Journal of International Accounting, Auditing and Taxation 50 (2023) 100522

Contents lists available at ScienceDirect

Journal of International Accounting, Auditing and Taxation

The relationship between CSR disclosure and accounting conservatism: The role of state ownership

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ARTICLE INFO

Article history:
Available online 26 January 2023

JEL classification:
G32
M14

Keywords:
CSR disclosure
State ownership
Accounting conservatism
Accounting aggressiveness
Russian public companies

ABSTRACT

The literature has explored an association between corporate social responsibility (CSR) disclosure and accounting conservatism. This paper investigates how state ownership moderates this relationship in the context of the emerging Russian economy. Using a sample of 223 publicly listed Russian companies for the period of 2012–2017, we find that companies with higher CSR disclosure tend to have more conservative financial reporting practices. We observe, however, that state ownership has a negative moderating effect on this association, in line with agency theory. Moreover, we explore the unique structure of Russian companies' state ownership, whereby public companies often have a combination of *federal*, *regional*, and *municipal* state ownership, the outcome of privatization reform. We find that federal state ownership alone or in combination with regional or municipal levels of state ownership has a significantly negative impact on the CSR disclosure–accounting conservatism association. We find no evidence that a regional or municipal level of state ownership, a combination of regional and municipal levels of state ownership, or a combination of all three levels has an impact on the association between CSR disclosure and reporting conservatism. We address the recent call for a contextualized approach that focuses on institutional, legal, and cultural features of different economies to advance our knowledge of the antecedents of CSR disclosure, its association with reporting quality, and the factors that moderate it.

1. Introduction

Corporate social responsibility (CSR) is a broad concept that incorporates the sustainability, environmental, and social-performance practices of companies (Christensen et al., 2019; Mittelbach-Hörmanseder et al., 2021). In recent years, CSR initiatives that include "business relationships with people, organizations, institutions, communities, societies, and the earth, in terms of deliberate actions" (Wood, 2016) have become an integral part of a company's efforts to meet the expectations of different stakeholders (Burke et al., 2020; McKinsey & Company, 2016; Yu & Zheng, 2020). CSR helps companies to sustain long-term goals (Perkiss et al., 2021), achieve better accountability (Reynolds & Yuthas, 2008), and improve financial performance (Boubakri et al., 2016; Brooks & Oikonomou, 2018). CSR reporting is a means of obtaining legitimacy locally and abroad (Parsa et al., 2021), as well as a way to receive more accurate analyst forecasts (Bernardi & Stark, 2018).

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https://doi.org/10.1016/j.intaccaudtax.2023.100522
1061-9518/

The Millennium Declaration and the Millennium Development Goals (MDGs) adopted in the 2000s have had a profound impact on the CSR performance of companies globally, and it has become vitally important for companies to demonstrate that they incorporate sustainable development principles in their day-to-day decisions and operations (Boubakri et al., 2016; Boubakri et al., 2021; Christensen et al., 2019).

According to a recent KPMG (2020) study, as many as 96 % of the world's largest companies have issued CSR reports to the public. This has raised a concern about whether the rapid increase in CSR reporting reflects a genuine improvement in the accountability of public companies, or the adoption of merely symbolic strategies whereby companies are more concerned about their perceived legitimacy than about improving their impact on society. Stakeholder theory posits that firms use their corporate strategy as a preconditioning or commitment mechanism to benefit their stakeholders. Earnings quality, as proxied by the degree of conservatism in financial reporting, should increase with the actions companies take to improve their relations with stakeholders and to enhance legitimacy, for which CSR disclosure is an important mechanism (Cheng & Kung, 2016; Cullinan et al., 2012; Kim et al., 2012; Labelle et al., 2010). In contrast, agency theory posits that executives may use stakeholder relations to hide opportunistic activities or enhance their own reputations as socially responsible executives (Anagnostopoulou et al., 2021; Cennamo et al., 2009; Ferrell et al., 2016; Lins et al., 2017). Drawing on the effects of CSR activities on firms' relationships with different stakeholders, we examine whether CSR disclosure is associated with accounting conservatism. Our findings indicate a strong positive (negative) association between CSR disclosure and accounting conservatism (aggressiveness) for the Russian public companies we examine. Nevertheless, we find that Russian state ownership has a negative (positive) moderating effect on the association between reporting conservatism (aggressiveness) and CSR disclosure.

Further, we explore the unique structure of state ownership, whereby public companies often have a combination of federal, regional, and municipal state ownership. When privatization processes started in the early 1990s, the territory of Russia was subdivided into regions and municipalities. At present, there are 85 regions, including autonomous republics and cities of federal significance, whereas the number of municipal formations stands at 2,341 (Constitution of the Russian Federation, 2021). Federal oversight is in the hands of ministries (e.g., Finance, Energy, Labor) and federal agencies (e.g., National Security, Financial Monitoring); regional ruling is the prerogative of appointed governors; municipal power is locally determined at the city or town level (e.g., mayoral offices). Although the federal government is considered the main policymaker and power holder, in a study of 85 Russian regions, Sharafutdinova and Kisunko (2014) report that the governors of the regions have significant power over economic policy and that companies commonly follow unofficial local laws, regardless of the federal state ownership present in their equity. Other studies find that Russian firms controlled primarily by regional governments have lower performance indicators than federally owned companies, which is consistent with the difficulty of supervising regional governors (Blanchard & Shleifer, 2001), more self-dealing by regional firms, and the conflicts between regional and federal powers in Russia (Nelson & Kuzes, 2002).

We document that companies with a federal level of state ownership, a federal level combined with a regional level of state ownership, and a federal level combined with a municipal level of state ownership report less conservative accounting numbers. Moreover, the moderating effect of these configurations of state ownership on the CSR–accounting conservatism association is also negative. We do not find evidence that a regional or municipal level of state ownership, a combination of regional and municipal levels of state ownership, or a combination of all three levels of state ownership has an impact on the association between CSR disclosure and reporting conservatism. Overall, it appears that federal ownership is a driving force behind the negative moderating effect of state ownership on the CSR–conservatism association. These results are robust to research design modifications and different methodologies for estimating accounting conservatism.

Our study makes several contributions to theory and practice. First, we address the recent call to conduct context-specific CSR research that will advance our understanding of the CSR disclosure choices of organizations globally. CSR as an accountability concept emerged within developed societies in which compliance with regulations and responsiveness to investor demands for information are rarely an issue, and most CSR research has been done in that context. However, several studies have argued that CSR research needs to be conducted across a wider range of contexts (Aray et al., 2021; Filatotchev et al., 2022; Jamali & Mirshak, 2007; Jamali & Neville, 2011). The assumptions and interpretations of the "traditional" theories that explain the CSR choices of organizations need to be expanded and challenged by considering how CSR operates in societies at different stages of historic and economic development (Crotty, 2016). Halme et al. (2009) and Robertson (2009) propose that national institutional arrangements and cultural antecedents influence the ways that CSR reporting is practiced at a national level, leading to CSR divergence across the nations. Filatotchev et al. (2022) contend that the complexities of modern-day external environments and the unique features of non-Western economies prompt scholars "to recognize the boundary conditions for established theories and adopt more context-dependent perspectives" (p. 2). This "open systems" approach to managerial issues, which encourages researchers to address context-specific factors within existing theories, may enrich the findings on CSR disclosure in the global context (Boubakri et al., 2021; Filatotchev et al., 2022). Moreover, the process of globalization has made the internationalization of corporations' operations unavoidable. Increasingly, companies have had to address the dilemma of balancing global CSR approaches with the needs of local stakeholders—a concept termed *transnational CSR* (Filatotchev & Stahl, 2015). In Russia, the dominant role of the state as the main stakeholder is a unique institutional feature that should play a key role in the governance mechanisms and reporting incentives of public companies (Alon & Kim, 2022; Aray et al., 2021).

Not surprisingly, researchers have begun examining the antecedents of the CSR disclosure of public companies within emerging markets and its incremental value to market participants. Companies in emerging markets may significantly benefit from CSR disclosure, as it could help them to overcome the institutional voids created by underdeveloped capital markets and relatively weak regulatory systems (Khanna & Palepu, 2011). More recent studies have attempted to define the effects and implications of CSR reporting in leading non-Western economies, such as China. Hofman et al. (2017) shed light on the complex nature of "authoritarian capitalism" in China and the uniquely shaped "state-led society-driven CSR," noting the impressive growth in CSR reports during the last decade, despite the wide labeling of the Chinese CSR adoption context as "oxymoronic." In their study of China, Parsa et al. (2021) focus on the unique relationship between local governments, listed companies, and foreign peers that results in normative and mimetic pressures that ultimately lead to greater legitimacy through enhanced CSR reporting. Although our setting of Russia has notable similarities with that of China due to its communist past and the prevailing role of the state, it is not a priori evident that the findings of our study will parallel those in the aforementioned works, for two reasons. First, we go one step further by exploring various levels of state ownership—federal, regional, and municipal—and their interactions when modeling the moderating effect of state ownership on the CSR disclosure–conservatism association. Second, the governance structures of Russian public companies tend to be more like those of Continental Europe than those of Asia (Kim, 2019), and governance structures (e.g., boards of directors) are a key source of CSR decisions.

Further, our empirical methodology is based on a meticulous manual data collection approach, whereas most existing CSR studies on post-Soviet economies rely on limited surveys and case studies (Crotty, 2016).[1] We test our predictions using the panel data of 223 Russian public firms listed on the Moscow Stock Exchange during the period of 2012–2017, using multiple sources of information, including those in the local (Russian) language. We hand-collected data related to CSR disclosure from companies' annual reports to construct a CSR disclosure index that consists of 22 items and is based on the methodologies of prior research (Anas et al., 2015; Haniffa & Cooke, 2005; Wiseman, 1982). Our approach to CSR index compilation parallels those of Aray et al. (2021) and Garanina and Aray (2021). Thus, we address the recent concern about limited CSR research on emerging markets caused by reduced data availability (Boubakri et al., 2021). Single-country studies such as ours allow researchers to circumvent the problem of differential CSR methodologies employed in multi-country studies. They also provide greater data accuracy and a deeper understanding of multi-faceted CSR disclosure.

Third, our study enhances the literature on the role of the government in countries with a not-so-distant communist past by highlighting that state ownership may negatively moderate the relationship between CSR disclosure and accounting conservatism (Cheng & Kung, 2016; Cullinan et al., 2012). The findings on the influence of the Russian state on the corporate governance and reporting quality of public firms have been largely conflicting. Kim (2019) reported that state-owned Russian companies prepared more timely reports and were associated with a higher quantity and quality of accounting information. Aray et al. (2021) concluded that state ownership positively moderated the association between internationalization and the CSR reporting of Russian companies. Conversely, Alon and Kim (2022) found that state-owned companies were more likely to hire lower-quality auditors following the imposition of sanctions that resulted in additional investor scrutiny. Finally, Kim et al. (2020) and Chui et al. (2020) provided mixed evidence on the effect of state ownership on CEO turnover, gender diversity on boards, or auditor choice. We build on prior research by being the first to examine in detail how different levels of state ownership and their configurations moderate the relationship between CSR disclosure and accounting conservatism. Our results are of interest to regulators and standard setters, especially those within emerging markets where the role of the state is unfluential and where companies' CSR engagement has started to increase only recently.

In the next sections, we offer background information, present the theoretical basis of our study, and develop the hypotheses. Next, we describe the data collection techniques and the methods for empirical testing. We then report the results of our main and robustness tests, and, finally, we discuss the findings and present our conclusions.

2. Background

2.1. CSR and emerging markets

Prior research has examined the determinants of CSR activities and reporting in the context of developed and emerging markets. These factors fall into two categories: country-specific and company-specific determinants. In particular, the literature suggests that country-level formal institutions, such as rule of law, government involvement, and level of economic development, are important determinants of the extent of CSR disclosure (Boubakri et al., 2021; Lin et al., 2015; Marquis & Qian, 2014). Studies also have found that country-level reporting practices are shaped by the levels of investor protection, the political regime, and legal arrangements (Djankov et al., 2008; LaPorta et al., 1998). When examining CSR reporting in Singapore, Turkey, and Ethiopia, Robertson (2009) found that companies' disclosure practices are responsive to institutional differences. Tashman et al. (2019) reported that in the case of multinational enterprises, CSR decoupling was shaped by the enterprises' association with country-level and foreign customs. Beekun and Badawi (2005) and Wang and Juslin (2009) provided important insight into the influence of religion and culture on ethical decisions and CSR reporting within Chinese and Muslim societies, respectively. Using an open-ended survey of Chinese business owners, Xu and Yang (2010) identified several unique CSR reporting features tied to social and cultural norms of the society.

[1] The research of Aray et al. (2021) is a notable exception. It is based on a comprehensive dataset of Russian public companies, although the focus of their empirical investigation of CSR is the internationalization practices of companies rather than reporting outcomes.

A significant number of emerging-markets studies have predicted and found that CSR activities and disclosure improve a company's information environment and investor confidence and expand its competitive advantages over other firms. Arya and Zhang (2009) reported that institutional reforms aimed at improving CSR practices in South Africa resulted in a positive market reaction from investors during the final stage of institutional reforms. In their examination of Chinese companies, Wang and Qian (2011) found a positive association between CSR performance and stock returns, but predominantly for companies with high public visibility and those without state ownership. Parsa et al. (2021) noted that Chinese companies' CSR disclosure helped them to enhance legitimacy domestically and maintain their legitimacy internationally. Moreover, political organizations, the government, and companies view enhanced CSR reporting as mutually beneficial. The authors conclude that CSR reporting serves as important liaison between the society and business entities in China. In the Korean setting, Choi et al. (2013) found that enhanced CSR reporting is associated with less earnings management. In a departure from studies of financial reporting, Chkir et al. (2020) examined the association between CSR and economic growth in several emerging and developed nations. They reported that CSR practices positively affect innovation perspectives and promote competition and that this relationship is more pronounced within developed and civil-law societies.

Conversely, some studies have found that enhanced CSR activities and disclosure are intended to mask earnings management. Choi et al. (2013) reported that in the case of Korean *chaebol* firms and those with highly concentrated ownership, CSR practices exist to cover poor earnings quality. Ye and Zhang (2011) found a U-shaped relationship between CSR and the cost of financing, suggesting that CSR is beneficial only when it is not excessive. Saeed and Zamir (2020) also found a substitution effect. Using a hand-collected sample of several emerging markets, including Russia, they documented a negative association between CSR and dividends. Chen et al. (2018) reported that mandated CSR disclosure in China led to a decrease in firms' profitability. Hickman et al. (2021) examined changes in CSR regulations in India, as proxied by the Companies Act of 2013, and found that a mandate for companies to spend 2 % of earnings on CSR activities resulted in more earnings management before the Act was enforced and that the overall pre-post CSR effect on quality of earnings was neutral.

Overall, under pressure from the international community and due to recent global trends, emerging markets' companies are inclined to pay careful attention to CSR disclosure. For companies in these markets, the motivation to be active in CSR disclosure is related to the goal of earning recognition and support from global stakeholders (Cheng & Kung, 2016; Fombrun et al., 2000) and improving legitimacy within the country and abroad (Cai et al., 2019; Garanina & Aray, 2021; Labelle et al., 2010; Parsa et al., 2021; Yu & Zheng, 2020). Studies have found that companies in emerging markets pay particular attention to the use of CSR as a tool for improving their corporate image and as a means for creating community ties (Cheng & Kung, 2016; Kuznetsov et al., 2009; Polishchuk, 2009; Preston & O'Bannon, 1997). Thus, CSR activities and disclosure play an important role in enhancing the reliability of financial statements and investor credibility in emerging markets.

Despite the growing interest in CSR in emerging economies, transitional economies such as Russia have received limited attention. Using a quantitative survey, Kuznetsov et al. (2009) reported that Russian managers do not perceive CSR reporting as a legitimate activity. Preuss and Barkemeyer (2011) found that a significant number of Russian entities included CSR information in their English-language reports. Aray et al. (2021) documented that internationalization positively affects the extent of CSR disclosure, consistent with legitimacy theory, and found that this relationship is moderated by state ownership. In a similar vein, Garanina and Aray (2021) reported that foreign board membership and cross-listing practices positively influence the extent of CSR reporting among Russian companies. Crotty (2016) called for more contextualized research on CSR activities and reporting. Transitional economies, such as Russia, present ample opportunities to advance our understanding of the motivation of companies to engage in CSR practices and reporting.

2.2. The role of the state in the Russian economy

Following the collapse of the Soviet Union in 1991, a mass privatization process was initiated in Russia. During the first wave in 1992, Russian citizens had an opportunity to buy shares in companies, to be privatized through vouchers. Distribution of free vouchers to all citizens was accompanied by employee buyout schemes, with substantial benefits accruing to insiders of privatized companies. As regular citizens were passive owners, they often sold the vouchers, and the ownership became concentrated in the hands of managers (Liljeblom et al., 2020). Due to regulations, the proper fulfillment of shareholder rights through voucher investment funds was limited and, in most cases, was not sufficient for effective control (Chernykh, 2008). The next wave of privatization was characterized by the "loan for shares" program in 1995–1996. The Russian government received loans from a few well-connected banks, using state-owned shares in several leading oil and metallurgy companies as collateral (Chernykh, 2008). The shares were sold at a very low price through non-transparent auctions administrated by the interested banks. This episode in Russian privatization led to the formation of financial-industrial groups that controlled several natural resource monopolies owned by closely connected business groups. This stage also helped some businessmen to buy up the majority stakes in Russian state-owned firms, giving rise to a class of oligarchs (Guriev & Rachinsky, 2005).

Throughout the privatization reform, the federal government managed to retain control in certain industries, such as gas, electric energy, oil, and telecommunications, the so-called *strategic industries*. At later stages, these shares were transferred to specially created state-controlled entities (holdings). Despite the decentralization process that took place during the privatization period, state ownership still plays a very important role in Russia, and the government remains a major policymaker and market controller, as discussed in detail in the next section (Aray et al., 2021; Chernykh, 2008; Liljeblom et al., 2020; Panibratov & Michailova, 2019; Yokogawa, 2019).

Studies have documented that the state can influence firms' strategies and their implementation and that the state uses its control as a tool to achieve socio-political goals (Kole & Mulherin, 1997; Liljeblom et al, 2020). In Western economies, firms' development and access to resources are achieved through market-based transactions (Panibratov & Michailova, 2019). In the Russian economy, firms' strategies are driven by the need to fill the void created by market failures and missing (or inefficient) institutions characterized by weak property rights protection, lack of mechanisms for contract enforcement, and corruption (Estrin et al., 2009; Khanna & Palepu, 2006). Therefore, Russian state-owned enterprises (SOEs) often have superior and/or monopolistic advantages as well as preferential political access (Lundan, 2010), and managers of SOEs may consider formal or informal support from the state as a guarantee of future success (Dikova et al., 2019). Further, firms with a high level of state ownership can receive preferential access to government funding and can often borrow money on better terms in the open market (García-Canal & Guillén, 2008).

Overall, Russian companies have operated in a political context in which "the state has extensive interference in the economic life and the level of uncertainty in the implementation and the enforcement of laws is comparatively high" (Zhao, 2012, p. 442). SOEs represent around 40 % of the market value of all listed firms in Russia (Abramov et al., 2017; Deloitte, 2015) and are among the largest enterprises in the Russian market (Expert 400 Index, 2020). In 2015, SOEs contributed about 30 % of the national GDP, and their total contribution to the public sector reached 70 %, up from 35 % in 2005 (Federal Antimonopoly Service, 2016; Panibratov & Klishevich, 2018).

Even though SOEs are seen as contesting the traditional market economy (Panibratov & Klishevich, 2018), the role of state ownership is undergoing a revival after the historical privatization period in Russia. In recent years, there has been a tendency toward an increase in state control over the economy, and Russian SOEs are considered a mechanism for realizing the political goals of the government and securing the national interests of the country (Aray et al., 2021; Panibratov & Klishevich, 2018). In sum, the Russian state has increased its control, especially in sectors of strategic importance such as finance, infrastructure, resource extraction, and the media (Djankov, 2015).

3. Literature review and hypotheses development

3.1. Theoretical perspective on CSR disclosure

Several studies provide evidence that CSR disclosure improves a company's information environment, inspires confidence in investors, and reflects companies' long-term sustainability goals (Barnett, 2007; Flammer & Bansal, 2017; Roberts, 1992; Wang & Qian, 2011; Yu & Zheng, 2020). CSR disclosure also helps businesses to enhance their legitimacy in domestic and international arenas (Cai et al., 2019; Parsa et al., 2021). In general, firms involved in CSR tend to have a long-term orientation in their activities (Burke et al., 2020) and CSR reporting companies are less likely to be engaged in unethical or opportunistic behavior (Gao et al., 2014; Kim et al., 2012).

When exploring the above notion, researchers rely on legitimacy theory as a conceptual approach to the CSR phenomenon (Branco & Rodrigues, 2006; Deegan et al., 2002; McWilliams et al., 2006). Legitimacy may be described as a generalized perception that the actions of a company are desirable, proper, or appropriate within a socially constructed system of norms, values, beliefs, and definitions (Garanina & Aray, 2021; Kuznetsov et al., 2009; Slim, 2002; Suchman, 1995). Even though the concept of legitimacy has its origins in political science, it incorporates business and economic perspectives. One such example is the stakeholder theory perspective of CSR disclosure (Clarkson, 1995; Freeman, 1984; Friedman & Miles, 2006), according to which CSR-oriented companies tend to conduct relations with stakeholders more responsibly than non-CSR firms do (Keim, 1978). Naturally, relations with some stakeholders are regulated by informal, morally defined norms rather than proper contracts, and this notion is similar to the key assumptions of legitimacy theory (Kuznetsov et al., 2009). Harjoto and Laksmana (2018) claim that CSR represents a control mechanism for managerial opportunism. Managers who are conscious of corporate social responsibility behave not only legally but also morally, and this moral aspect has a spillover effect on the quality of financial reporting (Carroll, 1979; Cheng & Kung, 2016; Choi et al., 2013).

The literature also offers an opposite perspective on enhanced CSR disclosure practices. Some studies have found that companies may use their stakeholder relations and legitimacy to hide self-serving policies (Anagnostopoulou et al., 2021; Cennamo et al., 2009; Ferrell et al., 2016; Lins et al., 2017). They may employ CSR activities as a corporate image–management tool or reputation insurance to cover up the impact of corporate misbehavior and to manipulate the public's perceptions (Choi et al., 2013; Hemingway & Maclagan, 2004; Petrovits, 2006; Prior et al., 2008). Friedman (1970) notes that CSR reporting may signal the presence of agency problems in a firm, as "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits" (p. 15). When analyzing the relationship between insider ownership and firms' behavior, some researchers find that CSR reporting is associated with agency problems (Barnea & Rubin, 2010; Cheng et al., 2014), which leads to more aggressive reporting (Chih et al., 2008).

3.2. CSR disclosure and reporting conservatism

Accounting conservatism is defined as the "the accountant's tendency to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses" (Basu, 1997, p. 7). The literature posits that accounting conservatism may undermine the motivation of managers to overestimate earnings and net assets and reduce managers' potential expropriation (Burke et al., 2020; Cheng & Kung, 2016; García Lara et al., 2009; LaFond & Watts, 2008; Watts, 2003a, 2003b). Zhang (2008) reported that accounting conservatism provides more timely signals of default risk to stakeholders. Consistent with this notion, Biddle et al. (2020) found that accounting conservatism reduces a company's bankruptcy risk by mitigating earnings management. Givoly and Hayn (2000) argued that conservative reporting practices mitigate the fear that a company's reported performance metrics significantly exceed operating cash flows. Watts (2003a, 2003b) indicated that accounting conservatism enhances contracting efficiency and decreases managerial overcompensation. Conservative reporting benefits employees, suppliers, and customers, whose well-being is significantly affected when a company files for bankruptcy (Huang et al., 2019). Prior research also suggests that conservative reporting mitigates the risk of a stock market crash, thereby benefiting the entire society (Guo et al., 2020). Overall, the literature indicates that benefits from conservative reporting accrue to a broad set of stakeholders.

Despite researchers' close attention to the effects of CSR disclosure on reporting quality, the empirical evidence is far from conclusive. On the one hand, the CSR literature suggests that enhanced CSR disclosure is associated with less managerial opportunism (Gao et al., 2014; Kim et al., 2012), and studies report that CSR-active companies are less likely to be engaged in earnings management (Kim et al., 2012) and fraud (Harjoto, 2017). Several studies also document that companies engaged in CSR activities have a lower cost of debt, indicating that creditors are less concerned about financial manipulations within these companies (Ge & Liu, 2015; Goss & Roberts, 2011). Companies that engage in CSR activities are more likely to establish long-term relationships with stakeholders and fulfill their needs (Eccles et al., 2014; Friedman & Miles, 2006; Gao et al., 2014; Kim et al., 2012). Companies that maintain their positive corporate reputation via CSR reporting tend to prohibit management from engaging in activities that are not in line with stakeholders' expectations and that may undermine legitimacy (Branco & Rodrigues, 2006; Deegan et al., 2002; Kim et al., 2012; Labelle et al., 2010; McWilliams et al., 2006). Thus, moral behavior constrains the tendency toward financial manipulation, which results in more reliable and high-quality financial information (Hong & Andersen, 2011; Kim et al., 2012; Labelle et al., 2010). Overall, the stakeholder perspective suggests that companies that engage in stakeholder relations and demonstrate a commitment to enhanced CSR reporting also are likely to reduce the company's insolvency risk for stakeholders and report more conservatively.

On the other hand, agency theory (Jensen & Meckling, 1996) suggests that CSR-reporting companies do not necessarily commit to providing trustworthy information to shareholders. According to Goss and Roberts (2011), a commitment to CSR can be viewed as a shift from the shareholder-oriented value-maximization goal toward the needs of other stakeholders, which exacerbates agency problems. Studies on the complementary effect of financial information and nonfinancial disclosure, such as CSR, find that the effect of poor accounting quality is often offset by enhanced non-accounting information disclosure that serves as a substitute mechanism for a company to maintain legitimacy (Bozzolan et al., 2015; Cai et al., 2019; Callen et al., 2013; McWilliams et al., 2006; Parsa et al., 2021; Yu & Zheng, 2020). It is also plausible that stakeholders perceive companies with extensive CSR disclosure as those with fewer agency problems, which leads to lower demand for conservative reporting (Guo et al., 2020). Finally, the literature on the CSR decoupling phenomenon reports that managers do not implement the CSR policies advertised in their CSR reports under pressure from activist groups (Crilly et al., 2012; García-Sánchez et al., 2020). In that case, the negative association between extensive CSR disclosure and conservatism is not surprising, as the management has no real intention to benefit any stakeholder groups.

In the case of Russia, the status quo of CSR activities is historically determined (Filippov, 2012; Kuznetsov et al., 2009; Polishchuk, 2009). Russian firms perceive CSR as a beneficial or rewarding activity for several reasons. First, it helps them to overcome the unfavorable public image caused by chaotic privatization processes and the state's confusing and inconsistent economic policies (Kuznetsov et al., 2009). Second, as the Russian economy is prone to state control, companies may use CSR to avoid government interference in certain areas and win favorable regulatory treatment, as the state interprets socially responsible behavior as a sign of a company's competence (Gabarro, 1978; Kuznetsov et al., 2009; Mitchell, 1989). At present, a vast majority of Russian public companies demonstrate advanced approaches to CSR, incorporating CSR practices and programs into corporate strategies with a long-term perspective, and 85.7 % of companies build up their CSR programs in accordance with corporate strategy (Blagov, 2014). Russian companies expend resources on CSR initiatives, as they see this as a means of gaining legitimacy, building a strong reputation, and regaining trust (Filippov, 2012; Marano et al., 2017; Tashman et al., 2019).

In summary, despite mixed prior findings, there is a reason to believe that the CSR disclosure of Russian public companies is associated with a higher degree of reporting conservatism. We formulate our first prediction as follows:

H1: There is a positive association between the CSR disclosure of Russian public companies and their reporting quality, as proxied by accounting conservatism.

3.3. State ownership and CSR reporting

The literature suggests that state-owned enterprises play an important role in the economy (Bai et al., 2000; Clarke, 2003; Liu, 2019) and are expected to take a leading role in higher standards on CSR reporting (Marquis & Qian, 2014; Zu & Song, 2009). When analyzing CSR disclosure in emerging markets, the literature explores its antecedents in general, and the role of the government in particular. Cao et al. (2020) provided evidence that partial state ownership of Chinese firms is associated with significant benefits through access to talent, connections, and innovative resources. This is because the Chinese government has committed significant funds to subsidize or incentivize corporate innovation, and state-owned companies can get preferential access to such funds. Xu et al. (2020) found that CSR disclosure helps government-controlled Chinese companies to overcome negative news and litigation risks.

In the case of Russia, the state also is widely viewed as a key source of legitimacy and market strength (Cheng & Kung, 2016; Cullinan et al., 2012; Liu, 2019; Marquis & Qian, 2014). The Russian government is the main guarantor of stability; for example, it reestablished market equilibrium during the challenging times of the 2008 financial crisis and the 2014 economic sanctions imposed by the Western community (Kim, 2021). Managers of SOEs act in line with the economic policies of the government and, thus, tend to be more involved in CSR activities, as they help to enhance their perceived legitimacy (Cheng & Kung, 2016).

Despite numerous capital market reforms and the privatization processes discussed above, the Russian market is still characterized by high ownership concentration and the presence of different levels of government ownership (Liljeblom et al., 2020). In Soviet times, the social sphere in the country was controlled by the government. SOEs were obliged to take social responsibility to maintain some facilities for their workers, such as medical and recreation centers, kindergartens, and schools (Filippov, 2012). Throughout the transition period to the market economy and privatization, the Russian government forced businesses to take responsibility for various social and environmental risks in exchange for social legitimacy and state support (Filippov, 2012; Kuznetsov et al., 2009; Polishchuk, 2009). At present, the government continues to be the driving force for CSR development in Russia (Polishchuk, 2009; Zhao, 2012), as well as the key stakeholder for many Russian firms. Although there are currently no specific legal requirements for firms to implement CSR practices and disclose CSR information, most Russian firms consider their CSR investments to be required by the government rather than optional (Blagov, 2014).

Further, the literature finds that the political affiliations of SOEs are interrelated with economic policies and corporate governance. Therefore, for some companies, the goal of retaining relations with the government overcomes the importance of the goals related to enhancing stakeholder benefits (Boubakri et al., 2008; Estrin & Perotin, 1991; Zu & Song, 2009). In this case, according to agency theory, managers of SOEs may be more involved in CSR activities not based on policy requirements but because they prioritize their own interests, and CSR activities may help them to achieve their personal goals and develop their careers (Boubakri et al., 2008; Li, 2006; Zu & Song, 2009). Research provides evidence that in emerging markets such as Russia, state ownership is associated with increased risk of financial misreporting, as it potentially buffers companies from communicating with other stakeholders and adopting strong governance mechanisms (Kogut & Zander, 2000; Marquis & Qian, 2014). Such studies find that "socialist imprints" prove to be ill-suited to modern business environments (Marquis & Tilcsik, 2013), impeding companies' progress on the de facto adoption of high-quality reporting practices. SOEs symbolically adopt corporate governance mechanisms in response to stakeholder demand without introducing substantive changes (Kuznetsov et al., 2009; Meyer & Rowan, 1977).

Considering the legitimacy perspective and the important historical role of the state in enhancing the CSR activities of Russian companies, we formulate our second prediction as follows:

H2: State ownership positively moderates the relationship between CSR disclosure and the reporting quality of Russian public companies, as proxied by accounting conservatism.

3.4. Differential levels of state ownership and reporting conservatism

Our investigation into the background of Russian public companies that were subject to privatization processes in the 1990s reveals that some have had a unique mix of three levels of state ownership: *federal*, *regional*, and *municipal*. In many cases, companies have had a combination of all three levels of ownership, to varying degrees. The State Committee for Managing State Property (*Rosimuschestvo*) was created in 1991 as the main agency charged with supervision of the privatization processes. State ownership in companies was divided into three categories: federal, regional, and municipal property. Although municipal ownership occurred primarily in medium-sized and small enterprises, studies have demonstrated that the management of municipal enterprises is generally consistent with the rules of federal and regional legislation (Gazetov et al., 2005; Radygin & Malginov, 2001). At present, there are 85 regions and 2,341 municipal formations in the territory of Russia.

It is difficult to assess the number and the size of state shareholdings at the end of the first mass privatization wave that ended in July 1994 due to the low transparency of the process. Beginning in 1995, the state continued its policy of privatization at a much slower pace. At the same time, after mass privatization, there was a process of transferring shares from the federal government to the regional and municipal governments. As the federal government approached the presidential election in early 1996, it started to look for support from regional authorities. In many cases, the federal government transferred shares to the regional governments to repay its debt to the regions (Muravyev, 2002; Radygin & Malginov, 2001).

Although many Russian companies have had federal levels of state ownership, other levels of state ownership also need to be examined (Chernykh, 2008). When a Russian regional authority is one of the company shareholders, it may have objectives that are different from those of the other owners, such as prioritizing an employability goal in the region over the economic profitability of a company (Kuznetsov et al., 2009). In their study of 85 Russian regions, Sharafutdinova and Kisunko (2014) found that the governors of the regions have significant power over economic policy; although all regions should follow federal laws, companies commonly defer to unofficial local laws. Nevertheless, previous research also finds that when regional ownership is combined with federal ownership, state-owned companies perform better, which indicates that multiple shareholders with diverging interests may effectively monitor each other (Maury & Pajuste, 2005). In addition, Liljeblom et al. (2020) and Muravyev (2002) found that companies with a strategic share of state ownership outperform those with minority shares of state ownership. Overall, previous research suggests that the effect of state ownership on the relationship between the CSR disclosure and accounting conservatism in Russia companies is a function of the level of state ownership (federal, regional, or municipal). Thus, we formulate our third hypothesis as follows:

H3: The moderating effect of federal state ownership (alone or in combination with other state ownership types) on the CSR disclosure–accounting conservatism association is more pronounced than the moderating effect of regional or municipal ownership (or a combination thereof).

4. Methodology

4.1. Estimating conditional conservatism

In our baseline model, we follow prior research (e.g., Anagnostopoulou et al., 2021; Burke et al., 2020; Cheng & Kung, 2016; Cho et al., 2020; García Lara et al., 2016) and employ a proxy of conditional conservatism calculated as a firm-year metric developed by Khan and Watts (2009). This methodology is based on Basu's (1997) model in which earnings incorporate bad news in a more timely fashion than good news:

$$EARN_{it} = \beta_0 + \beta_1 DRET_{it} + \beta_2 RET_{it} + \beta_3 RET_{it} \times DRET_{it} + \varepsilon_{it} \tag{1}$$

where *EARN* is the net income after tax scaled by the market value of equity at the beginning of the period; *RET* is the 12-month stock returns computed three months after the fiscal year *t*; and *DRET* is a dummy variable equal to 1 if *RET* is negative, and 0 otherwise. The coefficient β_3 indicates the asymmetric timeliness of recognition of bad news and is expected to be positive. Building on Basu (1997), Khan and Watts (2009) developed a model in which accounting conservatism is a linear function of firm specific-characteristics, such as size (*FIRMSIZE*), market-to-book ratio of equity (*MB*), and leverage (*LEV*), which allows us to construct firm-year-specific *CONSCORE* and *AGRSCORE* metrics:

$$EARN_{it} = \beta_0 + \beta_1 DRET_{it} + RET_{it}(\mu_1 + \mu_2 FIRMSIZE_{it} + \mu_3 MB_{it} + \mu_4 LEV_{it}) +$$

$$+ RET_{it} \times DRET_{it}(\lambda_1 + \lambda_2 FIRMSIZE_{it} + \lambda_3 MB_{it} + \lambda_4 LEV_{it}) + e_{it} \tag{2}$$

Model (2) is expanded to obtain regression estimates of $\lambda_1 - \lambda_4$ and of $\mu_1 - \mu_4$ by firm-year, and Models (3) and (4) are used to compute accounting conservatism and aggressiveness metrics for each firm in a particular year:

$$CONSCORE = \beta_3 = \lambda_1 + \lambda_2 FIRMSIZE_{it} + \lambda_3 MB_{it} + \lambda_4 LEV_{it} \tag{3}$$

$$AGRSCORE = \beta_2 = \mu_1 + \mu_2 FIRMSIZE_{it} + \mu_3 MB_{it} + \mu_4 LEV_{it} \tag{4}$$

The higher the *CONSCORE*, the more conservative the firm's financial reporting; the higher the *AGRSCORE*, the more aggressively the firm reports.

4.2. Empirical models

Consistent with Cheng and Kung (2016) and Burke et al. (2020), we estimate the following regression model to examine the relationship between the CSR disclosure index and conditional conservatism:

$$CONSCORE_{it}(AGRSCORE_{it}) = \beta_0 + \beta_1 CSRDISC_{it} + \beta_2 CFO_{it} + \beta_3 FIRMAGE_{it} + \beta_4 ROA_{it} + m_{it}, \tag{5}$$

where *CONSCORE* and *AGRSCORE* are estimated in Models (3) and (4), respectively; the *CSRDISC* variable represents a CSR disclosure index described in the next section; *CFO* represents operating cash flows; *FIRMAGE* is the age of the company; and *ROA* is return on assets. H1 is supported if the coefficient on *CSRDISC* is significantly positive [negative] in the case of *CONSCORE* [*AGRSCORE*].

To test the moderating effect of state ownership (H2), we extend Model (5) in line with Cheng and Kung (2016) by adding a dummy variable *SOE* that is equal to 1 if a company has state ownership of any type, and 0 otherwise:

$$CONSCORE_{it}(AGRSCORE_{it}) = \beta_0 + \beta_1 CSRDISC_{it} + \beta_2 SOE_{it} + \beta_3 CSRDISC_{it} \times SOE_{it} +$$

$$+ \beta_4 CFO_{it} + \beta_5 FIRMAGE_{it} + \beta_6 ROA_{it} + n_{it} \tag{6}$$

We expect the coefficient on the interaction term *CSRDISC* $\times$ *SOE* to be significantly positive (negative), with *CONSCORE* (*AGRSCORE*) as a dependent variable to support H2. Finally, to test H3, in Model (6), we replace *SOE* with dummy variables that reflect different levels of state ownership and their configurations: *FEDSOE* $=1$ if a company has only a federal ownership level in equity out of three possible levels of state ownership; *REGSOE* $=1$ if a company has only a regional ownership level; *MUNSOE* = 1 if a company has only a municipal ownership level; *FRMSOE* = 1 if a company has all three levels of state ownership in equity; *FRSOE* = 1 if a company has only federal and regional levels of state ownership; *FMSOE* = 1 if a company has only federal and municipal levels of state ownership; *RMSOE* = 1 if a company has only regional and municipal levels of state ownership. Industry dummies are included in Models (5) and (6). Variable definitions are presented in Appendix A.

4.3. Sample construction

We identified 223 public companies listed on the Moscow Stock Exchange during the period of 2012–2017. These companies were active as of December 31, 2017. This sample is represented by multiple sectors as indicated by their four-digit SIC classifications (Table 1). Information used to calculate the CSR disclosure index was retrieved from annual reports available in the SKRIN database; by law, this information must be disclosed (Central Bank of Russia's Law on Disclosure Requirements for Public Entities No. 454-П, 2014). We eliminated financial institutions and insurance companies from our sample.

Financial variables required for estimation of Models (1)–(6) were collected from Datastream. The extreme values of financial variables were winsorized, and continuous variables were centered. The final sample available for empirical estimation comprises 1,125 firm-year observations.

4.4. CSR disclosure index construction

Prior studies rely on different approaches to construct CSR disclosure indices. Following Gray et al. (1995) and Guthrie and Parker (1990), we use annual reports, as they represent a primary source of information for stakeholders and serve as a reliable base for constructing the CSR disclosure index for Russian public companies.[2]

Building on the methodology in Anas et al. (2015), we focus on the CSR disclosure attributes that are specific to the Russian market. Our CSR disclosure index consists of 22 items in the following categories: environment (4 items), community involvement (8), workplace (5), and marketplace (5). Appendix B shows the detailed structure of the CSR disclosure index. As a qualitative CSR disclosure measure "might reveal new insights that may otherwise have gone unnoticed" (Dumay & Cai, 2015, p. 139), we assess the index constituents on a scale from 0 to 3, based on how extensively a company discloses different aspects of CSR in its report. In line with Wiseman (1982), we assigned a score of 1 if a company disclosed general (non-specific) information on CSR activities; 2 if it disclosed qualitative information without supporting financial figures; 3 if it provided maximum disclosure supported by financial data; and 0 if it disclosed no information on CSR activities. An example of the coding methodology appears in Appendix C.

5. Empirical results

5.1. Descriptive statistics

Table 2 presents the descriptive statistics for the sample. The mean value for the CSR disclosure index is 17.447, and the maximum is 62, which indicates that none of the companies in the sample disclosed their CSR activities sufficiently to reach the highest possible score of 66. The mean for *SOE* (a dummy variable that indicates state ownership in equity) is 0.317. The average state ownership is 3.06 %, and the maximum value is 91.7 %. A detailed analysis of different levels of state ownership reveals that 7.2 % of public companies in our sample have only a federal level of state ownership, 6.9 % have only a regional level of state ownership, 3.8 % have only a municipal level of state ownership, 4.7 % of companies have all three levels of state ownership, 3.5 % have a federal level combined with a regional level, 2.4 % have a federal level combined with a municipal level, and 3.2 % have a regional level combined with a municipal level of state ownership. The average ROA value is 5.46 %. The average share of debt in total assets is equal to 23.1 %, and the average age of our sampled companies is 15 years. On average, the CSR disclosure index is higher for companies with state ownership (28.709) than for companies without state ownership (14.326).

Table 3 reports the results of the correlation analysis. The correlation coefficient between *CONSCORE* and the CSR disclosure variable (*CSRDISC*) is positive and significant ($\rho = 0.235$), indicating that firms with higher CSR disclosure are more conservative in their financial reporting. *SOE* and *CONSCORE* are negatively correlated ($\rho = -0.039$), indicating that companies with state ownership tend to have less conservative reporting practices. *SOE* and *CSRDISC* are positively correlated ($\rho = 0.415$), suggesting that Russian companies with state ownership tend to be more engaged in CSR activities. None of the correlation coefficients between the CSR disclosure index and other independent variables exceed 0.5, which suggests that multicollinearity is not a concern for our empirical tests.

[2] Some authors propose that other sources of communication, such as CSR reports or company websites, also contain CSR disclosure (e.g., Amran & Devi, 2008; Unerman, 2000). Unfortunately, there is "a lack of literature on CSR in Russian firms" (Crotty, 2016, p. 13). Annual reports are nearly the only documents disclosing information on CSR practices in Russian firms that are available to a broad range of stakeholders; thus, we use them as a base for constructing the index.

Table 1
Study's sample.

Four-digit SIC Code	Industry	# of companies	% of sample
0100–0999	Agriculture	5	2.24
1000–1499	Mining	26	11.66
1500–1799	Construction	5	2.24
2000–3999	Manufacturing	89	39.91
6000–6799	Real estate	3	1.35
5200–5999	Retail	8	3.59
4000–4999	Transportation, communication, and electric services	80	35.87
5000–5199	Wholesale	2	0.90
7000–8999	Services	5	2.24
Total		**223**	**100**

Notes: Distribution of the examined companies by industry is based on the four-digit SIC code (N = 1,125 firm-year observations, 223 companies).

Table 2
Descriptive statistics.

Panel A Descriptive statistics for the entire sample.

Variable	Mean	Std. Dev.	Minimum	Maximum
CONSCORE	0.018	0.221	−0.358	4.521
AGRSCORE	0.006	0.140	−4.547	0.267
CSRDISC	17.447	14.279	0	62
SOE	0.317	0.412	0	1
SOE_share	0.031	0.129	0	0.917
FEDSOE	0.072	0.237	0	1
REGSOE	0.069	0.227	0	1
MUNSOE	0.038	0.151	0	1
FRMSOE	0.047	0.177	0	1
FRSOE	0.035	0.141	0	1
FMSOE	0.024	0.098	0	1
RMSOE	0.032	0.135	0	1
ROA	0.055	0.118	−0.887	0.825
FIRMSIZE	23.599	2.210	14.521	30.297
MB	3.706	7.580	0.002	82.366
LEV	0.231	0.211	0	0.903
CFO	0.069	0.144	−0.961	0.829
FIRMAGE	15.030	6.694	0	27
RET	0.019	0.315	−0.833	2.599

Panel B Difference in CSR disclosure index between companies with and without state ownership.

	Mean for non-SOE companies	Mean for SOE companies	p-value
CSRDISC	14.326	28.709	0.000***

Notes: N = 1,125. Variable definitions are provided in Appendix A. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

Table 3
Pearson correlation.

	CONSCORE	AGRSCORE	CSRDISC	SOE	ROA	FIRMSIZE	MB	LEV	CFO	FIRMAGE
CONSCORE	1.000									
AGRSCORE	−0.775***	1.000								
CSRDISC	0.235*	−0.011*	1.000							
SOE	−0.039*	0.024*	0.415**	1.000						
ROA	−0.016	0.008	0.005	−0.073***	1.000					
FIRMSIZE	0.050*	−0.030	0.479***	0.367***	0.010	1.000				
MB	0.298***	0.081***	0.004	−0.033	−0.009	0.007	1.000			
LEV	−0.057**	0.041	−0.067**	−0.009	−0.077***	0.068**	−0.011	1.000		
CFO	0.002*	−0.001*	−0.015*	−0.015	−0.001	−0.017	−0.003	0.022	1.000	
FIRMAGE	0.038	−0.031	0.0965***	−0.077***	−0.009	0.237***	−0.013	−0.051*	−0.058*	1.000

Notes: N = 1,125. Variable definitions are provided in Appendix A. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

Table 4
Results from testing the association between CSR disclosure and accounting conservatism (H1, Model 5) and the moderating effect of state ownership (H2, Model 6).

Variable	*CONSCORE*			*AGRSCORE*		
	(1)	(2)	(3)	(4)	(5)	(6)
CSRDISC	0.616**	0.726**	1.231**	−0.303*	−0.337*	−0.474*
	(2.03)	(2.13)	(2.28)	(-1.67)	(-1.66)	(-1.73)
SOE		−12.168*	−0.160		3.709*	1.838
		(-1.87)	(-0.03)		(1.73)	(1.64)
CSRDISC X SOE			−1.043***			0.574**
			(-2.66)			(1.98)
CFO	0.040*	0.038*	0.040*	−0.019*	−0.019*	−0.019*
	(1.75)	(1.69)	(1.75)	(-1.82)	(-1.81)	(-1.83)
FIRMAGE	1.848*	1.805*	1.826*	−0.865	−0.852	−0.862
	(1.80)	(1.76)	(1.77)	(-1.63)	(-1.62)	(-1.62)
ROA	−18.600	−21.356	-22.446	5.040	5.880	6.384
	(-0.65)	(-0.74)	(-0.77)	(0.36)	(0.42)	(0.45)
Industry fixed effects						
	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R-sq.	0.148	0.149	0.156	0.086	0.089	0.094

Notes: N = 1,125. Columns (1) and (4) report the results from the baseline model (5), while columns (3) and (6) present the results on the moderating effect of *SOE*. Variable definitions are provided in Appendix A. *t*-stats are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

5.2. Regression results

The results of the Model (5) estimation of the relationship between CSR disclosure and accounting conservatism are reported in Column 1 of Table 4 and support H1. The coefficient on the CSR disclosure index is significantly positive (0.616, $\rho < 0.05$), indicating that the CSR disclosure of Russian public companies is positively associated with the degree of accounting conservatism (*CONSCORE*). The results for the *AGRSCORE* (Column 4) show that it is negatively associated with CSR disclosure (-0.303, $\rho < 0.10$), indicating that CSR disclosure mitigates reporting aggressiveness.

Next, we examine the moderating effect of state ownership on the relationship between CSR disclosure and accounting conservatism (H2). The results in Column (2) of Table 4 show that companies with state ownership report less conservative earnings, as the coefficient is significantly negative (-12.17, $\rho < 0.10$). As seen in Column (3), the moderating effect of *SOE* is also significant and negative, implying that companies with state ownership that disclose more CSR information are less conservative (-1.043, $\rho < 0.01$). The empirical results, therefore, do not support H2. The findings can be explained by the effect of political affiliation (Cheng & Kung, 2016), as state ownership in the emerging Russian market is closely linked to political connections that often enable companies to benefit from non-market rents, including preferential treatment in competition for governmental contracts and access to finance and raw materials (Liljeblom et al., 2020). Overall, state ownership weakens the relationship between CSR disclosure and accounting conservatism.

Columns (5) and (6) of Table 4 indicate that there is a positive association between state ownership and *AGRSCORE* (3.709, $\rho < 0.10$), and the interaction term between *SOE* and *CSRDISC* also is significantly positive (0.574, $\rho < 0.05$). Accordingly, Russian companies with state ownership tend to report more aggressively. Further, state-owned companies that are more engaged in CSR activities also report more aggressively. Companies may engage in CSR activities to hide poor financial performance or cover up inappropriate actions (Preston & O'Bannon, 1997; Rudkin et al., 2019). CSR activities can even create an illusion of better financial objectives (Brooks & Oikonomou, 2018; Demacarty, 2009; Hemingway & Maclagan, 2004) when managers prioritize personal goals and the development of their own careers (Boubakri et al., 2008; Li, 2006; Zu & Song, 2009). We conclude that state-owned companies adopt and disclose information on CSR activities to sustain long-term government relations rather than to meet stakeholders' needs for more conservative reporting.

Next, we examine in detail how different levels of state ownership influence the relationship between CSR disclosure and accounting conservatism (H3). The results of our analysis of *CONSCORE* are presented in Table 5, Panel A. Companies with a federal level of state ownership (Column (1)), a federal level combined with regional-level state ownership (Column (9)), or a federal level combined with municipal-level state ownership (Column (11)) report less conservative numbers. Moreover, the moderating effect of the interaction terms for these configurations of state ownership levels also is negative, which means that companies with higher levels of federal state ownership in their equity tend to report less conservative accounting numbers (Columns (2), (10), and (12)). The dummy variables that proxy for the regional or municipal levels of state ownership, alone or in combination, are not significant (Columns (3), (5), and (13)). Although opposite, our results complement those of previous studies that report that companies with higher levels of state ownership outperform companies with lower levels of state ownership (Blanchard & Shleifer, 2001; Liljeblom et al., 2020; Muravyev, 2002). Finally, the dummy that proxies for all three levels of state ownership (federal, regional, and municipal) is also not significant (Column (7)). This suggests that a combination of the three levels of state ownership creates confusion on the part of management and does not benefit stakeholders.

Table 5
The moderating effect of state ownership on the CSR–conservatism association by type of state ownership (H3).

Panel A Empirical results from testing H3 (Model 6) for the dependent variable *CONSCORE*

Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**
CSRDISC	0.721**	0.839**	0.659**	0.795**	0.661**	0.720**	0.643**	0.660**	0.632**	0.648**	0.628**	0.640**	0.617**	0.626**
	(2.12)	(2.18)	(2.08)	(2.15)	(2.05)	(2.10)	(2.04)	(2.04)	(2.05)	(2.05)	(2.05)	(2.06)	(2.03)	(2.04)
FEDSOE	−13.731*	−2.183												
	(-1.95)	(-0.39)												
FEDSOE × *CSRDISC*		−1.066**												
		(-2.49)												
REGSOE			−8.665	−2.107										
			(-1.60)	(-0.48)										
REGSOE × *CSRDISC*				−0.965										
				(-1.52)										
MUNSOE					−8.830	−5.180								
					(-1.55)	(-0.93)								
MUNSOE × *CSRDISC*						−0.921								
						(-0.43)								
FRMSOE							−9.389	−4.354						
							(-1.52)	(-0.66)						
FRMSOE × *CSRDISC*								−0.699*						
								(-1.87)						
FRSOE									−10.868*	−4.297				
									(-1.75)	(-0.64)				
FRSOE × *CSRDISC*										−0.820**				
										(-2.15)				
FMSOE											−15.013*	−10.949		
											(-1.87)	(-1.38)		
FMSOE × *CSRDISC*												−1.345**		
												(-2.30)		
RMSOE													−2.248	−11.487
													(-0.30)	(-1.34)
RMSOE × *CSRDISC*														−1.072
														(-0.53)
CFO	0.039*	0.040*	0.039*	0.039*	0.039*	0.040*	0.039*	0.040*	0.040*	0.040*	0.040*	0.040*	0.040*	0.040*
	(1.72)	(1.75)	(1.71)	(1.72)	(1.71)	(1.73)	(1.73)	(1.73)	(1.74)	(1.74)	(1.75)	(1.75)	(1.73)	(1.74)
FIRMAGE	1.801*	1.823*	1.822*	1.807*	1.808*	1.818*	1.823*	1.823*	1.840*	1.838*	1.850*	1.870*	1.844*	1.846*
	(1.76)	(1.77)	(1.77)	(1.76)	(1.75)	(1.76)	(1.77)	(1.77)	(1.79)	(1.79)	(1.80)	(1.81)	(1.79)	(1.79)
ROA	−19.843	−20.605	−20.015	−19.961	−19.515	−18.889	−18.941	−18.777	−18.842	−18.914	−18.706	−18.876	−18.699	−18.453
	(-0.69)	(-0.71)	(-0.69)	(-0.69)	(-0.68)	(-0.66)	(-0.66)	(-0.65)	(-0.66)	(-0.66)	(-0.65)	(-0.66)	(-0.65)	(-0.64)
Adj. R-sq.	0.144	0.152	0.137	0.147	0.130	0.138	0.145	0.150	0.149	0.154	0.142	0.144	0.141	0.143

Table 5 (*continued*)

Panel B Empirical results from testing H3 (Model 6) for the dependent variable *AGRSCORE.*

Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**
CSRDISC	−0.337*	−0.394*	−0.316*	−0.379*	−0.316*	−0.345*	−0.311*	−0.320*	−0.308*	−0.316*	−0.308*	−0.314*	−0.303*	−0.306*
	(-1.67)	(-1.69)	(-1.67)	(-1.70)	(-1.67)	(-1.68)	(-1.66)	(-1.66)	(-1.67)	(-1.67)	(-1.67)	(-1.68)	(-1.67)	(-1.67)
FEDSOE	4.443**	3.231*												
	(2.45)	(1.75)												
FEDSOE x CSRDISC		0.514*												
		(1.85)												
REGSOE			2.595**	2.381*										
			(2.45)	(1.66)										
REGSOE x CSRDISC				0.446										
				(0.86)										
MUNSOE					2.516	4.409								
					(1.16)	(0.75)								
MUNSOE x CSRDISC						0.455*								
						(1.89)								
FRMSOE							2.837	4.523						
							(1.17)	(1.58)						
FRMSOE x CSRDISC								0.374*						
								(1.96)						
FRSOE									3.372**	3.785*				
									(2.28)	(1.90)				
FRSOE x CSRDISC										0.387*				
										(1.72)				
FMSOE											6.479*	7.939		
											(1.94)	(1.59)		
FMSOE x CSRDISC												0.693*		
												(1.85)		
RMSOE													0.905	6.278
													(1.59)	(1.37)
RMSOE x CSRDISC														0.419
														(1.39)
CFO	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*	−0.019*
	(-1.81)	(-1.82)	(-1.81)	(-1.82)	(-1.81)	(-1.82)	(-1.81)	(-1.81)	(-1.82)	(-1.82)	(-1.82)	(-1.82)	(-1.81)	(-1.81)
FIRMAGE	−0.850*	−0.860*	−0.857*	−0.850*	−0.854*	−0.859*	−0.858*	−0.857*	−0.863*	−0.862*	−0.866*	−0.876*	−0.867*	−0.867*
	(-1.92)	(-1.94)	(-1.92)	(-1.91)	(-1.92)	(-1.91)	(-1.92)	(-1.91)	(-1.90)	(-1.92)	(-1.93)	(-1.93)	(-1.92)	(-1.92)
ROA	5.442	5.809	5.464	5.439	5.301	4.992	5.143	5.055	5.115	5.149	5.086	5.174	4.999	4.903
	(0.39)	(0.42)	(0.39)	(0.39)	(0.38)	(0.36)	(0.37)	(0.36)	(0.37)	(0.37)	(0.37)	(0.37)	(0.36)	(0.35)
Adj. R-sq.	0.086	0.088	0.084	0.086	0.085	0.089	0.084	0.087	0.085	0.087	0.084	0.086	0.083	0.085

Notes: N = 1,125. Industry fixed effects are included. Variable definitions are provided in Appendix A. *t*-stats are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

The results shown in Table 5, Panel B replicate the above analyses in relation to *AGRSCORE*. We observe that CSR disclosure is negatively related to accounting aggressiveness. At the same time, different levels of state ownership in Russian companies positively moderate the relationship between CSR disclosure and accounting aggressiveness. In line with the results obtained for *CONSCORE*, we observe that this is true only for companies with a federal level of state ownership (Column (2)) or a federal level combined with other levels of state ownership (regional or municipal). We conclude that Russian public companies that disclose CSR activities and have the highest level of state ownership (federal or federal combined with regional or municipal levels) in their equity tend to report more aggressively. Overall, H3 is partially supported.

5.3. Additional and robustness tests

We perform several robustness tests to validate our results. First, we add a lagged CSR index to Model (6) to address the issue that the previous year's disclosure of CSR activities may influence the current level of accounting conservatism (Burke et al., 2020). The results related to *CONSCORE* are presented in Table 6, Columns (1), (2), and (3), and the results related to *AGRSCORE* are reported in Table 6, Columns (7), (8), and (9). They are quantitatively similar to those reported in the previous section.

According to Burke et al. (2020), the current level of conditional conservatism can be correlated with the previous period's level. Thus, we add a new independent variable—a lagged *CONSCORE*—to our model. We apply the same approach to test accounting aggressiveness and add a lagged *AGRSCORE*. The results presented in Table 6 show that the meaningful conclusions do not change for the model with *CONSCORE* as the dependent variable (Columns (4), (5) and (6)) or for the model with *AGRSCORE* as the dependent variable (Columns (10), (11) and (12)).

Third, we rely on a different modification of *CONSCORE* and *AGRSCORE*, namely, the accruals-cash-flows-based *CONSCORE* (*A_CONSCORE*) and *AGRSCORE* (*A_AGRSCORE*) developed by Lee et al. (2015). This firm-year score of conditional conservatism is calculated by modifying the accrual and cash flow regressions in Ball and Shivakumar (2005) to be included in the methodology in Khan and Watts (2009). We rely on the *A_CONSCORE* (Table 7, Columns (1), (2), and (3)) and *A_AGRSCORE* (Table 7, Columns (4), (5), and (6)) in our Model (6). We find similar results to our previous findings, which provides additional support for our main conclusions.

Basu's (1997) model has been criticized for not capturing all attributes of conditional conservatism (Patatoukas & Thomas, 2011). Ball and Shivakumar (2005) expand the model of Dechow et al. (1998), using accounting accruals to assess accounting conservatism. The authors indicate that accruals account for potential economic gains and losses. The sum of current and expected future cash flows can reflect economic gains or losses in a given accounting period. Ball and Shivakumar argue that the negative association between earnings and operating cash flows is less pronounced in bad news periods due to the asymmetric verification requirements to recognize good and bad news in earnings. Therefore, economic losses are likely to be recognized on a timely basis through unrealized accruals, while economic gains are recognized when realized and, thus, accounted for on a cash basis:

$$ACC_{it} = \beta_0 + \beta_1 DCFOA_{it} + \beta_2 CFOA_{it} + \beta_3 CFOA_{it} \times DCFOA_{it} + \varphi_{it}, \tag{7}$$

where following Lee at al. (2015) *ACC* is accruals deflated by the year/t market value of equity, *CFOA* is cash flow from operations deflated by the year/t market value of equity, and *DCFOA* is a dummy variable equal to 1 when *CFOA* is a negative number, and 0 otherwise. A positive and significant $\beta_3 > 0$ indicates that a company is characterized by earnings conservatism and recognizes negative news more quickly than good news. We apply Ball and Shivakumar's model to examine the main predictions and include the CSR disclosure index and other control variables in equation (8):

$$\begin{gathered}
ACC_{it} = \beta_0 + \beta_1 DCFOA_{it} + \beta_2 CFOA_{it} + \beta_3 CFOA_{it} \times DCFOA_{it} + \beta_4 CSRDISC_{it} + \\
+ \beta_5 CSRDISC_{it} \times DCFOA_{it} + \beta_6 CSRDISC_{it} \times CFOA_{it} + \beta_7 CSRDISC_{it} \times CFOA_{it} \times DCFOA_{it} + \\
+ \beta_8 SOE_{it} + \beta_9 SOE_{it} \times DCFOA_{it} + \beta_{10} SOE_{it} \times CFOA_{it} + \\
+ \beta_{11} SOE_{it} \times CFOA_{it} \times DCFOA_{it} + \beta_{12} MB_{it} + \beta_{13} MB_{it} \times DCFOA_{it} + \\
+ \beta_{14} MB_{it} \times CFOA_{it} + \beta_{15} MB_{it} \times CFOA_{it} \times DCFOA_{it} + \beta_{16} LEV_{it} + \\
+ \beta_{17} LEV_{it} \times DCFOA_{it} + \beta_{18} LEV_{it} \times CFOA_{it} + \beta_{19} LEV_{it} \times CFOA_{it} \times DCFOA_{it} + \\
+ \beta_{20} FIRMSIZE_{it} + \beta_{21} FIRMSIZE_{it} \times DCFOA_{it} + \beta_{22} FIRMSIZE_{it} \times CFOA_{it} + \\
+ \beta_{23} FIRMSIZE_{it} \times CFOA_{it} \times DCFOA_{it} + \xi_{it}.
\end{gathered} \tag{8}$$

Table 6
Robustness test results: Incorporating lagged variables to test for the association between CSR disclosure and accounting conservatism (H1) and the moderating effect of state ownership (H2).

Variable	***CONSCORE***						***AGRSCORE***					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CSRDISC_lagged	0.780**	0.949**	1.229**	0.378*	0.454*	0.571*	−0.142**	−0.164*	−0.222**	−0.021*	−0.024*	−0.029*
	(2.32)	(2.46)	(2.51)	(1.75)	(1.85)	(1.86)	(-2.35)	(-1.95)	(-2.23)	(-1.80)	(-1.82)	(-1.93)
SOE		−17.678**	−3.275*		−8.003*	−2.047		2.290*	0.677*		0.316**	0.100
		(-2.20)	(-1.88)		(-1.96)	(-0.32)		(1.82)	(1.84)		(2.09)	(0.14)
CSRDISC_lagged × *SOE*			−1.355***			−0.561*			0.279*			0.020**
			(-2.62)			(-1.81)			(1.96)			(2.08)
CONSCORE_lagged				0.577***	0.577***	0.576***						
				(3.46)	(3.46)	(3.45)						
AGRSCORE_lagged										0.448***	0.448***	0.449***
										(10.64)	(10.64)	(10.63)
CFO	1.063*	1.062*	1.155*	1.352*	1.351*	1.389**	−0.146*	−0.146*	−0.165*	−0.010*	−0.010*	−0.010*
	(1.87)	(1.89)	(1.86)	(1.80)	(1.89)	(1.91)	(-1.85)	(-1.84)	(-1.80)	(-1.95)	(-1.95)	(-1.94)
FIRMAGE	1.350	1.301	1.330	0.034	0.012	0.025	−0.417	−0.411	−0.417	0.117	0.116	0.117
	(1.32)	(1.28)	(1.30)	(0.06)	(0.02)	(0.05)	(-1.24)	(-1.23)	(-1.24)	(0.94)	(0.94)	(0.94)
ROA	−44.022	−48.186*	−47.593*	−12.051	−13.952	−13.729	16.042	16.581	16.459	0.681	0.607	0.615
	(-1.64)	(-1.75)	(-1.73)	(-0.90)	(-1.02)	(-1.00)	(1.30)	(1.31)	(1.30)	(0.28)	(0.25)	(0.25)
Ind. fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R-sq.	0.141	0.144	0.145	0.520	0.521	0.523	0.097	0.099	0.112	0.531	0.543	0.561

Notes: N = 930. Variable definitions are provided in Appendix A. *t*-stats are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

Table 7
Robustness test results: Using accruals-cash-flows-based scores *A_CONSCORE* and *A_AGRSCORE* to test for the association between CSR disclosure and accounting conservatism (H1) and the moderating effect of state ownership (H2).

Variable	*A_CONSCORE*			*A_AGRSCORE*		
	(1)	(2)	(3)	(4)	(5)	(6)
CSRDISC	0.119*	0.115*	0.171**	−0.077**	−0.072*	−0.096*
	(1.94)	(1.77)	(1.97)	(-2.18)	(-1.84)	(-1.89)
SOE		−0.469**	−2.920*		0.562**	1.628*
		(-1.98)	(-1.71)		(2.51)	(1.72)
CSRDISC × *SOE*			−0.254**			0.110*
			(-2.10)			(1.76*)
CFO	0.012*	0.012*	0.013*	−0.002*	−0.002*	−0.002*
	(1.89)	(1.87)	(1.96)	(-1.69)	(-1.71)	(-1.75)
FIRMAGE	0.478	0.480	0.484	−0.074	−0.076	−0.078
	(1.21)	(1.21)	(1.22)	(-0.54)	(-0.55)	(-0.56)
ROA	−8.518	−8.411	−8.634	4.527	4.399	4.496
	(-1.57)	(-1.55)	(-1.57)	(1.04)	(0.99)	(1.01)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Adj. R-sq.	0.026	0.028	0.032	0.049	0.051	0.057

Notes: N = 1,125. The dependent variables *A_CONSCORE* and *A_AGRSCORE* are firm-year measures of accounting conservatism and accounting aggressiveness, respectively, calculated based on the approach in Lee et al. (2015). Variable definitions are provided in Appendix A. *t*-stats are reported in parentheses. *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

Table 8
Robustness test results: Using the expanded model of Ball and Shivakumar (2005) to test for the association between CSR disclosure and accounting conservatism (H1).

Variable	**Model (8) without the moderating effect of state ownership**		**Model (8) with the moderating effect of state ownership**	
	(1)	**(2)**	**(3)**	**(4)**
DCFOA	−0.195*	(-1.84)	−0.760**	(-1.98)
CFOA	0.771**	(2.21)	0.753**	(2.16)
CFOA × *DCFOA*	0.901**	(2.08)	0.168*	(1.72)
CSRDISC	0.064**	(2.03)	0.064*	(1.96)
CSRDISC × *DCFOA*	−0.037*	(-1.69)	−0.031	(-1.42)
CSRDISC × *CFOA*	−0.029*	(-1.76)	−0.029**	(-2.03)
CSRDISC × *CFOA* × *DCFOA*	0.132**	(2.05)	0.092**	(1.99)
SOE			−0.014**	(-2.08)
SOE × *DCFOA*			−0.740	(-1.15)
SOE × *CFOA*			0.344**	(2.10)
SOE × *CFOA* × *DCFOA*			−0.805**	(-2.24)
Interaction terms with controls included	Yes		Yes	
Adj. R-sq.	0.453		0.503	

Notes: N = 1,055. Variable definitions are provided in Appendix A. *t*-stats are reported in columns (2) and (4). *, **, and *** denote statistical significance at the 10 %, 5 %, and 1 % levels, respectively.

A significant $\beta_7 > 0$ reflects a positive relationship between CSR disclosure and conservatism. The results are presented in Table 8. Column (1) indicates that the coefficient of the interaction of *CFOA* × *DCFOA* is significant and positive (0.901, $\rho < 0.05$), and the coefficient of the interaction of *CSRDISC* × *CFOA* × *DCFOA* also is significantly positive (0.132, $\rho < 0.05$). The results are consistent with our findings from the Model (6) estimation.

Column (3) of Table 8 indicates that the coefficient of *CSRDISC* × *CFOA* × *DCFOA* is significant and positive (0.092, $\rho < 0.05$), consistent with the results reported above for H1. Moreover, we find that the coefficient of *SOE* × *CFOA* × *DCFOA* is negative (-0.805, $\rho < 0.05$), indicating that although state-owned companies are active in disclosing CSR information, they are less conservative in accounting reporting than companies without state ownership.

6. Discussion and conclusions

According to the most recent report, CSR reporting rates have skyrocketed globally in the past five years. Up to 80 % of companies worldwide have included CSR disclosure in their annual reports, where they share information about corporate social responsibility activities with the public (KPMG, 2020). Not surprisingly, CSR disclosure practices have drawn significant attention from academics from various disciplines, including those interested in emerging markets such as Russia (Garanina & Aray, 2021). Studies have examined whether regulatory changes and the evolving awareness of investors and consumers of companies' actions toward society and the environment have altered firms' behavior and improved CSR disclosure in meaningful ways (Cao et al., 2020; Lin et al., 2015; Marquis and Qian, 2014; Tashman et al., 2019). Moreover, there has been a call for a contextualized approach to CSR engagement (Filatotchev et al., 2022), which we answer in this study.

Despite the growing attention to the effects and implications of enhanced CSR disclosure, little is known about its association with reporting quality in emerging markets or the role of the state in enhancing it. With few exceptions (Aray & Garanina, 2021; Aray et al., 2021), research in this area is limited to studies on the Chinese economy (e.g., Marquis & Qian, 2014; Xu & Yang, 2009). Generalizability to other emerging markets, such as Russia, remains an open question. Our study fills this gap in the literature, as we examine the relationship between CSR disclosure and accounting conservatism and the moderating role of the Russian state. We find that CSR disclosure that helps Russian companies to enhance their legitimacy and extend stakeholder relations is positively associated with accounting conservatism (Khan & Watts, 2009). Considering the important historical role of the government in promoting CSR activities in Russia, we further analyze how state ownership in public companies moderates the relationship between CSR disclosure and accounting conservatism. We find that Russian state ownership has a negative moderating effect on this association, which suggests that the primary goal of state-owned companies is to sustain political connections with the government. Involvement in CSR activities is a tool to achieve access to government resources, as the state interprets socially responsible behavior as a sign of competence on the part of corporations (Gabarro, 1978; Kuznetsov et al., 2009; Mitchell, 1989). In line with agency theory, managers of Russian state-owned companies use CSR disclosure as a tool to create a positive image (Cheng & Kung, 2016; Chih et al., 2008).

We go one step further than prior CSR research to explore the unique structure of Russian state ownership, whereby public companies often have a combination of federal, regional, and municipal state ownership. We find that the moderating effect of state ownership on the relationship between CSR disclosure and accounting conservatism is complex. Companies with a federal level, a federal level combined with a regional level, or a federal level combined with a municipal level of state ownership report less conservative accounting numbers. The moderating effect of the interaction terms for these configurations of state ownership levels on the association between CSR disclosure and accounting conservatism also is negative. We do not find evidence that a combination of regional and municipal levels of state ownership has an impact on the association between CSR disclosure and reporting conservatism.

The study contributes to the stream of research on emerging markets that attempts to explain the CSR disclosure choices of public companies whose ownership structure is rooted in a socialist past. Despite the mass privatization processes from 1990 into the 2000s, a significant number of Russian companies retain a multi-level hierarchy of state ownership. Imprinting theory predicts that socialist imprints would negate the progress of achieving high CSR disclosure–accounting conservatism levels, consistent with our findings. Our results indicate that "socialist imprints" in Russia prevent state-owned companies from adopting high-quality reporting practices (Kogut & Zander, 2000; Marquis & Tilcsik, 2013).

Our study is subject to several limitations that leave room for future research. First, companies may be involved in socially responsible activities without reporting them. Hence, we have no assurance that companies with limited CSR disclosure did not engage in CSR activities. Next, companies may disclose CSR activities via means of communication other than annual reports (e.g., Amran & Devi, 2008; Unerman, 2000). Future researchers could investigate our research question by studying other sources of information (e.g., CSR reports or company websites). Finally, we rely on only one proxy for reporting quality, accounting conservatism. Future studies could investigate other dimensions of the quality and value relevance of financial statements.

Data availability

The data were collected from SKRIN and Datastream that are subscription based.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix

Appendix A Variable definitions (data sources are SKRIN and Datastream).

Notation	Variable	Definition
CONSCORE	Accounting conservatism	Firm-year measure of accounting conservatism, based on Khan and Watts (2009)
AGRSCORE	Accounting aggressiveness	Firm-year measure of accounting aggressiveness, based on Khan and Watts (2009)
EARN	Earnings	Net income after tax scaled by the market value of equity at the beginning of the period
RET	Return	12-month stock returns ending 3 months after fiscal year *t*
DRET	Dummy negative return	A dummy variable equal to 1 if *RET* is negative, and 0 otherwise
CSRDISC	CSR disclosure index	CSR disclosure comprising 22 items based on information extracted from annual reports
FIRMSIZE	Firm size	Natural log of total assets
MB	Market-to-book ratio	Market capitalization divided by the book value of common equity
LEV	Leverage	Total debt divided by total assets
CFO	Cash flow from operations	Operating cash flows divided by total assets at the beginning of the year
ROA	Return on assets	Net income divided by total assets at the beginning of the year
FIRMAGE	Firm age	Number of years since the official registration date
SOE_share	State ownership	The share of state ownership in total equity
SOE	State ownership	A dummy variable equal to 1 if a company has state ownership, and 0 otherwise
FEDSOE	Federal level of state ownership	A dummy variable equal to 1 if a company has only a federal level of state ownership, and 0 otherwise
REGSOE	Regional level of state ownership	A dummy variable equal to 1 if a company has only a regional level of state ownership, and 0 otherwise
MUNSOE	Municipal level of state ownership	A dummy variable equal to 1 if a company has only a municipal level of state ownership, and 0 otherwise
FRMSOE	Federal, regional, and municipal ownership	A dummy variable equal to 1 if a company has all 3 levels of state ownership, and 0 otherwise
FRSOE	Federal and regional ownership	A dummy variable equal to 1 if a company has 2 levels of state ownership – federal and regional, and 0 otherwise
FMSOE	Federal and municipal ownership	A dummy variable equal to 1 if a company has 2 levels of state ownership – federal and municipal, and 0 otherwise
RMSOE	Regional and municipal ownership	A dummy variable equal to 1 if a company has two levels of state ownership – regional and municipal, and 0 otherwise
CONSCORE_lagged / *AGRSCORE_lagged*	Accounting conservatism / aggressiveness lagged	Conservatism / Aggressiveness metric lagged by one year
CSRDISC_lagged	CSR disclosure index lagged	Variable of the level of CSR disclosure by the firm with a 1-year time lag
A_CONSCORE	Alternative accounting conservatism measure	Alternative firm-year conditional conservatism metric based on accrual cash flows. See Lee et al. (2015) for more details
A_AGRSCORE	Alternative accounting aggressiveness measure	Alternative firm-year accounting aggressiveness metric based on accrual cash flows. See Lee et al. (2015) for more details
ACC	Accruals	Accruals deflated by the year t-1 market value of equity
CFOA	Cash flow	Cash flow from operations deflated by the year t-1 market value of equity
DCFOA	Dummy negative cash flow	A dummy variable equal to 1 if *CFOA* is negative, and 0 otherwise

Appendix B Construction of the CSR disclosure index.

Category	CSR disclosure index calculation methodology based on Anas et al. (2015)	Nuanced CSR disclosure index constructed for Russian companies
Environment		
Efficient energy use	X	X
Reduction in emissions' damage to the climate	X	X
The issue of biofuels	X	X
The essential need to protect flora and fauna	X	X
Total for Environment:	**4 items**	**4 items**
Community		
Contributions to children	X	
Contribution to children from communities (kindergartens, schools, events for kids under 18)		X
Contribution to employees' children		X
Contribution to disabled children		X
Contribution to youth development	X	X
Contribution to underprivileged society groups	X	X
Support for employee involvement in community	X	X
Support for education	X	X
Contribution to infrastructure development		X
Total for Communities:	**5 items**	**8 items**
Workplace		
Health and safety	X	X
Human rights issues	X	X
Gender issues—equal employment opportunities	X	X
Quality of work environment	X	X
Support for retired employees		X
Total for Workplace:	**4 items**	**5 items**
Marketplace		
Support for green products	X	X
Ethical procurement practices	X	X
Help in developing suppliers and other vendors	X	X
CG standards:	X	
CG standards and practices: obligatory		X
CG standards and practices: voluntary		X
Total for Marketplace:	**4 items**	**5 items**
Overall CSR index:	**17 items**	**22 items**

Appendix C An example of the CSR disclosure index codebook for the item “The essential need to protect flora and fauna” in the “Environment” category.

Code	Score «1»	Score «2»	Score «3»
Description	Only general information, usually not more than one sentence	General description related to flora and fauna protection usually with mention of particular biological types (not more than one fact)	More detailed information and mention of some specific quantitative/financial facts related to protection of particular biological types
The essential need to protect flora and fauna	We < RUSHYDRO GROUP > minimize the negative industrial impact on the environment, rational use of mineral resources, resource conservation in compliance with international environmental protection standards.	PJSC TATNEFT’s total investments in environmental safety activities by all sources of funding (Opex and Capex) in 2015 amounted to 6 641.725 million rubles including the investments assigned for environmental protection and rational use of natural resources in the amount of 937.946 million rubles.	We < JSOC Bashneft > use a comprehensive approach to minimizing direct and indirect negative impacts on the environment. Such an approach addresses all aspects of the potential impacts, including: • air protection; • water resources protection; • land conservation and waste disposal; • biodiversity protection;• energy efficiency and efficient use of resources.In 2015 the Group spent a total of 8.6 billion rubles on environmental protection projects. Bashneft plans to allocate more than 25 billion rubles to achieve that within the period from 2016 to 2018. Our air protection activity is guided by the Agreement signed with the Government of Bashkortostan stipulating measures to control and monitor air emissions as well as subsequent upgrades to the production facilities, to have the negative environmental impacts reduced. We work to increase the water consumption efficiency by using water recycling and reuse systems. To reduce the environmental hazards associated with industrial wastewater, the Group’s refineries use special effluent treatment facilities that are currently subjected to radical upgrades. We seek to minimize the negative environmental impacts on the soils by managing wastes generated during the oil production and refining, particularly, oil sludge. The Group has been taking measures to remediate contaminated soils at the abandoned production sites. Bashneft also makes continuous effort to improve the reliability of its pipelines and field facilities to prevent pipeline failures.

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