



CSR reporting practices of Eurozone companies



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ABSTRACT

For most of the world's largest companies, reporting on non-financial information appears to be a continuing trend.

Communication of social and environmental dimensions of the company plays a key role in the sustainable development of organizations, and therefore should be investigated more in depth.

The aim of this empirical study is to analyse the extent to which Eurozone companies report on CSR indicators, according to the Integrated Scorecard Taxonomy Scoreboard of the Spanish Accounting and Business Association (AECA), and the factors that can influence its use.

A content analysis was conducted on the annual sustainability reports on the websites of 306 Eurozone companies listed in the STOXX Europe 600.

The results revealed an intensive use of corporate governance indicators, a moderate disclosure of environmental key performance indicators (KPIs), and a low use of social indicators. Our study also showed that there is an influence of sector, and the listing in DJSI on the extent of sustainability reporting.

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Prácticas en la presentación de informes sobre RSC de las empresas de la Eurozona

RESUMEN

Para la mayoría de las empresas más grandes del mundo, la presentación de información no-financiera en sus informes anuales parece ser una tendencia constante.

La comunicación de las dimensiones sociales y medioambientales de la empresa desempeña un papel clave en el desarrollo sostenible de las organizaciones y, por lo tanto, debería ser investigado más profundamente.

El objetivo de este estudio empírico es el de analizar el grado en que las empresas de la Eurozona informan sobre los indicadores de RSC recogidos en la "Integrated Scorecard Taxonomy" propuesta por la Asociación Española de Contabilidad y Administración de Empresas (AECA), y los factores que pueden influir en su utilización.

Se realizó un análisis de contenido de los informes anuales sobre RSC encontrados en las páginas web de las 306 empresas de la Eurozona que figuran en el STOXX Europe 600.

Los resultados revelan un uso intensivo de los indicadores de gobierno corporativo, un uso moderado de los indicadores medioambientales y un bajo uso de los indicadores sociales. Nuestro estudio también demuestra que el sector y la inclusión de la empresa en DJSI influyen el nivel de divulgación de los indicadores sostenibles.

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1. Introduction

We are currently witnessing a shift from traditional reporting models focused mostly on financial and historical data to new forms of reporting, which adopt the triple bottom line approach and thus also include corporate social responsibility disclosure.

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Companies have recently struggled with increased pressure from internal and external stakeholders to report not only on financial but also on their social and environmental performance. Triple bottom line reporting refers to corporate sustainability reporting, which includes non-financial key performance indicators (environmental, social). Therefore, it is dedicated to a broader set of stakeholders, not just shareholders (Ballou, Heitger, & Landes, 2006). Sustainability reports serve as a tool to change external perceptions, to instigate dialogue with stakeholders and to play an important role in communication and relationship building between the organisations and stakeholders. Hence, examining the reasons and methods of companies' corporate social responsibility (CSR) reporting appears a promising field of research, and sustainability reporting becomes the subject of increased attention from the business as well as the academic community.

Due to the pressure from different stakeholders to be more transparent about company's dealings, large listed companies have been forced to report beyond the obligatory income statement and disclose more information about their activities and their social and environmental impacts on society. The aim of this study is to analyse the response of Eurozone companies to the challenge of CSR reporting by adopting the framework developed by the Spanish Accounting and Business Association (AECA). This study also offers a validation of AECA's indicators at the Eurozone level providing new insights for further development of the Integrated Scorecard (IS) taxonomy, which is on its way to gaining wider international acceptance. Additionally, we aimed to identify the factors that can influence the level of CSR reporting. The results revealed an intensive use of corporate governance indicators, a moderate disclosure of environmental key performance indicators (KPIs) and a low use of social indicators. Our study also showed that there is an influence of sector, and the listing in the Dow Jones Sustainability Index (DJSI) on the extent of sustainability reporting.

A considerable amount of literature has been published on CSR. The first serious discussions of that topic emerged during the 1950s, when Bowen introduced the idea of social responsibility of a businessman in a wider sphere than pure profit seeking. Hence it is a product of 20th century (Carroll, 1991). More recently, the importance of CSR behaviour of companies and the need for CSR reporting arose as a response to many corporate scandals, financial crises, climate change, the commitment to a lower-carbon future and concern about labour rights, product safety, poverty reduction, etc. (Noronha, Tou, Cynthia, & Guan, 2012). In other words, it became a necessary tool in order to seek sustainable development and should be more than just an effective public relations tool adopted by a company to increase corporate profitability (Tinker & Niemark, 1987).

CSR reporting is mostly voluntarily based, but there are some countries with regulations making disclosure on CSR mandatory. Regarding the non-financial reporting regulations, governments and stock exchanges play an important role in promoting it. They are responsible for issuing relevant legislation and standards concerning the mandatory disclosures on CSR issues (Noronha et al., 2012). In Europe, there are already some regulations regarding the CSR disclosure in countries like Sweden, Norway, Finland, Denmark, Germany, France, United Kingdom, Switzerland, and France.

Over the last decade, various standards were promoted and elaborated at a global level. Marimon, Alonso-Almeida, and Rodríguez (2012) provide a brief classification of corporate responsibility standards including UN Global Compact Principles, OECD Guidelines for Multinational Enterprises, GRI, ISO 26000, AA1000, ISO 14001 and SA88000. However, a need for an internationally recognised and generally accepted framework to achieve the uniformity in CSR reporting still persists.

Global Reporting Initiative (GRI) guidelines, developed in 1997, deserve a particular attention as they are today the most widely

used (Ballou et al., 2006; Roca & Searcy, 2012). GRI reports currently approach forty percent of all corporate responsibility reports worldwide (Marimon et al., 2012) and according to results reported by Welford (2004) and Rowe (2006), Europe has the highest number of certifications in the GRI. Outtes-Wanderley, Soares, Lucian, Farache, and de Sousa Filho Milton (2008) stressed that the reason behind this could be that developed nations such as Eurozone countries implement practical actions that stimulate CSR development. GRI disclosure is based on triple bottom line including three sets of indicators (economic, environmental and social). Even though GRI reporting has spread around the world, there is still criticism relating to the large number of indicators proposed (84 indicators), and the fact that it is quite expensive for companies to prepare the report in accordance with GRI standards, which might be the reasons for the ongoing reluctance of some companies to adopt this framework.

The Spanish Accounting and Business Association (AECA, Asociación Española de Contabilidad y Administración de Empresas) has developed an XBRL taxonomy for Integrated Reporting (Integrated Scorecard, IS), proposing a set of KPIs for the financial, social, environmental and corporate governance behaviour of companies. The use of the taxonomy is intended to promote comparability among companies, to increase corporate transparency and research in the field of CSR, in accordance with the requirements and proposals of the International Integrated Reporting Committee (IIRC). Among the proposed KPIs, there is a set of indicators for CSR and corporate governance (CG) that can be used to assess current reporting practices in that field. AECA's project should solve, for example, the lack of balance among the indicators in many frameworks and move from abstract to concrete indicators (e.g. GRI reports provide only a narrative part for corporate governance and no concrete indicators). In the Appendix 1, the main differences between AECA's Integrated Scorecard and GRI framework (version G3.1) are highlighted.

Although the current shape of AECA's Integrated Scorecard is quite new and might be seen as only nationally valid, it belongs to the acknowledged taxonomies recognised by XBRL International as being in compliance with the XBRL Specification. This taxonomy was first internationally recognised in December 2007, and was known as RSC Taxonomy for Corporate Social Responsibility. The updated version known as RSC – CCI Scoreboard for Corporate Social Responsibility Taxonomy gained XBRL approval in June 2010 and the current version, IS-FESG Integrated Scoreboard Taxonomy, was approved in April 2013. This acknowledgement gives the AECA's IS international merit (XBRL, 2013).

As AECA's IS provides quite a comprehensive set of indicators responding to the needs of integrated reporting (with a reasonable number of indicators) which belong to the international XBRL standards, we decided to use it as a benchmark for the purposes of our study.

2. Literature review and hypotheses

2.1. Previous studies on CSR reporting

Movement towards sustainable development resulted in increased pressure from different stakeholder groups to report on ESG (environmental, social governance indicators). Consequently, over the past decade, companies have been asked to improve transparency in reporting on their CSR performance (Arvidsson, 2010; Dando & Swift, 2003). According to the survey conducted by KPMG (2011), 95% of the 250 largest global companies currently report on CSR issues. Hence, the area of reporting practices of companies appears to be a promising field of research for academics.

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