

# Reputation Façade-Building through Non-Financial Disclosure: An Empirical Analysis of Gender Pay Equality Reporting\*

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## Abstract

Currently, mandatory requirements concerning the reporting of non-financial information represent a major international trend in the field of accounting. While complying with related legislation and stakeholder pressure for more transparency, affected enterprises seek to gain legitimacy by building organisational façades. In doing so, they carefully select what information and how it is disclosed to the public. The goal of this paper is to investigate whether the related strategies are not only determined by the organisation-level variables but are also country-specific. In our study, we test this notion by investigating the impact of EU Directive 2014/95/EU concerning the disclosure of non-financial information on gender pay equality reporting in Germany and Poland. While the results of the panel analysis based on random effects ordered logit regressions confirm the expected significant effect of the Directive in both countries, we demonstrate that companies in Germany and Poland pursue different strategies concerning façade-building. Given the significant impact of the listing age of investigated enterprises on gender pay equality reporting and the varying history of sustainability reporting in the above countries, we argue that these strategies reflect the experiences with non-financial reporting predominant in different institutional environments.

**Keywords:** gender pay equality; non-financial reporting; reputation façades; panel analysis  
**JEL Codes:** M14, M49

## Introduction

Over the last few decades, a large body of research has addressed the often purely symbolic nature of non-financial reporting that is mainly explained by legitimacy-seeking behaviours on the part of corporate actors (Cho et al. 2010; Cho et al. 2015; Michelon et al. 2015). By securing legitimacy through corporate disclosure (Patten 2020), organisations strive to achieve continuity, credibility and support from relevant stakeholder groups (Suchman 1995). For this purpose, in response to institutional pressures, managers use a number of

\* Received: 18.06.23, accepted: 28.02.24. 1 revision.

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channels to send signals to these stakeholders, thus making corporate reporting a major impression management tool (Neu et al. 1998; Cho et al. 2010).

Currently, there is an international trend towards enhanced mandatory non-financial reporting (van der Lugt et al. 2020) – in addition to related soft law (Lopatta et al. 2023). Within the European Union (EU), EU Directive 2014/95/EU, regarding non-financial and diversity reporting (Non-Financial Reporting Directive [NFRD] or further referred to as the Directive), was passed by the European Parliament in 2014 and mandated member states to translate the Directive's provisions into national law, whereby certain enterprises in the related countries needed to disclose, starting with the reporting year 2017, non-financial information on at least the following matters: environmental, social and employee, anti-corruption and bribery topics, as well as respect for human rights. However, related law does not prescribe what exact information should be included in the reports, and it only recommends that affected companies use different reporting standards, such as those issued by the Global Reporting Initiative (GRI) (cf. Recital 9 of the Directive 2014/95/EU). While in a number of instances the above standards address reporting on quite general aspects, for example, often referred to in “GRI 2: General Disclosures” (Global Sustainability Standards Board 2023), many standards are related to somewhat sensitive issues for organisations that could potentially be associated with a risk to the company image. One such example in relation to disclosure is reporting on gender pay equality.

Recently, gender equality has become a major academic and practitioner-related topic, driven by stakeholder interest and legal developments worldwide. National legislative efforts to ensure the equal representation of men and women in corporate governance bodies (Aluchna/Szapiro 2018), such as the German law on gender quotas in top management positions (Gesley 2021) or initiatives such as the United Nations' Sustainable Development Goal (SDG) 5, provide a strong impetus for businesses to introduce and implement practices aimed at increasing the chances of women reaching top management positions. In a similar vein, increased attention has been paid to the gender pay gap issue, which not only results from direct workplace discrimination, but is also rooted in societal norms reflected in typical occupations for females, limited developmental and promotional opportunities for women due to career interruptions and lack of bargaining skills (Bergmann et al. 2019; Ciminelli et al. 2021). The disclosure by companies of related matters, driven by investors (Austin et al. 2021), laws mandating the disclosure of information on gender pay equality (Böök et al. 2021) and non-financial reporting standards such as GRI or ISO 26000, can be seen as one of the means of promoting pay equality.

National laws and regulations on gender pay transparency are still quite rare, with countries such as Germany and the United Kingdom being prominent

exceptions (Böök et al. 2021). However, in the case of Germany, there is no legal obligation to publish accurate pay gap information in companies' annual reports. Moreover, gender pay gap disclosure is not specifically mandated by the NFRD; however, related information is an important aspect of employee matters – in line with GRI reporting standards (Ehnert et al. 2016). Thus, since affected companies can choose whether – and what – they report concerning gender pay equality in line with the NFRD, their actions are not primarily driven by legislative pressures stemming from hard law but rather result from professionalisation or by following a competitor's best practices (DiMaggio/Powell 1983), ultimately leading to the voluntary disclosure of specific information. In the absence of mandatory standards to guide the reporting of such information, companies have a great deal of room for strategic choices that would be seen as legitimate in the eyes of their stakeholders (Suchman 1995). This search for legitimacy creates a stimulus for enterprises to use their disclosure on related matters as an impression management tool (Neu et al. 1998; Aerts 2005; Cho et al. 2010). In doing so, enterprises arguably build organisational façades, defined as “symbolic front[s] erected by organisational participants designed to reassure their organisational stakeholders of the legitimacy of the organization and its management” (Abrahamson/Baumard 2008:437). Such organisational façades help them to convince their stakeholders of the legitimacy of their actions by providing justifications (Abrahamson/Baumard 2008; Cho et al. 2015).

While a number of studies have investigated façade-building by single companies (Cho et al. 2015; Blanc et al. 2019), there is still lack of research on whether predominant strategies in this regard exist at the national level due to the need to achieve local legitimacy, i.e. “to comply with the rules and belief systems of the local stakeholder environment in which they operate” (Reimann et al. 2012:2). In particular, given the significant institutional diversity within the European Union, an especially challenging topic for investigation is whether the implementation of the NFRD and related national laws by enterprises operating in different EU member states results in predominant types of organisational façades. These country-level specifics might be determined by the history of the transition of the majority of new EU member states that accessed the European Union after 2004, moving from communist to capitalist economies, as opposed to the “older” EU member countries. Related institutional differences can be exemplified by two European economies, namely, Germany and Poland. Germany is the most populated and largest economy in terms of GDP in the EU, while Poland has the largest population and GDP among the countries accessing the EU after 2004. Different to German corporations, which had a long history of reporting on non-financial matters long before the implementation of the NFRD (Global Compact Network Germany/econsense 2018; Hoffmann et al. 2018), Polish companies reported to a limited extent on related topics

before national legislation implementing the NFRD came into force (Aluchna/Roszkowska-Menkes 2019).

In our paper, we intend to address the research gap on the determinants of organisational façade-building from an international perspective. In particular, we investigate the impact of the NFRD, implemented through national laws in Germany and Poland, on gender pay equality disclosure in annual non-financial reports issued by German and Polish companies, reveal predominant types of façades built by companies in these countries and offer explanations for their existence. By assuming that companies with an already established image concerning corporate social responsibility (CSR) disclosure will pursue more cautious reporting strategies with regard to sensitive matters, we analyse not only country differences in this respect, but also the effect of firm age since the initial public offering (IPO) by controlling for company size, industry affiliation and financial performance. Thus, we seek to contribute to the understanding of institutional and organisational factors determining reporting practice, specifically focusing on gender pay equality disclosure.

Our findings confirm the hypothesised positive impact of the NFRD translated into national law on gender pay equality reporting in both countries, with a stronger effect observed within companies in the Polish sample, as well as the effect of age after an IPO on the related disclosure. These results support our assumptions that legislative requirements build impetus to increase transparency, which is in line with existing studies on the effects of the NFRD (Korca et al. 2021; Agostini et al. 2022; Papa et al. 2022), albeit companies follow different reporting strategies, depending on their degree of freedom to choose what exact information they need to report on and the expected impact on their image (Michelon et al. 2015). In particular, we found that in the case of a lack of prescriptions on certain disclosure aspects, such as seen in gender pay equality reporting, companies with a longer history of reporting tend to follow defensive façade-building strategies. Through our study, we seek to make a theoretical contribution to research on sustainability reporting concerning the impact of institutional environments (Baldini et al. 2018) and image-related considerations (Michelon et al. 2015). This involves investigating reporting on sensitive matters from the standpoint of façade-building (Cho et al. 2015) whilst considering the local specifics of legitimacy-seeking activities (Reimann et al. 2012). Moreover, our research contributes to practical understanding of the impact of mandatory regulations and disclosure standards on corporate reporting practice, based on a specific example of gender pay equality disclosure.

In the following, we first discuss the institutional contexts in Germany and Poland with respect to the gender pay equality and related disclosure and thus outline the background of the subsequent analysis. In the following section, we present the arguments concerning organisational façades and offer explanations

in relation to various predominant types of façades. The above clarifications are used to formulate hypotheses that we test by applying panel analysis based on random effects ordered logit regressions. To measure the explained variable, we conduct an analysis of annual non-financial reports issued by German and Polish companies over a period of five years, ranging from 2015 to 2019, as described in the subsequent methodology chapter. The results of the statistical panel analysis are presented in the findings section, which is followed by the final discussion part of the paper.

## Gender pay gap and related disclosure in Germany and Poland

In both Germany and Poland, quite significant gender pay gaps exist. Based on data provided by the European Commission (2022), the unadjusted gender pay gap in Germany amounted to 18.3 percent in 2020, exceeding the average unadjusted pay gap in the European Union of 13.0 percent. In Poland, however, the unadjusted gender pay gap in the same year was 4.5 percent. It should be noted, though, that according to data for 2018, the adjusted gender pay gap, whereby the differences in pay between men and women cannot be attributed to differences in positions, skills and other characteristics, was higher in Poland than in Germany (Leythienne/Pérez-Julián 2022).

Interestingly enough, data for the time when both German states unified into the Federal Republic of Germany show that the gender pay gap in East Germany was much lower than in both West Germany and Poland of that time (Blau/Kahn 2003). Large regional discrepancies in the gender pay gap, which are mainly determined by the occupation, still exist in today's Germany (Fuchs et al. 2021).

Bergmann et al. (2019) explain the gender pay gap in Germany via the institutional context, shaped by the specifics of the “conservative welfare state” and “strong corporatist structures”, where the traditional “male breadwinner model” has not undergone a complete transformation (p. 671).

In Poland, however, which was – similar to East Germany – a communist country before the transformation, a different development took place. Before 1989, women in Poland were guaranteed equal pay and enjoyed a high level of participation in the workforce; however, they mostly covered white-collar jobs that were often less attractively compensated in comparison to blue-collar industrial jobs, where men were typically employed. During the transformation period, however, the gender pay gap decreased (Grajek 2003).

It should be noted, though, that any pay differences based on gender are illegal in both countries, as the equal treatment of men and women is protected by their respective constitutions and additional legislative acts (Böök et al. 2021; Chopin/Germaine 2021). However, there are important differences between both countries with respect to gender pay transparency. In Poland, pay information is

generally considered to constitute a trade secret, unless it concerns employees of certain entities with the State Treasury as a major owner, and 2014's Recommendation of the European Commission on strengthening the pay equality of men and women is yet to be implemented (Böök et al. 2021). Germany, however, through its 2017 Pay Transparency Act (Germ.: *Entgelttransparenzgesetz*), is one of a few countries worldwide that requires disclosure concerning pay. According to the Act, besides the right of employees to ask for comparative pay information in eligible German companies, alongside provisions for pay equity audits, certain enterprises with more than 500 employees are obliged to publish equality and equal pay reports regularly in the German Federal Gazette, in which they have to disclose measures implemented to facilitate the gender equality and equal pay for men and women (Häferer 2018). Thus, unlike the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 (Böök et al. 2021), the law in Germany does not specifically require eligible enterprises to disclose a specific gender pay gap but to report on the above-described measures and information on average total headcount, as well as part-time and full-time employees by gender (Section 21 of the Pay Transparency Act).

Common to both Poland and Germany, though, is the obligation of certain companies in these countries to disclose non-financial information in their annual reports – in accordance with national laws implementing the NFRD mentioned above. Although these laws do not specifically prescribe reporting on gender pay equality, related information could be expected to be included in company reports – in accordance with a number of frameworks and reporting standards recommended by the Directive. These include GRI reporting standards, which have been predominantly used by both German and Polish companies to disclose non-financial information (Global Compact Network Germany/econsense 2018; Aluchna/Roszkowska-Menkes 2019). One of the key social indicators according to GRI is reporting standard 405 (diversity and equal opportunity), which includes disclosure 405-2: “Ratio of basic remuneration of women to men” (Global Sustainability Standards Board 2023). Since reporting in accordance with GRI standards is not mandatory, and there is no strict legal obligation for companies to include a specific, predefined non-financial topic in their annual reports, there is a high degree of voluntarism concerning the related disclosure.

## Gender pay equality reporting as an organisational façade

By disclosing non-financial information, enterprises seek not only to comply with regulatory requirements, but also to address further stakeholder groups beyond governments in the search for legitimacy (Korca et al. 2021; Agostini et al. 2022). This contention is based on the very definition of legitimacy as “a generalized perception or assumption that the actions of an entity are desirable,



proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995:574). However, related reporting can be seen not necessarily as a result of “passive conformance to social structures” (Bansal/Clelland 2004:95) but as an outcome of deliberative action taken by a firm’s managers to manage stakeholder impressions (ibid.). Such action in search of legitimacy often results in the “ceremonial adoption” of organisational practices (Marano et al. 2017:400), whereby information is disclosed by using “tactics, such as excuses, justifications, concessions, apologies, denials, and attacks... to influence stakeholder perceptions” (Bansal/Clelland 2004:95). Thus, by using the above tactics, impression management represents an “attempt to control and manipulate the impression conveyed to user of accounting information” (Michelon et al. 2022:10). Current research suggests that enterprises tend to increasingly adopt impression management techniques, especially in the case of disclosure associated with reputational risks (Leung et al. 2015; Sari et al. 2021).

In their work on voluntary sustainability reporting, Cho et al. (2015) apply the concept of organisational façades, originally developed by Abrahamson and Baumard (2008) and as defined above, which are “used to create an impression of organizational legitimacy” (Acuti et al. 2024:612). This theoretical concept has been increasingly used for analytical purposes by researchers examining impression management by means of non-financial disclosure (Michelon et al. 2022). Abrahamson and Baumard (2008) propose three types of façades that could be built in pursuit of specific objectives: rational, progressive and reputation façades. *Rational façades* are designed to create an impression that management decisions are based on rational choice considerations to satisfy stakeholders’ expectations. *Progressive façades* are based on the assumption that “managers must use the latest management fashions offered up by a management fashion market composed of consulting firms, business book publishing houses, business magazines, business schools, and business professional associations” (Abrahamson/Baumard 2008:445). According to Cho et al. (2015), a progressive façade can also be built by adopting specific standards such as ISO 9000 or the GRI sustainability reporting framework. Finally, *reputation façades* focus on the image of a company by using “accounting and rhetorical symbols desired by critical stakeholders” (Abrahamson/Baumard 2008:447).

In their investigation of the sustainability reporting of two large US-American corporations operating in the oil and gas industry, Cho et al. (2015) showed how companies simultaneously build different façades. Another exemplary study is the investigation by Blanc et al. (2019), who showed different types of façades built by Siemens while reporting in the aftermath of the corruption scandal. However, the attribution of specific corporate disclosure contents to different types of façades poses a particular challenge. For instance, Patten (2020) argued that CSR disclosure seemed to relate to reputation façades, while some examples

of rational and progressive façades related to social reporting and discussed in the literature were questionable.

The above-described reservations concerning the interpretation of different façade-building practices while disclosing certain non-financial information seem to be also true with respect to gender pay equality reporting. Given the potential sensitivity of such a disclosure, we propose that in all instances, unless enterprises choose not to report on related matters, they seek to gain legitimacy by providing information that they believe will be instrumental in supporting and strengthening their image by means of building reputation façades. However, we do not assume that in doing so, organisations necessarily engage in hypocrisy as in the examples identified by Cho et al. (2015), in a sense that there is inconsistency between the presentation of ideas and actions (Brunsson 1993). Instead, we suggest that while erecting façades concerning disclosure on sensitive matters, organisations “also commit themselves to making things work out backstage” (Meyer/Rowan 1977:358). Nevertheless, not all actions are disclosed to the public, with managers carefully selecting what – and how – information is reported (Nielsen/Madsen 2009). Furthermore, we argue that these façades are still different in terms of how the information is presented. We propose to draw upon the notions of defensive and assertive façades conceptualised by Leung and Snell (2021), and we suggest differentiating between *defensive reputation façades* and *assertive reputation façades*. With respect to voluntary gender pay equality reporting, we propose that enterprises can either fail to disclose related information, which would correspond to the rather passive avoidance reaction to institutional pressure according to Oliver (1991), or choose to build a reputation façade in order to make an impression of actively addressing any potential gender discrimination concerns. One option in this regard is focusing on general rhetoric related to gender pay non-discrimination, which would correspond to *defensive reputation façade*. Alternatively, enterprises can choose to focus on the creation of the *assertive reputation façade*, whereby they provide detailed information, including quantitative data.

In their recent investigation of the human rights disclosure, Lopatta et al. (2023) revealed that international differences in the scope and quality of human rights disclosure can be ably explained by country-specific regulatory contexts, although it was not hard law but soft law that had a positive impact on the analysed non-financial disclosure. In a similar vein, the effect of the NFRD on gender pay equality reporting in Germany and Poland cannot be fully explained as being attributable to legislative pressure alone, due to the lack of prescription concerning specific pay equality disclosure, as discussed above. Instead, we propose that similar to the argument on the impact of mandatory disclosure on CSR activities by Jackson et al. (2020), the NFRD plays the role of a catalyst in stimulating companies in affected countries to report on gender pay equality, among other non-financial matters. In this case, legislative pressure with respect



to non-financial reporting in general triggers reputation façade-building with respect to gender pay equality disclosure. This leads us to the following hypothesis:

*H1: There is a positive association between NFRD adoption and reporting on gender pay equality.*

Nevertheless, when considering the effect of the NFRD on gender pay equality disclosure, it is necessary to consider the contexts in both countries, before and after the moment when affected enterprises were obliged to publish non-financial reports in accordance with the Directive. While in Poland detailed non-financial information – as part of either integrated or standalone reports – was originally disclosed only by 5% of publicly-traded enterprises (Aluchna/Roszkowska-Menkes 2019), German companies were extensively reporting on CSR-related matters long before the implementation of the Directive (Hoffmann et al. 2018). For instance, Dierkes (1979) described the reporting practices of West German companies that were regularly disclosing information on social matters, including the employment of women and wage structures, as early as the 1970s. It could be thus expected that German companies acquired more profound expertise and reputation than their Polish counterparts before the introduction of the NFRD, including reporting on gender pay equality matters according to GRI standards. Moreover, we expect that the traditional description of the German accounting approach to financial reporting as being focused on “confidentiality and restriction of financial disclosure” (Heidhues/Patel 2011:279) might be relevant also with respect to non-financial reporting. Hence, we expect that the German enterprises will tend to pursue more passive or defensive disclosure strategies, building on their strong reporting reputations and seeking to avoid the risk of negative stakeholder reactions to disclosed information. This argument is consistent with the finding of She and Michelon (2019), who concluded that showing specific progress concerning certain goal achievement is more risky, as it can potentially result not only in more favourable stakeholder perceptions, but also in more negative reactions. Although the above authors identified the related disclosure as a progressive façade, we propose that in the case of gender pay equality reporting, this will be equally true with respect to assertive reputation façades. However, we expect that the Polish enterprises, compared to their German counterparts, will pursue more active façade-building strategies. We propose that these developments will be reflected in better gender pay equality reporting quality in Poland than in Germany in response to the Directive. Thus, we propose the following hypothesis:

*H2: The association between NFRD adoption and gender pay gap reporting quality is stronger in Poland than in Germany.*

Moreover, building on the above argument, we also expect that related reporting quality will depend on the listing age of enterprises in both countries. The impact of listing age or – in a broader sense – overall firm age on non-financial disclosure has been investigated by a number of studies (Haniffa/Cooke 2002; Menassa 2010; Farooque/Ahulu 2015). Menassa (2010), for instance, hypothesised a positive relationship between company age and its social disclosure, which was explained by an effort to maintain a superior reputation that had been built since company creation. We propose, however, that in the case of gender pay equality reporting, a negative association between the (listing) age of an enterprise and the related disclosure should be expected. Such a contention is in line with the hypothesised relationships posited in Farooque and Ahulu (2015) as well as Haniffa and Cooke (2002), which are based on the assumption that younger companies need to exert more effort than their more mature counterparts to inform their stakeholders. For the purpose of our investigation, we combine both perspectives while considering the potentially sensitive nature of gender pay equality disclosure. In particular, we propose that reporting on such sensitive topics by companies with a longer listing history might follow routines established in the past and feature more defensive, low-risk strategies to avoid potential negative evaluations by stakeholders (She/Michelon 2019). Conversely, younger companies might be more willing to adopt current best practices in line with changing stakeholder expectations, in order to gain legitimacy (Suchman 1995). Specifically, the latter organisations may choose to provide detailed quantitative information on gender pay equality in line with the GRI standards to signal their “superior corporate citizenry” (Mahoney et al. 2013:357). Thus, we hypothesise the following relationship:

*H3: Company listing age is negatively associated with gender pay equality reporting quality.*

Additionally, we propose that out of the plethora of organisational factors confirmed by various studies as important determinants of sustainability or CSR reporting (Fifka 2013; Hahn/Kühnen 2013), organisational size, financial performance and industry affiliation are the most appropriate control variables when investigating the above relationships.

## Method

Our investigation is based on a sample of companies continuously listed on one of the major stock exchange indices (DAX, MDAX and SDAX in Germany, as well as WIG20, mWIG40 and sWIG80 in Poland) over a period of five years between 2015 and 2019. While building the sample, we excluded companies that were delisted, dropped out of the indexes, or were included in the indexes for a shorter time than the analysed five years (for Germany 94, for Poland 49

companies). This approach allowed us to obtain a research sample representing the overall population of listed companies on major stock exchange indices in both countries and assured the possibility to observe the evolution of reporting on gender pay equality over the analysed period. The resulting sample covered 202 companies, i.e. 111 German and 91 Polish firms, or 1010 observations in total. Furthermore, companies that had fewer than 500 employees or were registered in a country other than Germany or Poland (and hence were not covered by local laws implementing the NFRD) in one of the investigated years were further excluded from the main sample. This resulted in the final sample consisting of 835 observations.

In order to measure gender pay equality reporting quality as the explained variable, we hand-collected relevant information for the German and Polish sample companies by analysing their annual reports. These included annual integrated reports, standalone sustainability or CSR reports, as well as separate GRI appendices. In all the cases, English-language documents were analysed whenever available. In the remaining few cases, German- or Polish-language reports were used. For each of the companies and years, we retrieved textual and numerical data related to gender pay equality, including information on non-discrimination with respect to pay. The data were subsequently coded by applying the content analysis technique (Mayring 2000), whereby, to the reporting for each company and year, a score was attributed, ranging from 0 to 3. The score was used to measure the explained variable “Gender pay equality reporting”, in line with extant studies using non-financial reporting quality measures (cf. e.g. Sahakiantz/Festing 2020). Score “0” was attributed to an observation if no information on gender pay equality was provided. Enterprises that published rhetorical statements without naming any numbers were coded “1”. Here, the statements could be quite general or more specific. An example of a general statement was the following:

*Moreover, there are no systematic salary differences between men and women at comparable career levels (CTS Eventim AG & Co KGaA 2020:24).*

On the other hand, the following disclosure of Cyfrowy Polsat SA exemplifies a more specific rhetorical statement:

*We offer fair remuneration to our employees which depends on the type of duties they perform, area of responsibility and complexity of performed tasks. Limit values of remuneration on individual levels are laid down in the Remuneration Regulations. Minimum remuneration offered by the Group is compliant with the Polish law. Salaries grow in line with the growing specialization level and the position in the organizational structure (Cyfrowy Polsat SA 2018:44).*

With score “2” we coded reports that provided quantitative information on gender pay equality, in terms of either approximate or exact pay gap data or ratios, without giving any further, more detailed information. The sustainability

disclosure of the German Symrise AG was an example of approximate quantitative information:

*The example of our site in Germany, which has the most employees, shows that the average remuneration of women does not significantly deviate from the average remuneration of men (statistically insignificant differences of < 2%) (Symrise AG 2020:31).*

The following statement made by the Polish company Kruk SA, which was also coded “2”, is an instance of exact pay gap information:

*Ratio of standard entry level salary at KRUK S.A. by gender compared to minimum pay. [Further in a form of a table:] women[:] 214%[,] men[:] 281% (Kruk SA 2018:71).*

Ultimately, disclosure containing exact quantitative information on gender pay equality that was further differentiated either by employee category or location of operation was coded with a score “3”, as in the following example of the Polish corporation Grupa Kety SA:

*The average salary of women [compared] to the average salary of men ratio is 83%. The smallest discrepancies are recorded in the group of managerial positions, where women's salaries equal, on average, 90% of men's salaries. In the case of workers, the difference is 14%. [Further, the following information is provided in the form of a table:] Executive[:] no female executives[,] director[:] 75%[,] manager[:] 90%[,] specialist[:] 83%[,] foreman[:] no female foremen[,] production area, workers[:] 86% (Grupa Kety SA 2016:39).*

Thus, we assume that the quality of gender pay equality reporting is the highest (score 3) when companies report detailed quantitative information. This approach is based on the assumption that particular statistical or numerical information is an important and meaningful addition to the general declarations of CSR (Marano et al. 2017), and that quantitative data represents “substantive” information as opposed to “purely symbolic” statements or “message[s] of commitment” (Ntim/Soobaroyen 2013:491).

To ensure interrater reliability, the authors coded the same textual and numerical material, then compared their results afterwards. Given the clear differentiation between the rhetorical statements and the quantitative data on the one hand, and between the quantitative data on overall gender pay gap and specific numeric information about gender pay equality according to position or location, the authors were able to achieve complete agreement for their results. The list and description of the resulting explained and further variables used in the analysis are presented in Table 1.

We introduced a binary variable for each year of analysis (“Year”) to depict the pace of the NFRD impact as our main explanatory variable. Thus, we assumed that non-financial reporting quality would be more likely to improve steadily starting with the 2017 reports. The number of years of being listed on a stock exchange (“IPOyears”) was measured as a continuous variable, denoting the number of years since the IPO until the publication year of the analysed report, while the size of the company was measured as a natural logarithm of its assets

**Table 1. Variables used in the analysis**

Variable	Description
Gender pay equality disclosure	Ordinal variable on gender pay equality, coded in the following four categories: 0 – no information on gender pay gap/equality 1 – general or more specific (rhetorical) statement on gender pay equality 2 – quantitative data: approximate (non-specific) pay gap data by gender or exact pay gap ratio or percentage by gender 3 – quantitative data: pay gap data by gender and either by employee category or location of operation (or both)
Year	Year of observation (2015, 2016, 2017, 2018, 2019)
lnAssets	Natural logarithm of assets (in euros)
IPOyears	Number of years after an IPO until the publication of the report
ROA	Return on assets
Sector	Dummy variable describing the sector of operation (one of: agriculture, mining, manufacturing, trade, financial, IT/media, construction, transportation, utilities and services)

(“lnAssets”). In addition, we controlled for financial performance, measured by return on assets (“ROA”) as a continuous variable, and industry affiliation. The latter control variable was measured as a dummy to describe the sector of operation (agriculture, IT/media, manufacturing, trade, financial, services, construction, transportation, utilities and mining).

Information on company size (measured as lnAssets), financial performance (ROA) and industry affiliation was collected via the Refinitiv Eikon database. The latter measure is based on the North American Industry Classification System (NAICS), which was jointly developed by the responsible agencies in the United States, Canada and Mexico to replace existing classification systems, including the Standard Industrial Classification (SIC) (Executive Office of the President, Office of Management and Budget 2022). Data on the IPO date were collected from the databases of the Frankfurt and Warsaw Stock Exchanges, and missing data in a few instances were gathered from company webpages.

Subsequently, given the ordinal outcome variable, we conducted a panel analysis based on random effects ordered logit regression tests. By using the random effects model, which is a shrinkage estimator, we were able to generate estimates of yearly effects in the pre-Directive period that were characterised by low variation (especially regarding the fact that the explained variable is an ordered categorical one). The year 2015 and the manufacturing industry were used as reference categories.

The following model was employed to test our hypotheses:

$$\text{Gender pay equality reporting} = f(\text{Year\_Dummy}, \text{IPOyears}, \text{lnAssets}, \text{ROA}, \text{Sector\_Dummy})$$

Finally, to test hypothesis H2, we performed a statistical test for the null hypothesis that year effects are equal for the Polish and German samples and for the alternative hypothesis assuming that year effects are not equal. The test was performed using the Monte Carlo method (Hope 1968) and was based on the distribution of the estimators in both models. We took the estimators and their standard errors from the results of the estimation of models in Stata17 software. We assumed distribution normality for the estimators because for both Poland and Germany we had several hundred observations (following the central limit theorem, they should be approximately normal for large sample sizes). The significance of the obtained p-values was high (see Table 6), so the conclusions presented herein were robust, even if the actual distributions were not exactly normal.

Findings

Descriptive statistics

As illustrated in Table 2, the non-disclosure of gender pay equality matters dominates across the sample companies in both the German and the Polish subsamples, with nearly 53% of observations categorised as “no disclosure” for Germany versus nearly 76% observations for Poland over the whole period.

Table 2. Gender pay equality reporting category frequencies by year (number and percentage of observations)

Category	2015	2016	2017	2018	2019	Total (2015-2019)
German sample						
0	62 (65%)	59 (61%)	45 (47%)	45 (47%)	42 (44%)	253 (53%)
1	33 (34%)	36 (38%)	47 (49%)	47 (49%)	50 (52%)	213 (44%)
2	0 (0%)	0 (0%)	2 (2%)	3 (3%)	3 (3%)	8 (2%)
3	1 (1%)	1 (1%)	2 (2%)	1 (1%)	1 (1%)	6 (1%)
Polish sample						
0	71 (100%)	70 (99%)	52 (73%)	40 (58%)	35 (51%)	268 (76%)
1	0 (0%)	0 (0%)	5 (7%)	7 (10%)	10 (14%)	22 (6%)
2	0 (0%)	0 (0%)	4 (6%)	6 (8%)	8 (11%)	18 (5%)
3	0 (0%)	1 (1%)	10 (14%)	18 (25%)	18 (25%)	47 (13%)

In both cases, however, the number of firms not disclosing information on gender pay equality steadily decreases in both countries over the years observed.



The number of companies with no disclosure on gender pay equality issues, for enterprises in the Polish subsample, drops from 71 (100%) companies in 2015 to 35 (51%) in 2019. This constitutes a larger decrease in non-reporting compared to companies in the German sample, where the number of instances of no gender pay equality disclosure in annual reports decreases from 62 (65%) firms in 2015 to 42 (44%) in 2019. Moreover, in the German sample, we observe a relatively large number of companies qualified in category 1, i.e. those that deliver both general and specific rhetorical statements on gender pay equality (33 [34%] firms in 2015 and 50 [52%] in 2019) than for their Polish peers (0 firms in 2015 and 10 [14%] in 2019). Strikingly, the number of companies qualified into category 3 that publish quantitative data on pay gap data by gender and either by employee categories or locations of operation (or both) grew significantly for the Polish subsample (from 0 in 2015 to 18 [25%] in 2019), while only one company in the German sample disclosed information on gender pay equality that we could attribute to category 3 in both 2015 and 2019.

Thus, at the end of the analysed period in 2019, the majority of German enterprises (52%) provided just rhetorical statements on gender pay equality in their annual reports, while the majority (51%) of Polish companies did not disclose any gender pay equality information.

Further to the presentation of descriptive data concerning gender pay equality reporting, we provide in Table 3 descriptive statistics for the explanatory and control variables used in the econometric analysis.

**Table 3. Descriptive statistics for the explanatory and control variables**

	Mean	SD	Min	Max	No. of observations
<b>Overall sample</b>					
ROA	5.27	11.10	-66.65	108.52	833
Assets (mln EUR)	37,100	149,000	2,930	1,710,000	835
InAssets	21.95	2.14	17.19	28.17	835
IPOyears	26.96	31.49	1	150	835
<b>German sample</b>					
ROA	4.88	5.34	-13.55	50.09	478
Assets (mln EUR)	60,700	192,000	8,040	1,710,000	480
InAssets	22.90	1.86	18.20	28.17	480
IPOyears	36.79	38.31	1	150	480
<b>Polish sample</b>					
ROA	5.79	15.85	-66.65	108.52	355
Assets (mln EUR)	5,080	11,900	2.93	76,600	355
InAssets	20.67	1.81	17.19	25.06	355
IPOyears	13.68	6.42	1	26	355

The sample consists of large companies with an average of 37,100 million euros in assets. As expected, German companies are much larger than Polish firms and on average are listed on the stock exchange for a longer period of time. The breakdown of sample companies by sector is as follows. For Germany, one company operates in agriculture, six in IT/media, 47 in manufacturing, nine in trade, 17 in the financial sector, seven in services, two in construction, four in transportation, two in utilities and one in mining. For Poland, one company operates in agriculture, six in IT/media, 22 in manufacturing, six in trade, ten in the financial sector, ten in services, five in construction, three in transportation, five in utilities and three in mining.

Next, in Table 4, we present the correlation matrix that indicates a relationship between gender pay equality reporting and company size (measured by the natural logarithm of assets) and the number of years since an IPO. In addition, we note associations between company size (lnAssets) and financial performance (ROA), as well as between listing age (IPOyears) and company size (lnAssets).

**Table 4. Correlation matrix (Spearman)**

	Gender pay equality reporting	ROA	lnAssets
ROA	-0.018		
lnAssets	0.247*	-0.229*	
IPOyears	0.094*	-0.055	0.347*

Note: \* significance at  $p < 0.001$ .

### *Econometric Results*

We test our hypotheses by assuming the relationship between the disclosure of gender pay equality issues and year dummies. Table 5 presents the results of the ordered logit regression for the German and Polish samples.

Year dummies since 2017, when companies had to report in line with the NFRD, are positive and statistically significant for gender pay equality disclosure in the case of both sets of companies, which confirms hypothesis H1. The evidence shows that the coefficients related to the year dummies in the Polish sample are larger than for the German companies, which suggests that the improvement in gender pay equality disclosure is greater in Poland than in Germany. This finding is consistent with the evidence revealed in the descriptive section. Interestingly, the year dummy is a very strong predictor for gender pay equality disclosure in Polish companies (with  $p < .001$  in all cases). For the Polish sample, we omit the dummy for 2016, as we received a complete determination of observations (as shown in Table 2, there was hardly any change in reporting in this subgroup between 2015 and 2016).

**Table 5. Results of the ordered logit regression (random effects model)**

Variable	German sample	Polish sample
Year2016	0.10 (0.32)	
Year2017	0.84** (0.32)	4.29*** (1.07)
Year2018	0.78** (0.31)	5.10*** (1.06)
Year2019	0.93** (0.31)	5.34*** (1.06)
ROA	0.06** (0.02)	-0.002 (0.01)
InAssets	0.46*** (0.07)	0.30 (0.14)
IPOyears	-0.01*** (0.002)	0.05 (0.03)
Agriculture	3.41** (0.99)	1.79* (0.09)
IT/Media	-0.24 (0.44)	0.98* (0.51)
Trade	-0.79* (0.36)	-0.36 (0.64)
Financial	-0.38 (0.28)	-0.02 (0.66)
Services	-1.71** (0.51)	1.08* (0.49)
Construction	-1.92** (0.66)	2.90*** (0.66)
Transportation	0.50 (0.50)	-15.18 (815.47)
Utilities	0.04 (0.67)	-2.64* (1.12)
Mining	-13.41 (445.91)	0.66 (0.63)
Pseudo R <sup>2</sup>	0.14	0.29
N	478	355

Note: Significance level \*\*\*0.001, \*\*0.01; \*0.05; †0.1; standard error in parentheses.

For the German sample, there is a positive link between company size measured by InAssets and gender pay equality disclosure, as well as between financial performance measured by ROA and gender pay equality disclosure, and a negative link between listing age and gender pay equality disclosure. The latter finding confirms hypothesis H3 for the German sample. Finally, we find that the quality of gender pay equality disclosure is lower and statistically significant for services, construction and trade when compared to the manufacturing industry, which serves as a reference category, and significantly higher in agricultural companies than in manufacturing enterprises.

Among Polish companies, apart from the year dummies and industry affiliation, no other variables proved to be significant. With regard to sector differences, we find that gender pay equality disclosure in agriculture, IT/media, services

and construction sectors is statistically better than in the manufacturing industry, whereas the same disclosure quality in utility companies is lower than that in the reference category firms.

Finally, Table 6 presents the results of a one-way test for the breakdown of estimators in the models in Table 5.

**Table 6. The significance of differences in model estimators (stronger effects in Poland than in Germany)**

Year	p-value
2017	0.017
2018	< 0.001
2019	< 0.001

As shown in the table above, the hypothesised association between NFRD adoption and gender pay equality reporting is stronger in Poland than in Germany. Thus, these statistically significant results provide support for hypothesis H2.

## Discussion and conclusions

The existing literature on sustainability reporting indicates that companies often engage in legitimacy-seeking and build organisational façades adopting impression management techniques (Leung & Snell, 2021). While such behaviour was predominantly noted in the prior studies on voluntary disclosure (Baldini et al. 2018; Manes-Rossi et al. 2018; Yu et al. 2018), we also expected it in the case of mandatory non-financial reporting, due to significant discretion given to companies in their transparency choices.

We thus sought to contribute to the debate on the effects of the NFRD (Aureli et al. 2020; Biondi et al. 2020) by investigating firm responses to the legislation in different country and organisational contexts. For this purpose, we investigated German and Polish companies subject to local laws implementing the NFRD, over 2015-2019, i.e. the pre- and post-NFRD periods. Building on our proposed types of reputation façades used by organisations in order to gain legitimacy, we assumed that given different institutional environments (Lee/Lounsbury 2015) as well as organisational specificities (previous practice of non-financial disclosure, listing history), the companies in our samples would respond differently to institutional pressures, in this case mandatory reporting regulations.

The results of the panel analysis indicate a significant effect of the NFRD on gender pay gap reporting in both countries, whereby much stronger effects were identified for the Polish companies. Thus, the findings confirm our hypotheses H1 and H2. In this case, the weaker effect of the NFRD in the German case does not seem to be related to the abovementioned evidence that German companies, in general, had extensively reported on non-financial matters even before the in-

roduction of the law implementing the NFRD (Hoffmann et al. 2018). Instead, as exemplified by the descriptive statistics shown in Table 2, the majority of the German enterprises continued the practice of either non-reporting or very general disclosure on related matters in their annual reports, and thus they predominantly pursued passive reporting strategies and built defensive reputation façades, which is in line with our arguments. We propose that this predominant risk-averse disclosure strategy can be explained as follows. On the one hand, this could be attributed to the obligation of German companies to publish their equal pay reports (which do not require the disclosure of the exact pay gap) in other outlets such as the *German Federal Gazette*, whereby a very high level of compliance is reported (Bundesministerium für Familie, Senioren, Frauen und Jugend, 2019), and German enterprises would see it as a risky undertaking to provide more detailed reports over and above legal requirements. On the other hand, we argue that the resistance of some companies to disclosing the gender pay gap information reported in the extant research (Austin et al. 2021) could be a strategy to avoid the impression that the gender pay gap results from a violation of equal opportunity legislation – and not from the current characteristics of staff in a certain enterprise or other reasons discussed in the literature (see, for instance, Bergmann et al. 2019; Ciminelli et al. 2021). Thus, although the existence of a gender pay gap as such should not be primarily interpreted as a result of gender discrimination, German enterprises still seem to be very cautious about disclosing the exact numbers and thus seek to avoid misinterpretations.

We propose that the better progress of the Polish companies compared to their German peers may be interpreted as evidence of a different reaction of these Polish firms to the NFRD compared to their German counterparts, and we attribute the observed progress in disclosure as the exemplification of the *assertive* type (Leung/Snell 2021) of *reputation façade*. In particular, Polish companies are often found to provide detailed information, including quantitative data. Put differently, referring to the proposed continuum of strategies concerning voluntary gender pay equality reporting, Polish companies pursue more assertive façade-building strategies than German firms. We link these findings to the context of the lower institutionalisation of non-financial disclosure and, thus, the less well-established image of Polish enterprises with respect to social reporting compared to the situation in Germany. A large increase in the number of companies publishing non-financial reports containing both general and more specific quantitative information on gender pay equality in Poland in 2019 compared to the pre-Directive period could be interpreted as an endeavour by Polish companies to distinguish themselves from competitors by means of better disclosure – a practice found earlier in sustainability reporting studies (Meng et al. 2014). Overall, prior research shows that in countries where sustainability disclosure is less common, companies might perceive high-quality non-financial

reporting as a way to create a distinctive, positive image as a leading enterprise (Hąbek/Wolniak 2016). Thus, many Polish enterprises might choose to build assertive reputation façades by strictly following international standards, such as GRI with respect to the gender pay gap, to signal their commitment to sustainability (Mahoney et al. 2013) and gradually develop a reputation for transparency and social responsibility. Whether Polish companies will change their reputation façade-building strategy to a more passive one as their image concerning non-financial reporting becomes more established, is a promising avenue for future research.

Listing age had a negative and significant effect on gender pay equality reporting in the German sample only. This suggests that younger companies in Germany tend to report more extensively on gender pay equality, in line with hypothesis H3, while in Poland, the expected effect of listing age could not be confirmed. We suggest that this absence of significant association in the case of the Polish companies can be explained by the fact that all of them had a quite low listing age, as presented in Table 3 (13.68 years on average, standard deviation: 6.42 years), compared to their German counterparts (36.79 years on average, standard deviation: 38.31 years).

Company size and financial performance were also found to have a highly significant and positive effect on targeted reporting in Germany only. Here, similar to Lopatta et al. (2023), we argue that very large companies in Germany enjoy a high deal of exposure to a broad range of stakeholder groups worldwide and thus tend to provide very extensive reporting on various financial and non-financial aspects of their operations, including gender pay equality information. The positive association with the financial performance of German enterprises could be explained by the high attention paid to reporting by either exceptionally well- or ill-performing companies on the part of various stakeholders. Surprisingly, however, these effects are not relevant in the case of the Polish companies.

Furthermore, we found several significant effects related to industry affiliation. Building on the assumptions of the neo-institutional theory (Ball/Craig 2010), we expect that such an effect could be associated with mimetic and normative isomorphism, as defined by DiMaggio and Powell (1983). The mimetic mechanism is related to mimicking best practices, whereby the disclosure of successful competitors, including gender pay equality information, is used as a benchmark by other enterprises in the same industry. Normative isomorphism – or professionalisation in line with the arguments of DiMaggio and Powell (1983) – might be triggered by decision-makers being members of sectoral professional associations and also lead to the increased homogenisation of non-financial reporting practices. Concerning gender pay equality reporting specifically, the relevance of industry idiosyncrasies might also result from the nature of pay determination. According to Bergmann et al. (2019), industry affiliation is one



of the most important determinants of the gender pay gap, which is in line with the evidence provided by Blau and Kahn (2007), in that occupation and industry explain a large proportion of the pay differential between men and women. However, based on our data, we cannot explain the industry effects, especially given the opposite effects of some German and Polish companies' industry affiliations on gender pay equality reporting quality, as illustrated in Table 5. We therefore suggest that this topic should be investigated within a separate study that could either focus on specific industry-related measures such as sector sensitivity (Lopatta et al. 2023), by considering country idiosyncrasies, or be based on the qualitative interpretative methodology.

A potential limitation of our study is the possible additional effects of the so-called Pay Transparency Act in Germany and gender pay gap reporting regulations in the UK (Böök et al. 2021), to which German corporations or their UK subsidiaries are subject, on gender pay equality reporting by German companies. However, since we investigated all related information with respect to each of the countries and references contained in the analysed annual reports only, and did not consider any other outlets, we thus targeted the same groups of stakeholders in Germany and Poland who are addressed by annual non-financial disclosure. Another limitation of the study is that the attribution of reporting strategies to either defensive or assertive reputation façade-building described herein is valid within the context of EU Directive 2014/95/EU. In the context of developments related to the new Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), even companies following a defensive reputation façade-building strategy are expected to report more extensively in line with stricter mandatory requirements (PricewaterhouseCoopers 2022).

Overall, we believe that our study has a number of important implications for both theory and practice, and it contributes to the understanding of the institutional and company-specific mechanisms influencing organisational practices aimed at communicating gender pay equality. In particular, compared to studies investigating the impact of the related variables on aggregated measures of non-financial reporting (cf., for instance, Baldini et al. 2018), our focus on measuring disclosure on a specific aspect in two selected countries allowed us to showcase the key importance of experience with non-financial reporting in various institutional environments as a key determinant of disclosure quality. Moreover, in contrast to previous research utilising disclosure indices and scores (ibid.), which could include reporting on very heterogenous matters, including both sensitive and non-sensitive information, our focus on gender pay disclosure potentially linked to reputational risks proved to be a fruitful way to analyse the role of country contexts. In addition, it thus allowed us to highlight the importance of considering the local specifics of legitimacy-seeking tactics applied by the enterprises (Reimann et al. 2012) and helped to demonstrate how

these tactics lead to the different reputation façade-building strategies proposed herein. From a practical standpoint, especially for compensation and benefits, sustainability and non-financial reporting practitioners and regulators, our study offers a useful overview of country-specific dynamics in Germany and Poland with respect to gender pay gap disclosure and transparency.

Finally, it should be noted that although we do not focus on real compensation practices but instead on how they are reported, we expect that improved disclosure in this area might also lead to improvements concerning the gender pay gap. Indeed, although investigations into the effectiveness of gender pay reporting from the standpoint of increased attractiveness of companies to investors (Austin et al. 2021) or a diminishing gender pay gap (Cheese 2019) deliver partly mixed results, a recent work by Bennedsen et al. (2019) revealed the positive effect of mandatory pay disclosure in general on reducing the gender pay gap. Even though we propose that reporting on sensitive matters such as gender pay equality is associated with façade-building strategies, by being forced to disclose related matters and by selecting different strategies concerning how to do so, enterprises are driven to reevaluate their compensation systems and redesign them in line with societal expectations.

## Acknowledgement

This work was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) under Grant 426661955; and the Narodowe Centrum Nauki (NCN, National Science Centre) under Grant 2018/31/G/HS4/02504.

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