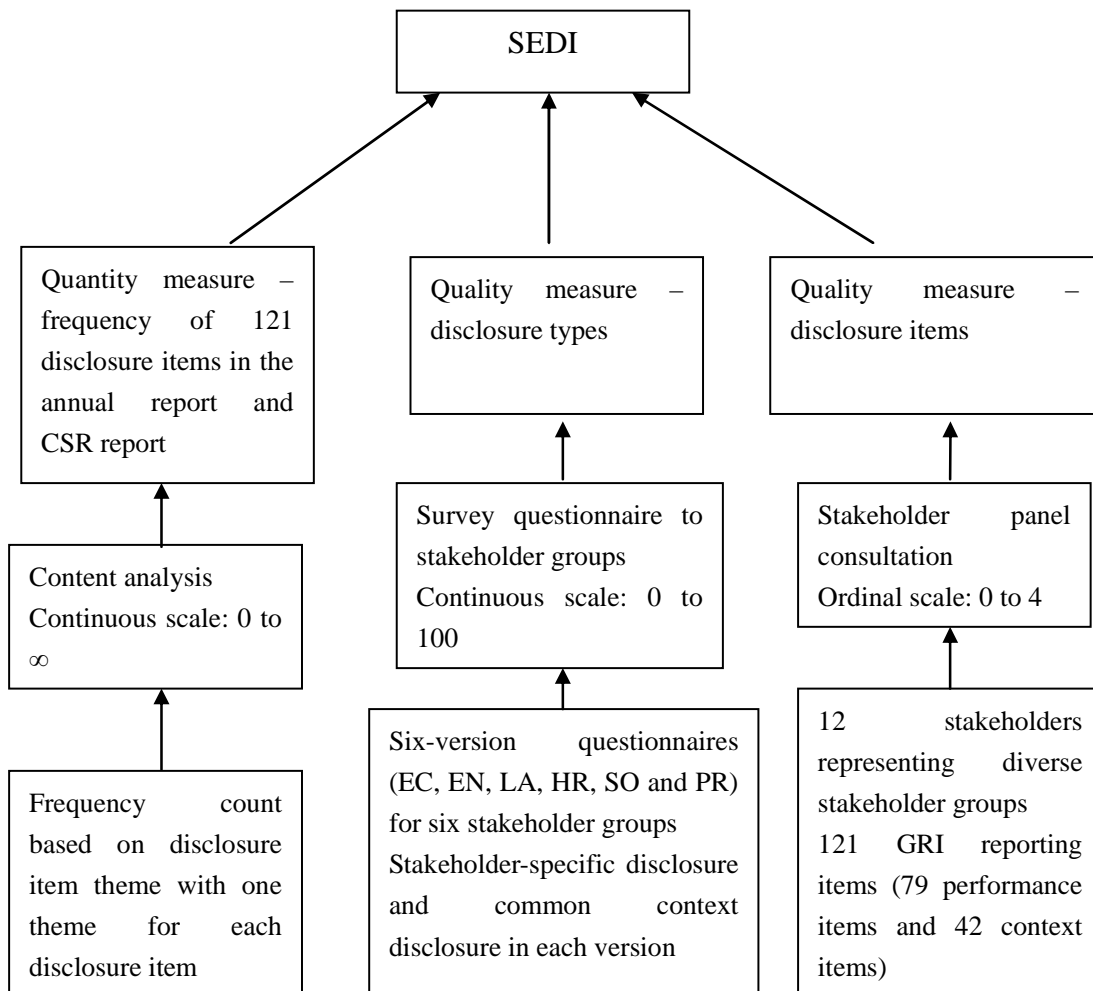


Figure 1 Social and Environmental Disclosure Index (SEDI) construction

4. Results and discussion

4.1 Results of questionnaire survey

As discussed above, this study conducted a questionnaire survey to inquire into stakeholders' perceptions on the preference of disclosure types. In total, 217 completed questionnaire forms were received. Of these completed questionnaires, the largest proportion of responses (45 out of 217) was on the LA version. In contrast, the completed questionnaires received on the EN version and the HR version were relatively less. The HR disclosure is a sensitive aspect for China, as it is often criticised for its labour rights such as 'sweatshop' production where foreign firms subcontract to China (World Bank, 2004).

In this study, the GRI Context disclosure was included in all the questionnaire versions and was rated by all relevant stakeholder groups. According to returned questionnaires, the mean values of stakeholders' perceptions on the relative importance of different disclosure types in terms of context categories are indicated in Table 3. The importance of various disclosure types of context categories that stakeholders assigned was generally low with the mean of each one being around 20, based on a continuous rating scale from 0 to 100. For the categories *Organizational Profile* and *Governance, Commitments and Engagement* (which had more than two disclosure types existed), a nonparametric Kruskal-Wallis test was conducted to determine whether there was a significant difference in the importance responses among various disclosure types, and it was found that there was no significant statistical difference. Further, Mann-Whitney U tests were carried out to determine if there was a significant difference between each two of the disclosure types for all Context categories except for *Strategy and Analysis* (only having one disclosure type), and it was found no significant statistical difference. Different disclosure types (i.e. general narrative, specific endeavour and quantified data) did not mean a difference to stakeholders, indicating that there was no a quality hierarchy existed in terms of disclosure type on the GRI context related disclosure.

Table 3 Stakeholders' perceived importance of different disclosure types - Context categories

Category	Disclosure type	Mean
Strategy and Analysis	Specific endeavour in non-quantitative terms	20.00
Organisational Profile	General narrative	19.68
	Specific endeavour in non-quantitative terms	20.32
	Quantified data	20.60
Report Parameters	General narrative	19.35
	Specific endeavour in non-quantitative terms	20.28
Governance, Commitments and Engagement	General narrative	19.45
	Specific endeavour in non-quantitative terms	20.28
	Quantified data	20.74

Note: Disclosure types were rated on a continuous scale (0 unimportant to 100 important).

Each questionnaire version involved one performance category and was sent to the stakeholder group who had direct concern with disclosure in relation to that performance category. The mean values of stakeholders' responses on the relative importance of disclosure types for each performance category are presented in Table 4. According to the table, it can be found that for each performance category, different disclosure types had different mean values of importance assigned by stakeholders and there was an increase in the mean values of importance from general narrative to specific endeavour and to quantified performance data at disaggregate level. A Kruskal-Wallis test was performed to determine if there was a significant difference in the importance responses among various disclosure types for each performance category. The results indicated a significant statistical difference in the importance responses in terms of disclosure types for each performance category. Since Kruskal-Wallis test only indicates whether disclosure types are different, but not that each disclosure type is different from another, further analysis in the form of Mann-Whitney U tests was conducted to determine whether a given two types were significant different in each performance category. It was found that a significant statistical difference existed between each two disclosure types for each category. Hence, stakeholders placed significantly different responses on the importance of different disclosure types to them, with an evident preference on the quantified and objectified performance disclosure. This suggested that there was a quality hierarchy existed in terms of disclosure type for performance categories. The findings provide evidence about the quality hierarchy of disclosure types from stakeholders' perspectives in a developing country setting, to advance the previous literature in a developed country setting (Robertson and Nicholson, 1996; Toms, 2002).

As discussed in the method section, this study used the mean values of stakeholders' responses on each disclosure type for each GRI category as the disclosure type quality rating in calculating sample firms' SEDI.

Table 4 Stakeholders' perceived importance of different disclosure types - Performance categories

Category	Disclosure type	Mean
EC	1	20.00
	2	39.47
	3	60.53
	4	80.26
	5	90.00
EN	1	20.00
	2	39.68
	3	60.65
	4	80.00
	5	90.00
LA	1	20.00
	2	39.56
	3	60.67
	4	80.00
	5	90.00
HR	1	20.31
	2	40.00
	3	60.31
	4	80.63
	5	87.81
SO	1	19.72
	2	40.00
	3	59.72
	4	79.44
	5	89.17
PR	1	20.00
	2	40.00
	3	60.57
	4	79.43
	5	90.29

Note: 1 = General narrative, 2 = Specific endeavour in non-quantitative terms, 3 = Quantified performance data, 4 = Quantified performance data relative to benchmarks, and 5 = Quantified performance data at disaggregate level. Disclosure types were rated on a continuous scale (0 unimportant to 100 important).

4.2 Results of stakeholder panel consultation

A stakeholder panel consultation was conducted to collect the data relating to stakeholders' perceptions on the relative importance of 121 GRI reporting items. The

mean values of panel members' responses on the importance of each GRI item are calculated. According to the results, the level of importance of most GRI items located between intermediate importance (score = 2) and essential to disclose (score = 4). A minimum mean score of 1.92 was awarded to the *Report Parameter* item "state any specific limitations on the scope or boundary of the report", indicating that stakeholders viewed it as the least relevant to them. A maximum mean score of 4 was awarded to the *Organisational Profile* item "name of the organisation" and the *Report Parameter* item "reporting period for information provided", indicating that stakeholders viewed these two items as essential to be disclosed. In this study, the mean values of panel members' responses on the importance of each GRI item were used as the disclosure item quality to calculate sample firms' SEDI.

4.3 A comparison of social and environmental disclosure (SEDI) between two reporting media

Based on the frequency of each disclosure type reported, the quality rating scores of each disclosure type identified by the questionnaire survey, and the relative importance of GRI items determined by the stakeholder panel, a SEDI for each sample firm was calculated to evaluate social and environmental disclosure in its annual report and CSR report. The results of descriptive statistics of SEDI for the two reporting media (i.e. annual report and CSR report) are presented in Table 5. The SEDI (Total) ranged from a minimum score of 5172.50 to a maximum score of 33299.16, with a mean value of 12783.86 and a standard deviation of 5253.86, indicating that firms differed widely in making stakeholder-relevant social and environmental disclosure. Comparing the two reporting media, the disclosure variation among firms of CSR report, with SEDI (CSR report) having a mean of 6288.15 and a standard deviation of 4741.58, was exceedingly larger than that of annual report, with SEDI (Annual report) having a mean of 6495.71 and a standard deviation of 1477.62. A minimum score of 0 for SEDI (CSR report) shows that some sample firms did not publish a CSR report for the year 2008 with any information based on GRI guidelines. On the other hand, all annual reports contained some disclosure relating to GRI items.

Table 5
Descriptive statistics of SEDI for two reporting media

Reporting media	Obs.	Mean	Std. Dev.	Min.	Max.	Median
SEDI (Annual report)	100	6495.71	1477.62	4570.83	14359.99	6062.50
SEDI (CSR report)	100	6288.15	4741.58	0	20815	5716.67
SEDI (Total)	100	12783.86	5253.86	5172.50	33299.16	12034.17

For 81 sample firms publishing CSR reports, a paired samples t-test and a Wilcoxon matched-pairs signed-ranks test were used to examine whether social and environmental disclosure varied between the annual report and the CSR report. The results are shown in Table 6. As the table indicates, social and environmental disclosure varied significantly between the annual report and the CSR report with the

CSR report having more stakeholder-relevant social and environmental disclosure than the annual report. This finding is consistent with previous studies (Frost et al., 2005; Adnan et al., 2010). This finding may be due to the explicit purpose of the CSR report being the provision of social and environmental disclosure compared to the annual report and the knowledge that the two reports are directed to different user groups (Rowbottom and Lymer, 2009).

Table 6
A comparison of social and environmental disclosure between annual report and CSR report
(n = 81)

	Mean	Std. Dev.	Median	t-test		Wilcoxon test	
				t-stat.	Sig.	z-stat.	Sig.
Annual report	6380.81	1544.17	5925.83	-3.4279	0.001	-2.507	0.0122
CSR report	7763.15	4028.46	6370				

In sum, there is a large variation in social and environmental disclosure among socially responsible Chinese listed firms. Social and environmental disclosure is still voluntary and encouraged by the Chinese government and most firms on the social responsibility ranking list published CSR reports for the year 2008. Compared to the annual report, the CSR report is a more valuable source of stakeholder-relevant information on firms' social and environmental activities.

5. Concluding remarks

This study provides evidence of social and environmental disclosure practices of socially responsible Chinese listed firms from stakeholders' perspectives. The results indicate that there is a quality hierarchy of different disclosure types in terms of GRI performance disclosure from the stakeholders' perspectives. Stakeholders also place different importance on different disclosure items. The results of the study also show that most socially responsible Chinese listed firms (identified by the social responsibility ranking list) published CSR reports for the year 2008, but social and environmental disclosure widely varied among firms. From the users' perspectives, CSR reports provide more stakeholder-relevant social and environmental disclosure than annual reports.

This study extends the scope of current research on social and environmental disclosure to the context of a developing country, China. The findings in the context of socially responsible Chinese listed firms can contribute to developing and improving social and environmental policies in China. This study also makes a methodological contribution to the literature in terms of instrument development by constructing a stakeholder-driven, three-dimensional social and environmental disclosure index. However, findings of this study must be interpreted with considering the following limitations. First, owing to the manual collection of disclosure data and a labour-intensive latent content analysis process, a relatively small sample was used,

which may limit the generalizability of the findings to firms outside the social responsibility ranking list. Secondly, when adopting questionnaire survey and panel consultation as the primary method of inquiry to gain insights into relevant stakeholders' perceptions on corporate social and environmental disclosure, the stakeholders' responses might be influenced by various factors (e.g. cognitive, cultural, and political). Hence, as most research that relies on survey as a source of information, the results need to be interpreted acknowledging potential bias and inaccuracy in the responses. The findings of our study provide a springboard for further research. A future study may investigate social and environmental disclosure practices of firms outside the social responsibility ranking list and compare the findings between firms on the list and outside the list.

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