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The genesis and evolution of CSR self-regulation with special reference to the case of financial institutions

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The genesis and evolution of CSR self-regulation with special reference to the case of financial institutions

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Abstract:

The paper creates a background for the analysis of the prerequisites of a sustainable financial institution, whose activity is fully consistent with the requirements of sustainable development and contributes to its implementation. The primary aim of the paper is the analysis of CSR self-regulation with special reference to the case of financial institutions. The specific target is the analysis of:

- the linkages between global financial crisis and the evolution of CSR issues in financial institutions in the EU, and
- CSR self- and formal regulations framework and its re-modelling required to build sustainability of financial institutions that would be socially responsible for offered services and conducted operations.

In order to achieve these targets, extensive research is undertaken. Characteristics of genesis, evolution, and motivation for implementing CSR in financial institutions are described and differences in impact of the financial sector on the real sector of the economy in the analysed EU member states are recognized, as well as impacts and perspectives of CSR self-regulations in the EU member states. Finally, linkages and feedbacks between the global financial crisis and CSR in the financial sector and their consequences are identified.

Conducted analysis allows formulating many remarks. Among them, the most important appears to be that the proper regulatory environment is crucial to build sustainability of the financial sector and prevent social externalities of its improper functioning. Public authori-

ties should, on the one hand, regulate and supervise CSR in the financial sector, and, on the other, create favourable conditions for dissemination of social responsibility ideas and concepts among financial institutions, supporting the introduction of effective self-regulations.

Key words: financial institutions, corporate social responsibility, CSR self-regulations

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Executive summary

The paper creates a background for the analysis of the prerequisites of a sustainable financial institution, whose activity is fully consistent with the requirements of sustainable development and contributes to its implementation. The primary aim of the paper is the analysis of CSR self-regulation with special reference to the case of financial institutions. The specific target is the analysis of:

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The most important findings are presented below.

1) Through various strategies and instruments, self-regulation subjected businesses to a mix of supervisory principles, stimulating the development of concerted initiatives among different stakeholders and transferring CSR into a form of new societal governance. As a result, voluntary self-regulations take the form of a quasi-binding law, as different national and international CSR initiatives are focused mainly on the development of monitoring and verification mechanisms.
2) As financial institutions' reputation is crucial for the stability of the financial sector, it has to be protected by appropriate legislation, referring directly and indirectly to CSR. Presently, apart from formal regulations, CSR in financial institutions is regulated also by self-regulations. In almost all countries, CSR self-regulation in the financial sector is subject to a considerable level of government direction and involvement. This process has become explicit since the outburst of dotcom bubble of 2001. As a result, self-

regulation becomes co-regulation, implemented in financial sector through moral suasion by the government, and supporting the state regulations.

3) Financialisation and the movement of control from major block holders to capital markets demand more shareholder-oriented corporate governance, with the increasing role of CSR. CSR programmes in the financial sector are organised according to the binding self-regulations framework and regulatory efforts, supported by many national and international initiatives (i.a. the Finance Initiative, the Equator Principles, the FORGE Group, the EPI-Finance 2000, and the Collevecchio Declaration). These self-regulations and initiatives have positive effect on CSR and financial institutions, as they are more attractive for socially responsible investors.
4) Regardless of the increasing awareness of financial institutions concerning the importance of social responsibility, CSR reporting in the financial sector is not free from serious drawbacks. Reports on specific CSR issues are very laconic and even if institution includes CSR information in the annual report, it mainly concerns specific aspects. The experiences of integrated reporting are rare. Partially this weakness of CSR reporting stems from lack of harmonisation and uniformity in terms of the items reported, or the way of reporting. There are different guidelines and reporting standards set at the national level. In order to overcome this weakness, various non-governmental organisations try to develop standards, models and frameworks for reporting on CSR (i.a. the ISO 14001 or the Global Reporting Initiative).
5) Despite the noticeable improvement of number of CSR self-regulations, they appeared to be too weak to nip the global financial crisis in the bud. Awareness of financial institutions concerning CSR issues had not been sufficiently high and CSR had not been an instrument promoted as a solution for stabilization of the financial sector. While analysing purposes of general failure of CSR in financial institutions, many discourses on linkages between CSR, global financial crisis and the financial sector can be found. They range between the views on complete corporate irresponsibility of financial institutions and the views on too soft regulatory framework, within which they functioned. Specifically, issues related to CSR are attributed to failures and weaknesses in corporate governance arrangements, thus putting effectiveness of CSR self-regulation in the financial sector into question.

6) Since the beginning of the financial crisis, an increasing attention has been paid to CSR. Institutions have been trying to demonstrate the inclusion of social and environmental concerns in business operations, and in interactions with stakeholders. A kind of wake-up call effect has appeared, as many economists and policymakers support stricter regulations as well as the implementation of CSR issues to the core business activity of financial institutions. Demands for concerted action have translated into new forms of coercive pressure on financial institutions in exchange for continued legitimacy.
7) The global financial crisis proved the inefficiency of the current CSR self-regulation and co-regulation framework, especially in accordance to multinational financial institutions and large investment banks. Therefore, there is a need for a new coordinated CSR regulation of financial institutions. There is also a need to broaden the scope of regulation more generally at international law, supplementing or even replacing the existing framework of CSR self-regulation.
8) Optimisation of trade-off between formal regulations and self-regulations is of high importance. Potential crowding out of strict formal regulation by looser self-regulation may lead to the situation in which only an CSR-active part of the society would carry the burden of a conscious consumption, whereas the rest would enjoy the benefits of both a less regulated environment and the conscious consumption of CSR-activists. Therefore, increasing reliance on the CSR self-regulation rather than on formal regulatory guidelines can lead to decline in social welfare.

Conducted analysis allowed formulating many remarks. Among them, the most important appears to be that the proper regulatory environment is crucial to build sustainability of the financial sector and prevent social externalities of their improper functioning. Governments should be more proactive in creating a legal framework that would persuade or if necessary compel financial sector striving for profit to take under consideration also social, environmental, and ethical concerns that affect the well-being of the whole society. Public authorities should, on the one hand, regulate and supervise CSR in the financial sector, and, on the other, create favourable conditions for dissemination of social responsibility ideas and concepts among financial institutions, supporting the introduction of effective self-regulations.

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1. Introduction

Structural change in financial sector has been observed in financial systems of the EU member states since the late 1980s. Financialisation, along with technological advances, has required adaptation to consequently changing economic and regulatory environment. Profound structural shifts have changed competitive pressures, influencing the relationship between the industry and society.

Prior to the outburst of the global financial crisis, financial institutions, freed from the regulatory constraints and barriers, flourished as never before. Financial innovations occurred in order to produce new segments of financial markets based upon securitization, derivatives, and futures trading (Harvey, 2007). Under such circumstances, majority of financial institutions appeared to be opportunistically adaptive rather than truly innovative (Ackroyd and Murphy, 2013).

Reckless lending in the subprime mortgage market as the apparent root cause of the global financial crisis raised questions on the social responsibility of financial institutions (Klimecki and Willmott, 2007). The financial sector has been assessed as at least partly responsible for the global financial crisis. Not surprisingly, since the outburst of this financial turmoil, public debate has intensified because of awareness of the society that one of the most important backgrounds for the outburst of the crisis could be the corporate white-collar criminal behaviour (Huisman, 2011), possible under lax financial restrictions, inadequate oversight, and no sufficient accountability (Nguyen and Pontell, 2010).

Public pressure has affected the financial institutions, requiring changes in corporate social responsibility (CSR). Key CSR principles such as accountability and transparency are at the heart of contemporary regulatory efforts, aimed at improvement of regulatory oversight, and corporate governance. There has been also a growing need to link financial sustainability with other aspects of social, environmental sustainability measures, including requiring reporting and use of widely accepted standards (Sarra, 2012).

These changes have reshaped not only the structure of the financial sector, but also have influenced the real sector of the economy, as they have reshaped the functioning of the financial intermediation. In turn, they have revealed and enormous impact on key society stakeholders (workers, consumers, and local communities), influencing the ability to reach key goals of CSR.

Irresponsibility of financial institutions, that stood behind the global financial crisis (Jurek and Marszałek, 2014), proved that pre-crisis CSR concept had not been comprehensive enough to prevent the distress. There is a need of clarification of the background for the analysis of the prerequisites of a sustainable financial institution, whose activity is fully consistent with the requirements of sustainable development and contributes to its implementation. In order to allow such analysis, an examination of the genesis and evolution of CSR self-regulation with special reference to the case of financial institutions has to be addressed. This is the primary aim of the paper. The specific objective is the analysis of:

- the linkages between global financial crisis and the evolution of CSR issues in financial institutions in the EU, and
- analysis of CSR self- and formal regulations framework and its re-modelling required to build sustainability of financial institutions that would be socially responsible for offered services and conducted operations.

The paper is organised around addressing these issues. The analysis follows genesis and evolution of CSR self-regulation with special reference to the case of financial institutions from EU member states. It starts in section 2 with the classification of CSR concepts and theories and reviews the development of conceptual framework for corporate social responsibility. Then, it analyses a legal framework for CSR with the special consideration of self-regulations. Next, it discusses opportunities and risks related to CSR in economic activity. The section ends with presentation of the evolution of CSR reporting and CSR standards.

Section 3 opens with analysis of social responsibilities and functions of financial institutions. It underlines special duties of financial institutions towards society stemming from unique intermediation function of financial and distinctive features of financial services. The section follows the fulfilment of these duties by different types of financial institutions, analysing their interactions with stakeholders and involvement in CSR activities. Section 4 focuses on impacts and perspectives of CSR self-regulations in the EU member states. It analyses the genesis of CSR self-regulation in the financial sector at the international level, as well as the long-lasting process of evolution of voluntary reporting in financial institutions. It considers also necessity for harmonisation of CSR reporting and assurance standards.

Finally, section 5 concentrates on the global financial crisis and CSR in the financial sector. Therefore, this section analyses different discourses on CSR in financial institutions

after the global financial turmoil, ranging between the views on complete corporate irresponsibility of financial institutions and the views on too soft regulatory framework, within which they functioned. Section 5 ends with discussion on the future trends in the social responsibility of financial institutions, concluding that governments also bear social responsibilities and they must not avoid their regulatory duties when it comes to putting a halt to irresponsible, excessive risk-taking behaviour of financial institutions.

2. The evolution of CSR in theory and business practice

2.1. Classification of CSR concepts and theories

Socially responsible behaviour, the subject of studies since the late 1940s, has generated and ongoing debate in the academic world (Carroll, 1999, Claydon, 2011, Garcia de los Salmones, Pérez and Rodríguez del Bosque, 2009). Despite long-lasting process of constant defining and modelling (Claydon, 2011), the CSR concept, meaning, and applications have changed drastically since the first half of the twentieth century (Herzig and Moon, 2011, Kitchin, 2002).

CSR remains rather a vague concept. It means something, but not always the same thing to everybody. This stems from the fact that CSR is a multidimensional term that encompasses a variety of elements, ranging from values and philosophies to ethical, legal, societal, philanthropic, and environmental issues, business strategies and the relationship between business and society (Carroll, 1979, Decker, 2004, Wartick and Cochran, 1985). It focuses on stakeholders dimension, social dimension, economic dimension, voluntariness and environmental dimension (Humphreys and Brown 2008, Pérez and Miras Rodríguez, 2013). As a result, CSR is often considered as an umbrella term (Harley and Warburton, 2008, Matten and Crane, 2005, Matten and Moon, 2004, Rahim, 2013).

CSR is not purely ethical concept, as sometimes argued (Argandoña, von Weltzien Hoivik, 2009). Instead, it rather coincides with "ethics of doing business". Nevertheless, concepts of CSR formulated in the literature tend to oscillate between views that it is inconsistent with sound business practice and serves to dilute its focus on wealth creation on the one hand and that it is essential for successful business operations as an opportunity for business to look beyond profits on the other (Jamali and Mirshak, 2007).

Problems with formulating a precise definition of CSR intensifies the interchangeable use of CSR and other terms of similar meaning, related to management practices, like corporate governance, corporate social performance, or socially responsible investing (SRI) (Hill et al., 2007, Jackson and Apostolakou, 2010, Roberts, Rapson and Shiers, 2007, Wood, 1991, Zu, 2009). Moreover, as CSR perspective refers also to the environmental, social and governance impact of the business activity in respect of location and use of technology (Lambooy, 2010, Perera, 2010), a wide range of concepts is treated as close synonyms for corporate social responsibility, such as (Matten and Moon, 2004):

- business ethics,
- corporate citizenship,
- sustainability,
- corporate environmental management,
- business and society,
- business and governance, and
- stakeholder management.

Such diversity of standpoints and definitions leaves no doubt that it is necessary to explain the evolution of meaning of this term.

The CSR concept has gone through a progressive rationalization. Researchers have gradually moved from the discussion of macro-social effects to organizational-level analysis of CSR's effects on financial performance and from explicitly normative and ethics-oriented studies to implicitly normative and performance-oriented ones (Zu, 2009). Nevertheless, throughout the process of development of theoretical framework for CSR, many researchers tried to analyse all possible aspects of CSR in a very diverse and sometimes incoherent ways.

Trying to map out the territory of CSR theories, Garriga and Mele (2004) identified main categories and subcategories of CSR theories. They include:

- instrumental theories based on the assumption that the corporation is an instrument for wealth creation and only the economic aspect of the interactions between business and society should be considered; these theories include three groups with different objectives:
  - maximization of shareholder value: currently it has transferred into so-called 'enlightened value maximization', which means that the long-term maximization or value-seeking is the criterion for making the appropriate trade-offs among its stakeholders (Jensen, 2002),
  - achievement of social objectives and competitive advantages according to the views of 1) social investments in competitive context, 2) natural resource-based view of the firm and its dynamic capabilities and 3) strategies for the bottom of the economic pyramid (Husted and Allen, 2000),

  - sales or customer relationship enhancement by building the brand through the acquisition of, and association with the ethical dimension or social responsibility dimension (Varadarajan and Menon, 1988).
- political theories, in which the social power of corporation and its relationship with responsibility within the society is emphasized; these theories encompass:
  - corporate constitutionalism, focused on the "social power equation" and the "iron law of responsibility", according to which the social responsibilities of business arise from the amount of social power that they have and neglecting the social power responsibly leads to its loss by business (Davis, 1967),
  - integrative social contract theory that underlines a consent between business and society in form of macro-social contracts, appealing to all rational contractors, and real micro-social contracts settled by members of local communities, allowing for agreeing upon the ground rules defining the foundation of economics that will be acceptable to both sides of a contract (Donaldson and Dunfee, 1994),
  - corporate citizenship, focused on a business responsibility towards the local community, partnerships, which are the specific ways of formalizing the willingness to improve the local community, and consideration for the environment (Wood and Lodgson, 2002),
- integrative theories that look at how business integrates social demands, and argue that business depends on society for its existence, continuity and growth; they encompass:
  - issues of management: emphasize the process by which the corporation can identify, evaluate and respond to those social and political issues that are of significant impact upon it in order to minimize surprises which accompany social and political change with the use of an early warning system for potential environmental threats and opportunities (Wartick and Rude, 1986),
  - the principle of public responsibility: stresses the importance of a public process while defining the scope of the firm's responsibility, instead of personal morality views or narrow interest groups views (Jones, 1980, Preston and Post, 1981),
  - stakeholder management approach: tries to integrate groups with a stake in the firm, including non-governmental organizations, activists, communities, governments, media and other institutional forces, establishing a dialogue with a them and imple-

menting their demands into managerial decision-making (Kaptein and Van Tulder, 2003),

- corporate social performance approach: includes a search for social legitimacy, with processes for giving appropriate responses (Carroll, 1991),

- ethical theories that examine the morality and rightness of corporate social action and requirements that cement the relationship between business and society, assuming that express the right thing to do or the necessity to achieve a good society; they encompass:
  - normative stakeholder theory, in which a socially responsible firm needs to pay attention to the legitimate interests of all the stakeholders and which is based on two major ideas: 1) stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity and 2) the interests of all stakeholders are of intrinsic value (Donaldson and Preston, 1995),
  - universal rights theory that bases CSR on human rights, especially in the global market place (Cassel, 2001),
  - sustainable development, which stresses that the firm must extend the traditional "bottom line" accounting, which shows overall net profitability, to a "triple bottom line" that would include economic, social and environmental aspects of corporation (Elkington, 1997, Van Marrewijk and Were, 2003),
  - the common good approach, which maintains that business, as with any other social group or individual in society, has to contribute to the common good ways, such as creating wealth, providing goods and services in an efficient and fair way, at the same time respecting fundamental rights of the individual, because it is a part of society (Fort, 1996).

Schmitz and Schrader (2013) prepared another classification of the CSR literature. They focused on the motivation of individuals to pursue CSR activities. According to them, a first strand of theoretical literature argues that companies' social responsible activities only serve the goal of profit maximization. Within this strand of literature, they distinguished between two approaches:

- approach, according to which CSR activities are based on the behavioural model of the *homo economicus*, in which all stakeholders of a company are supposed to be selfish, utility-maximizing individuals and CSR is used as:

- communication and marketing instrument,
- signalling instrument – indication of high profits and high product quality, as well as practices of good employer,
- instrument used in order to avoid government regulations, and
- response to government failure or heterogeneous preferences,

- approach, according to which CSR activities are based on the extended behavioural model of *homo economicus*, in which the assumption of sole utility maximization of stakeholders is restricted, but the assumption of *homo economicus* for decision makers is kept; CSR is used in order to:
  - attract employees with social preferences,
  - attract investors with social preferences, and
  - attract consumers with social preferences.

According to Schmitz and Schrader (2013), a second strand of the theoretical literature considers CSR as detached from the goal of profit maximization. Social and environmental activities in this context are independent objectives of corporate decision makers or managers, that is to say they have also social preferences. Those independent objectives could lead to a trade-off between social- and profit-oriented goals.

Classifications of CSR theories presented above leave no doubt that literature on CSR issues is vast. Considering this, in the next section only the most influential milestones in the development of theoretical framework for CSR are going to be analysed in a more detailed manner, in order to provide a concise overview of this process.

2.2. Emergence and development of conceptual framework for CSR

Initially, CSR meant nothing more than maximising profits within the bounds of law. Many academics, with Milton Friedman at the first place, argued that corporations could not have social responsibilities as only human could have it. Sharing this view implied that the sole managers' obligation was to act in the interests of shareholders only (Friedman, 1962, 1970).

Extension of this standpoint led to formulation of the slack resources hypothesis (Waddock and Graves, 1997). According to it, CSR is a luxury that can only be borne by rich companies with sufficient and available financial resources, because expenditures on social-

ly responsible activities increase costs and decrease the competitive position of a company. Moreover, profitability should be seen as primus inter pares among other targets, because pursuing CSR activity is equal to an involuntary redistribution of wealth from shareholders, as direct owners of the company, to the whole society. Thus, if managers pursue socially responsible activities, an agency loss arises (Bernett, 2007).

These uncompromising views did not take into consideration the role of companies in and for society. That is why some researchers, with Freeman among others, formulated contradictory standpoint. According to it, managers actually bear a fiduciary relationship to stakeholders, defined as any group or individual who can affect, or is affected by, the achievement of the organisation's objectives (Freeman, 1984).

Putting an emphasis on stakeholders gave an impetus to the formulation of the new theories, focused on larger group than just shareholders that had a stake in the corporation. Proponents of these approaches underlined that there were legally binding contracts between the corporation and its suppliers, employers, customers, partners and the surrounding community and environment, affected by any business activity in form of so-called "externalities". They put an emphasis on the need of stakeholders' activism.

The impact of corporations on the society's well-being increased along with the rise in firms' size and their environmental impact. Academics could not ignore it any longer. New concepts of CSR emerged, which generally accepted that a firm must generate profit and maximize the value for the shareholder whilst at the same time observing the law, acting in an ethical way, and keeping honest relationships with stakeholders (Garcia de los Salmones, Pérez and Rodríguez del Bosque, 2009). As a result, as noted by Claydon (2011), the perception of social "responsibility" shifted rather towards social "responsiveness". This reorientation reiterated the importance of corporate action and implementation of a social role, creating the background for the creation and development of so-called CSR pyramid concept.

According to it, business should take into consideration all aspects of the social world. Following this, there are four groups of responsibilities: economic, legal, ethical, and philanthropic; however, this last responsibility can be integrated with the ethical one (Carroll, 1991, Schwartz and Carroll, 2003). The pyramid of CSR rests on the notion that the background for the functioning of a company is economically defined. Economic responsi-

bility acts as primus inter pares among all the other responsibilities (legal, ethical, and philanthropic). Thus, a company can act as socially responsible only if it is able to maximise profits.

This last view led to many controversies. Assumption that maximisation of profit is a prerequisite to implementation of CSR activity justified lack of socially responsible actions in economically weak companies. As noted by Campbell (2007) and Matten and Moon (2008), such firms would be less likely to engage in CSR, especially when they were operating in an economic environment where the possibility for near-term profitability was limited, and where was either too much or too little competition.

Because of growing of awareness that companies do not exist in a vacuum and are part of the society and of responsiveness of business resulting from it, a wider approach to CSR was formulated (Roberts, Rapson and Shiers, 2007). According to it, CSR should be manifested in integration of economic, social, and environmental concerns by responsible companies in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of the European Communities, 2001, European Commission, 2010, 2011, World Business Council for Sustainable Development, 2002).

As responsibility appeared to be the key component of this approach, the main challenge was then the identification to whom companies were responsible, and how far that responsibility extended (O'Riordan and Fairbrass, 2008). Additional questions arose: how could a company integrate social and environmental concerns in its operations and relationship with its stakeholders, and how could this be carried out from a strategic perspective (Porter and Kramer, 2006).

Answering these questions required comprehensive analysis of determinants of CSR implementation. As noted by Campbell (2007), engagement of companies into CSR activities required strong state regulations, based on negotiation among corporations, government, and the other relevant stakeholders. Additionally, a system of effective self-regulation was assessed to be necessary, along with institutionalisation of norms regarding appropriate corporate behaviour, associative behaviour amongst corporations themselves, the presence of non-governmental organisations that monitor corporate behaviour, and organised dialogues among corporations between them and their stakeholders. On the other hand, some researchers put emphasis on specific intrinsic motives supporting CSR

activities, stemming from altruistic concerns over the well-being of others, or from moral duties (Brønn and Vidaver-Cohen, 2009, Graafland and·Mazereeuw-Van der Duijn Schouten, 2012).

Basing on abovementioned analyses, more comprehensive CSR models were formulated, involving sustainability issues and reaching far beyond just managing the interest of stakeholders versus shareholders (Maon, Lindgreen and Swaen, 2009). They encompassed environment, society, financial performance, as well as organisational culture, both in the short and in the long-term. The sustainable development concept, according to which development should meet the needs of the present world without compromising the ability of future generations to meet their own needs, created a background for the view that sustainable corporation must simultaneously: maintain economic activity, conserve the environment, ensure social justice, and develop spiritual and cultural values. Important remark from multidimensional models that used the concept of sustainable development was that economic, legal, and ethical aspects of CSR pyramid are equally important, and there is no precedence of profit maximization over legal and ethical aspects of company's activity (Claydon, 2011).

Despite introduced changes, CSR based on a sustainable development still failed to fit economic circumstances. According to Visser (2010), it stemmed from three so-called "curses". The included:

- "incremental approach of CSR" – while replete with evidence of micro-scale gradual improvements, it failed to make impact on the massive sustainability crises,
- "peripheral approach of CSR" – CSR was implemented in a reactive way with only peripheral functions to fulfil as a result of short-term orientation and focusing on profits only, and
- "uneconomic approach of CSR" – CSR was found to be unprofitable in most cases, as it paid off only in specific circumstances, and was considered to be economically rational only over a generation or two.

Following this critique, Visser (2010) proposed a shift from what he called CSR 1.0 to a CSR 2.0 (see Table 1). According to him, acronym CSR 2.0 stands for:

- (C)onnectedness – urges company practice to break the hegemony of shareholders and instead embrace a multi-stakeholder approach to business relations,
- (S)calability – critiques the pilot projects and best practice programmes of CSR and sustainability, as they are often very small scale over a small duration of time, rather than being cross-market, long-term goals,
- (R)esponsiveness – calls for a response to the community needs, which replaces simple philanthropy programmes to drastic response to climate change,
- (2) – challenges the notion of "either/or" as reflecting the choice between being either socially responsible or not, instead CSR 2.0 affirms there can be both economic responsibility and social responsibility, and
- (0) – is founded upon the notion of three basic rules of sustainability: waste equals food, nature runs off current solar income, and nature depends on diversity.

Visser (2010) assumed that implementation of CSR 2.0 would not require departments or ethical products, which consumers choose over another less-ethical product as it was going to influence the core business values of the company, so all its products would be ethical, socially responsible, and sustainable. Therefore, the mission statement and the company goals should be founded upon ethical behaviour within the triple bottom line, transforming "corporate social responsibility" into "corporate sustainability and responsibility". As a result, new CSR model should mimic not a hierarchic structure as in CSR pyramid, but structure similar to DNA.

Table 1. Shift in CSR principles and practices

Model of CSR	CSR 1.0	CSR 2.0
Principles	• Paternalistic • Risk-based • Image-driven • Specialized • Standardized • Marginal • Western	• Collaborative • Reward-based • Performance-driven • Integrated • Diversified • Scalable • Global
Practices	• Premium projects • Charity projects • CSR indexes • CSR departments • Ethical consumerism • Product liability • CSR reporting cycles	• Base of pyramid markets • Social enterprise • CSR ratings • CSR incentives • Choice editing • Service agreements • CSR data streams

	• Stakeholder groups • Process standards	• Social networks • Performance standards

Source: Own preparation based on Visser (2010).

In order to be effective, Vissers' model requires companies to be able to self-regulate. Considering this, D'Anselmi (2010) formulated new CSR model, based on intrinsic motives for CSR, under the acronym of USDIME. The model implies (d)isclosure of information to the (u)nknown (s)takeholder as well as (i)mplementation of (m)icro-(e)thics. According to D'Anselmi, society consists of unknown stakeholders that do not share a voice in corporations, so people have to be provided with fair information from companies with the use of reliable and comparable data. Such process must be organised in line with micro-ethics, without disinformation and not revealing faults of others.

Aras and Crowther (2010) prepared another re-iteration of CSR. Using the key findings of the Brundtland Report (see next section), they underlined the importance of financial stability for the implementation of CSR. This argument went in line with Claydon's (2011) proposal of another model, called CDCR – (c)onsumer (d)riven (c)orporate (r)esponsibility – however, she analysed it from a different perspective. Claydon assumed that consumers must force appropriate system of self-regulation upon companies. Thus, the customers drive the triple bottom line and companies must meet their demands. As a result, firms must engage in socially and environmentally responsible behaviour. Their reward is a higher reputation and expanding the scope of its customer base, because adoption of CSR attracts more customers. Moreover, once the company becomes reputable, it has to uphold its CSR policies to maintain its customer base and profitability.

It has to be noted that the global financial crisis, as one of the most profound disturbances in the world economy, has shown an enormous impact on the development of conceptual framework for CSR. The issues related to CSR have been attributed to failures and weaknesses in corporate governance arrangements, especially in financial sector (Lambooy, 2010). Therefore, while theoretical research on of CSR up to the outburst of the financial turmoil in 2007 were focused on stakeholder relationships, transparency, ethical values, and being both competitive and social responsible, the concepts that have emerged after the financial distress have showed a different direction. According to Lauesen (2013), as a result of the global financial crisis:

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- the stakeholder-approach has grown and moved from an outside-in (responsive) to a more inside-out (pro-active) view suggesting an engagement with multiple stakeholders, including the unknown ones,
- philanthropy has been de-emphasized as it misused for window-dressing as a cover up for real damages, and
- sustainability has grown into framing not only environmental issues, but also social and financial issues; profitmaking remains the company's raison d'être, however the focus has shifted towards a more holistic view of the business in society.

Scherer and Palazzo (2011) identified other important issues of growing importance on discourse on CSR. According to them, five interconnected institutional, procedural, and philosophical themes have gained a special importance in the process of the societal change since the outburst of the global financial crisis:

- the emerging global institutional context for CSR: from national to global governance, characterized by a loss of regulatory impact of national governments, the rise of new societal risks and new forms of global governance,
- CSR as self-regulation: from hard law to soft law – establishment of new forms of governance not only as a new institutional context with private actors in a regulatory role, but also as a different form of regulation, the so-called soft law operating without a governmental power to enforce rules and sanction deviant behaviour,
- the expanding scope of CSR: from liability to social connectedness – along with erosion of national regulatory context corporations (especially multinational ones) are burdened with responsibility for more and more social and environmental externalities, replacement of the idea of legal liability by the idea of social connectedness is observed,
- the changing conditions of corporate legitimacy: from cognitive and pragmatic legitimacy to moral legitimacy – corporations, in order to preserve their legitimacy, follow the nationally defined rules of the game, but the change of institutional context of global governance leads to erosion of framework of law and moral custom and corporations have to find new ways of keeping their licence to operate, and
- the changing societal foundation of CSR: from liberal democracy to deliberative democracy – the growing engagement of firms in public policy leads to concerns of a democrat-

ic deficit as democratically elected governments are partly losing their regulatory influence over corporations while some of those corporations, under the pressure of civil society, start to regulate themselves without democratic mandate to do so.

2.3. A voluntary and mandatory legal framework for CSR – self-regulation as a form of a new governance

Change in the theoretical formulations of CSR appeared along with change in a governments' attitude. The traditional approach to CSR relied upon an intact national governance system with proper execution of formal rules (hard law) through the legal and administrative system (Sundaram and Inkpen, 2004). Even if corporations introduced self-regulation, they were assumed to operate in the "shadow of hierarchy" as firms tried to avoid enacting stricter regulations by governments if no self-regulations consistent with expectations of the legislator was introduced (Omarova, 2011, Schillemans, 2008).

However, in the beginning of the 1990s the rise in social activity of the society started to crowd out formal regulation in favour of soft law of self-regulation. Along with the intensification of globalisation and rise of size of multinational corporations, the latter found themselves to operate in a legal vacuum (Emeseh et al., 2010). This in turn forced firms to engage in processes of self-regulation in instances where state agencies were unable or unwilling to regulate, such as environmental issues, social issues, labour standards, and anti-corruption activities (Scherer and Palazzo, 2011). Interest in self-regulations coincided also with a broader transition of public governance, going away from hierarchical regulation towards more network-like and partnering modes of self- and co-regulation (Steurer, 2010). Therefore, hierarchical command-and-control' regulation was being replaced by a mixture of public and private, state and market, traditional and self-regulation institutions that were based on collaboration among the state, business corporations, and non-governmental organisations (Gill, 2008).

As a result, corporate self-regulation, embedded within the system of government regulation and oversight, has become a dominant expression in the field of corporate conduct. Corporations are encouraged to introduce codes of ethical conduct and to engage in social endeavours (Ibrahim, Angelidis and Howard, 2006). Consequently, firms start per-

forming a regulatory function in respect of themselves and others who accept their authority.

At the macro level, corporate self-regulation means technical and qualitative standards related to codes of conduct, provided by a self-regulatory organisation, sometimes run by a profession guild. These codes address ethics, moral guidelines, and issues like human rights, labour, the environment, and sustainable development (Rahim, 2013). Codes relating to labour issues usually align with the footwear, garment, sporting goods, toy and retail sectors, while those related to environmental aspects are present in the oil, chemical, forestry and mining industries (Jenkins, 2001). At the micro level, self-regulation means that the corporation is responsible for both the rules and the implementation strategies. Therefore, it can frame internal strategies to reflect the public policy goal and the norms of the code of conduct (Rahim, 2013). This in turn provides a background for CSR disclosure, not only to inform the public of existing CSR policies implemented by the firm but also to create channels for dialogue with their stakeholders (Hess, 2007).

One of effects of growing importance of self-regulations concerning CSR issues is the rise of governments' interest in its monitoring. The reason that stands behind this phenomenon is the possible lack of efficiency of self-regulation in the CSR field. It is being underlined that private companies can use self-regulation only to fulfil their own interests rather than to achieve public policy goals. Without strong monitoring system that imposes changes on corporate culture, self-regulation may fail to improve corporate behaviour (Rahim, 2013). This stems from the fact that companies, signing up to various voluntary codes of conduct, owe no legal obligations to anyone when they fail to abide with particular provisions of such codes, or choose to extricate themselves from its provisions (Emesh et al., 2010). Self-regulation brings then no real consequences for breaking promises or falling short of expectations (Ogus, 1995).

A "free rider" problem additionally enforces the lack of efficiency of self-regulations. If firms do not adhere to a voluntary code of conduct, they may be able to lower their costs and gain competitive advantage over those that do (FitzGerald, 2001). Such behaviour is more likely if intrinsic motives supporting CSR activities are not present or are weak. According to Omarova (2011), another important obstacle to effective self-regulation is the lack of a "community of fate" mentality, observed especially within the financial sector,

which enjoys security through its access to an extensive public safety net, taking advantage of "to big to fail" and "to important to fail" approaches. The proposition according to which financial institutions can be trusted to self-regulate and limit their risk-taking activities despite their high profitability seems then highly unlikely (Omarova, 2011).

Trying to enforce self-regulation framework for CSR, governments have adopted new roles: mandatory (legislative), facilitating (publishing guidelines), collaborating (engaging with multi-stakeholder processes), and endorsing tools (Albareda, Lozano and Ysa, 2007) with the aim of smooth convergence of public and private politics (Calveras, Ganuza and Llobet, 2007). Governments have mandated reporting of internal regulatory plans, assessed self-regulatory performance, studied the impact of private self-regulation, empowered non-governmental organisations watchdogs with official monitoring rights and duties, and maintained a credible threat of mandatory regulation if self-regulation failed (Norman, 2011).

This approach seems to be justified by the significant shift from government to companies as the source of social improvement, which appeared as a consequence of globalisation (Claydon, 2011), as well as by consequent downsizing the role of the state, both as a regulator and provider of social goods and services. Goverments have to react as due to this latter process some firms start playing a state-like role, fulfilling the functions of protecting, enabling, and implementing citizenship rights (Matten and Crane, 2005).

Through various strategies and instruments, self-regulation has subjected businesses to a mix of supervisory principles. This has stimulated the development of concerted initiatives among corporate stakeholders such as companies, trade unions and other worker's associations, government agencies, non-governmental organisations and academics (Rahim, 2013). In this respect, CSR has become a form of new societal governance (Moon 2007), emphasizing the public role of private enterprises (Nelson 2004). The result is the emergence and development of many new agreements, often settled at the international level, and policy instruments (see Table 2). Moreover, voluntary self-regulations have taken the form of a quasi-binding law, as CSR initiatives have developed monitoring and verification mechanisms (Utting, 2005).

Practice of international agendas and agreements referring to CSR was initiated while preparing so-called Brundtland report (1983) under aegis of the World Commission on

Environment and Development. This was the first report that underlined the need to achieve social equity, environmental maintenance and economic growth, the so-called triple bottom line (Zu, 2009). New legislation was derived also during the 1992 Earth Summit in Rio de Janeiro and the Climate Change Convention, which led to the Kyoto Protocol. Companies had to take into consideration these agreements while formulating their long-term strategies.

A large number of multi-stakeholder dialogue initiatives were, and still are, launched at the international level. They include, i.a. (Albareda, Lozano and Ysa, 2007, Kinderman, 2013, Scholtens, 2006, Standing, 2007, Utting, 2005):

- certification schemes, for example, the International Organization for Standardization (ISO) 14001 (environmental management standards), the Fair Labor Association (FLA) and Social Accountability International's (SAI) SA8000 (labour standards), and the Forest Stewardship Council (sustainable forest management),

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Table 2. Themes and instruments of public policies on CSR: a matrix typology

Instruments	Themes			
	Raise awareness and build capacities for CSR	Improve disclosure and transparency	Foster socially responsible investment (SRI)	Lead by example, e.g. in public procurement; applying SRI; applying (C)SR management tools
Legal	• Legal/constitutional acts that indicate commitments to SD and/or CSR	• Laws on CSR reporting • Disclosure laws for pension funds	• Laws prohibiting certain investments • Laws on SRI in pension funds	• Laws enabling SPP/GPP • Laws on SRI in government funds
Economic	• Subsidies/grants/export credits related to CSR activities • Tax breaks for corporate charity or payroll giving to CSOs	• Awards for CSR reports	• Tax incentives for savers and investors • Subsidies	• Indirectly, most initiatives aim to provide economic incentives for CSR
Informa-tional	• Research and educational activities • Information resources • Guidelines and codes of conduct • Campaigns	• Guidelines on CSR reporting • Information on CSR reporting	• Information on SRI • SRI guidelines and standards	• Provide information on SRI, SPP, etc. to government agencies • Publish reports on the social responsibility of government bodies
Partnering	• Networks and partnerships • Voluntary/negotiated agreements	• CSR contact points • Multi-stakeholder forums	• Networks and partnerships on SRI	• Network of public procurers
Hybrid	• Centres, platforms, contact points and programmes for CSR • Multi-stakeholder initiatives, including the (co-)development of management or reporting tools CSR awards and 'naming-and-shaming' with blacklists • Co-ordination of CSR policies, e.g. with government strategies and action plans	• Product or company labels • Multi-stakeholder initiatives, including the (co-)development of management or reporting tools • CSR awards and 'naming-and-shaming' with blacklists • Co-ordination of CSR policies, e.g. with government strategies and action plans	• Pension funds applying and promoting SRI	• Action plans on SPP/GPP • Action plans on SR in government

Source: Steurer (2010).

- global framework agreements, where international trade union organizations negotiate accords with global corporations that agree to apply certain standards throughout their global structure,
- standard-setting and monitoring schemes associated with anti-sweatshop initiatives such as the Clean Clothes Campaign (CCC), the Global Alliance for Workers and Communities, and the Worker Rights Consortium (WRC), and
- initiatives that emphasize stakeholder dialogues and learning about good practice, such as the United Nations Global Compact, the Global Reporting Initiative, the Ethical Trading Initiative, OECD Guidelines for Multinational Enterprises.

There are also a mounting number of international agreements, proposals, and campaigns associated especially with corporate accountability. Among others (Utting, 2005):

- Friends of the Earth International proposed that the World Summit on Sustainable Development (WSSD) consider a Corporate Accountability Convention that would establish and enforce minimum environmental and social standards, encourage effective reporting and provide incentives for multinational corporations to take steps to avoid negative impacts,
- The International Forum on Globalization advocated the creation of a United Nations Organization for Corporate Accountability that would provide information on corporate practices as a basis for legal actions and consumer boycotts,
- Christian Aid proposed the establishment of a Global Regulation Authority that would establish norms for multinational corporations' conduct, monitor compliance and deal with breaches,
- in the United Kingdom, civil societies, political parties and other organizations joined the Corporate Responsibility Coalition (CORE), which called for mandatory triple bottom-line reporting, legal liability for human rights and environmental abuses committed by British companies abroad, and extending the director's duties so that they would take into account not only the impact of decisions on shareholders but also on other stakeholders, and

- various non-governmental organisations called for extending international legal obligations to multinational corporations in the field of human rights and for bringing corporations under the jurisdiction of the International Criminal Court.

Nowadays at least some CSR self-regulations are integrated in international norms and legislation. Their importance at macro level is high especially in the EU, because of increasing attention to CSR issues from different European institutions: European Commission, governments, consumers associations and non-governmental organisations (Luna Sotorrío and Fernández Sánchez, 2008). In October 2011, the European Commission published a new policy on corporate social responsibility, which states that to fully meet their social responsibility, companies "should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders" (European Commission 2011). Actions defined in the strategy address i.a. the improvement of self- and co-regulation processes.

Currently, co-regulation framework at the EU level encompasses regulations implemented in form of green papers and communications promoting CSR in Europe, published by European Commission (Hartman, Rubin and Dhanda, 2007). They are aimed at the collaboration of governments with the private sector by raising awareness and disseminating best practices, establishing multi-stakeholder forums, granting awards, and encouraging CSR among SMEs (Savevska, 2014).

More specifically, the first Green Paper was adopted in the European Union in 2001, and the following year the Commission launched a special Communication and a Multi-Stakeholder Forum in order to facilitate dialogue among the various stakeholders (Fairbrass, 2011). In 2006, the Commission introduced another Communication, stressing the voluntary nature of the arrangement by calling on the business to participate in the re-launched Lisbon Strategy. Following the global financial crisis, the EU initiated the 2020 Strategy, introducing initiatives to support the creation of smart, sustainable, and inclusive growth, claiming that CSR can contribute to the competitiveness and sustainability in the context of the crisis (Savevska, 2014). The latest communications on CSR represents an effort in the direction of building a supportive governance framework for CSR activities (European Commission, 2010, 2011).

An intensification of governmental regulation in form of hard law has been observed following the outburst of subsequent financial crises of 2001 and 2007. Demonstrations of corporate crime and reckless behaviour have supported the legislation focusing on the impacts of business on society. Initially this tendency was strong especially in the United Kingdom. After run on the Northern Rock in 2007 as it had reported significant losses, resulting from engagement in subprime mortgages, many new regulations were introduced (Claydon, 2011). However, similar regulatory initiatives are present also among other EU member states, stemming from the obligation to adopt at the national level the EU Modernisation Directive 2003/51.

According to this Directive, which amended the Accounting Directives, European companies are required to also include non-financial information in their annual and consolidated reports, if it is necessary for an understanding of the company's development, performance or position, such reporting should include environmental and employee matters and key performance indicators, where appropriate. Not surprisingly, as the EU Modernisation Directive imposes primarily reporting requirements on European companies, the emphasis in legal initiatives undertaken in particular EU member states is put on the CSR reporting and disclosure (KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School, 2013):

- in Belgium the Social Balance Sheet requires reporting on the nature and the evolution of employment, i.e., training, all companies that employ staff, non-profit institutions, and foundations are required to publish a Social Balance Sheet as part of their annual accounts,
- in Denmark, according to Act amending the Danish Financial Statements Act (Accounting for CSR in large businesses), large businesses must account for their work on CSR in their annual reports,
- according to the Finnish Accounting Act of 1997, certain companies are obliged to include material non-financial issues in the director's report of the annual/financial report, including an assessment defining the key ratios necessary to understand information on personnel and environmental factors,

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- in France the Grenelle Act II:
    - makes corporate sustainability reporting mandatory for companies exceeding size thresholds, the legislation requires companies to include information on their environmental and social performance, including all of the company's subsidiaries, in their annual report,
    - states that mutual funds have to mention in their annual report and their documentation how environmental, social and governance quality objectives have been taken into account in their investment policy and the report should explain which criteria have been assessed and how they are embedded in the decision-making process,
    - obliges companies with more than 500 employees to publish their scope 1 and 2 greenhouse gas emissions with an update at least every three years,
- in Germany, Bilanzrechtsreformgesetz of 2005 (BilReG – Reform Act on Accounting Regulations) demands reporting about chances for future developments, in addition to risk reporting to enhance the quality of the management report and to allow for target and performance comparisons and it stipulates that whenever a company uses the reported financial and/or non-financial performance indicators internally under the aspect of sustainability, this connection should be explained in the report,
- in Italy, Legislative Decree no. 150/2009 provides for the adoption of a program for transparency and integrity by every public organization, following the guidelines issued by CIVIT – the national Commission for evaluation, transparency and integrity of public administrations,
- Dutch Civil Code in Article 2:391 requires that organizations should, to the extent necessary for an understanding of their development, performance or position as far as relevant, give some information (financial and nonfinancial) about the environment, employees and risks in their annual reports, irrespective of size of companies,
- in Portugal, in addition to the annual report, all companies with more than 100 employees are obliged to issue a Social Balance, which includes information on employment, labour and management relations, occupational health and safety, training, and salaries,
- in Spain:

  - Sustainable Economy Law requires all listed companies to publish their annual corporate governance report according to the official template, and encourages limited companies to disclose their CSR policies and achievements publicly, in a specific annual report that should state whether or not the published information has been examined by an independent third party – companies with more than 1000 employees that publish CSR reports must send their report to the Spanish Corporate Social Responsibility Council,
  - Ministerial Order on Corporate Governance regulates the structure of the Corporate Governance Report, the Annual Report of Remunerations and other information tools required for listed companies, savings and other entities related to official stock markets.
- in Sweden, according to Annual Accounts Act, certain companies have an obligation to include a brief disclosure of environmental and social information in the Board of Directors' Report section of the annual report, and
- in the United Kingdom Corporate Governance Code sets out norms of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, all companies with a premium listing of equity shares in the United Kingdom are required under the listing rules to report on how they have applied the Code in their annual report and accounts.

Strong normative pressure in the EU results from the fact that European governments generally have been more engaged in economic and social activity, resulting in the support of an "implicit" CSR, understood as a corporations' role within the wider formal and informal institutions for society's interests and concerns. This distinguishes continental European corporations from their American and British peers, which are more inclined to implement "explicit" CSR actions (Gainet, 2010, Matten and Moon, 2008). CSR acts as an explicit substitute for weaker institutions in the United Kingdom or in the United States, while it remains implicit and embedded within formal institutions in the more coordinated economies of continental Europe (Jackson and Apostolakou, 2010).

The reasons for this difference results from diverse mechanisms of corporate control in the United States and the United Kingdom on the on hand and in the continental Europe on the other, where this mechanism includes direct monitoring of managers by large share-

holders. Within the framework of so-called insider model there is no or very little public pressure on financial institutions to provide a high degree of transparency and accountability to small investors, which in turn is the key component of outsider model, typical for the Anglo-American financial system (Jurek, 2013). Another explanation can be found in cultural differences. Anglo-American culture may be described as individualistic, pragmatist and with an awareness of rights, such as freedom from state intervention. Continental European culture, on the other hand, is more community-oriented, less results-driven and with an understanding of rights as freedom to participate in social goods and decisions (Feleaga, Dragomir and Feleaga, 2010, Sison, 2010).

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2.4. The business case for CSR and its boundaries

Horrigan (2012) undertook an exhaustive attempt to integrate CSR with other aspects of corporate governance, regulation, and practice. According to him, this aim can be accomplished in the following ways:

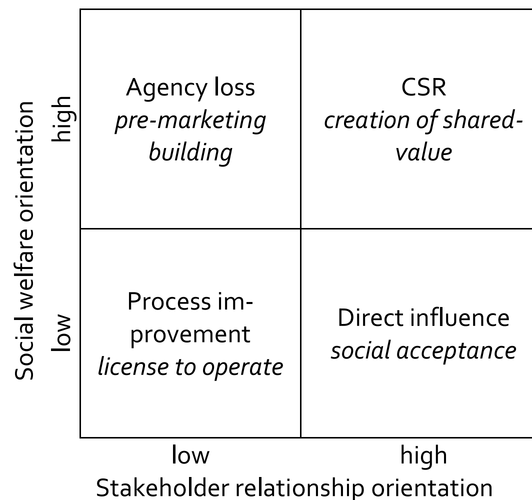
- formulating CSR preconditions for ongoing corporate existence or entitlements, i.e. revocable corporate charters, winding up on public interest grounds, and international ethical and human rights violations as grounds for investigation and de-listing,
- defining corporate objectives, capacity, and powers, i.e. not-for-profit community investment corporations accommodated as a form of corporate structure in corporations legislation, and legislated capacity for directors to engage in corporate philanthropy, corporate community investment, and corporate contributions to public affairs and free enterprise,
- official sanctioning of standard-setting authority, i.e. corporate law's reference to CSR-sensitive auditing, accounting, and other standards and listing rules, and sanctioning corporate regulatory control of environmental, social and governance (ESG) standard-setting,
- establishing directors' and officers' duties/defences, i.e. explicit or implicit authorisation for directors to consider both shareholder and other stakeholder interests, notwithstanding other differences between corporate constituency and anti-takeover laws, and business judgment rules,
- implementing corporate disclosure and reporting obligations, i.e. employee, environmental, and community factors in business review requirements, and reporting of social, environmental, and related risks as ‗material business risks,
- introducing standard-setting for good corporate governance, i.e. stakeholder engagement mechanisms, and complementary watchdog and standard-setting roles for non-governmental organisations,
- launching shareholder/stakeholder intervention and decision-making mechanisms, i.e. stakeholder/regulator capacity to prevent breaches of corporate law, shareholder votes on executive remuneration, and shareholder proposals on ESG issues,

- special treatment of key non-shareholder interests, i.e. employee benefits in corporate liquidation, long-tail corporate liabilities, and creditor interests approaching insolvency,
- creation of incentives and removal of disincentives at the policy and regulatory level for socially and environmentally responsible corporate behaviour, e.g. matching governmental procurement and public approval/licensing conditions to good business compliance and corporate citizenship track records),
- investment promotion and decision-making, i.e. requirements to accommodate CSR/ESG/SRI criteria in investment decision-making,
- encouraging complementary voluntary self-regulation, i.e. voluntary corporate responsibility/sustainability reports, and corporate adoption of industry codes of conduct/practice,
- implementing other key laws regulating corporations and CSR, i.e. favourable taxation/regulatory treatment of socially and environmentally responsible corporations, unfair contract terms in standard consumer agreements, ‗licence to operate' issues in securing public approvals/licences for business development projects such as socio-economic and environmental impact assessments), and corporate due diligence on legal compliance and risk management such as human rights due diligence, and
- prescription of the boundaries, conditions and limitations of liability for corporations in their home jurisdictions of operation for their harmful effects, i.e. complicity in state-facilitated human rights abuses, and in host jurisdictions, i.e. corporate codes of conduct and foreign direct liability mechanisms for multinational corporations.

Obviously, there also reasons not only for cross-country differences, but also for different approaches undertaken by managers within the same geographic boundaries (Figure 1). Companies may spend their resources on socially responsible activity to a very different extent, ranging from minimum minimorum programme on the one hand to implementation of CSR issues to company's mission and business operations on the other (Barnett, 2007, Panapanaan et al., 2003). In some cases, firms implement CSR because they fear negative repercussions if they do not. In other cases, firms do so because they believe it gives a tactical advantage in the marketplace and builds customer loyalty (Detomasi, 2008), improving their external image before customers (Cabrero et al., 2012). There are also companies that

believe that CSR is the response to moral responsibilities of firms in the society (Margolis and Walsh, 2003).

Figure 1. Corporate resource allocation and strategies of implementation of socially responsible actions



Source: Own preparation based on Barnett (2007) and Condosta (2011, 2012).

Intrinsic and extrinsic motives that stand behind firms' decisions refer to different possible strategies of socially responsible actions (Condosta, 2011, 2012):

- license to operate: a strategy typically adopted by those companies whose businesses have high negative socio-environmental impacts and whose communities are extremely critical,
- social acceptance: a situation where company has a great need of improving its local reputation, because external communities perceive its operations in a strongly negative way,
- pre-marketing building: a situation where company is well perceived by local community but engages in social responsibility programs to create a positive image to enter in potential new markets,
- creation of shared-value: a situation where, although the company has a good reputation among local communities, companies create programs towards local communities in order to have a double positive impact, on their business and on communities involved.

Extending the analysis of socially responsible actions, Pérez, Martínez and Rodríguez del Bosque (2013), identified several CSR dimensions, aimed at different groups of stakeholders:

- CSR oriented to customers – includes the complete and honest communication of corporate products and services and the management of customer complaints,
- CSR oriented to shareholders and supervising boards – includes information transparency and the search for corporate profitability,
- CSR oriented to employees – covers issues regarding job creation and employment opportunities,
- CSR oriented to the society – refers to issues such as charity, community development and environmental protection, and
- general CSR dimension concerning legal and ethical issues, which includes corporate responsibilities towards a broad array of stakeholders.

Undoubtedly, CSR is a challenge and constraint upon business activity. Adopting CSR may generate goals, values, processes, and practices contradictory to company mission and existing business activities (Goodpaster, 1991). Moreover, CSR implementation is burdened with four basic paradoxes, that have to be taken into account by companies' managers (Vilanova, Lonzano and Arenas 2009):

- the strategy paradox, representing the convergence/divergence of business mission, vision and objectives when embracing CSR – the broader corporate objectives and missions are, the easier it is to implement CSR but more difficult to measure and manage it,
- the stakeholder paradox, representing the unity/diversity of goals and objectives among different stakeholders – the larger the diversity of stakeholder the lower the capacity to control and manage the stakeholder process, including focussing on company objectives,
- the accountability paradox, representing the dispersion/centrality of accountability processes – the more the company aims to be transparent and dialogue through different communication channels with its stakeholders, the more it loses the capacity to transmit a coherent message about the company and its vision, and

- the competitiveness paradox, representing the business/responsibility of corporate practices – embracing CSR policies effectively reduces certain competitive advantages, although it strengthens other competitive factors.

A set of factors, usually fully or partially independent of the company, influences the decision, whether to adapt or not to adapt particular CSR action, is. Among them, one can include customer pressure, changes in business procurement, government legislation and pressure, the rise of socially responsible investment and the changing expectations of employees. Impact of these five forces has intensified along with specific circumstances of the last years, including: large-scale privatisations, deregulation over the transfer of international resources, competitive pressure in final product markets, reducing countervailing forces from the state and organised labour and greater impact of mass media (Dawson, 2004, Pryce, 2002).

Although a response to CSR remains voluntary, external pressure is making such a response almost implicitly essential to maintain a licence to operate. This highlights the increasing pressure on companies to integrate CSR into their decision-making and to demonstrate market-oriented as well as socially responsible behaviour, with the adoption of explicit social or environmental policy within investment processes (de Graaf and Haigh, 2011).

But there is also the other side of the coin. In many markets, the government lacks funds or administrative capacity to deliver basic social services. Therefore, CSR efforts can help bridge the governance gap between this, what local governments can deliver, and this, what cognitive and normative legitimacy demands (Detomasi, 2008). High quality of CSR reduces the legitimacy gap between companies and society (Ashforth and Gibbs, 1990). Therefore, CSR is not only the reaction to pressures from legislation or specific stakeholder demands, but also a strategic tool for firms for developing competitive advantage via building and protecting corporate and brand reputation (Jackson and Apostolakou, 2010).

2.5. Evolution of CSR reporting and CSR standards

Notwithstanding the undertaken approach referring to social responsibility, every company has a responsibility, whether statutory or voluntary, to disclose CSR (Gray, Kouhy, and Lavers, 1995). CSR is represented in financial statements via social disclosures and

budgets reflecting expenditures made for social, community and environment causes (Liapis, 2012), but it requires also additional reporting. Such reports are more than just a statutory document and are adopted by companies to construct their social imagery. Companies use them for communicating broader corporate social reporting to their external and internal stakeholders (Deegan and Rankin, 1997, Frost and Wilmshurst, 2000). Despite the fact that for CSR disclosure companies use a range of different media– including social media – depending on the stakeholders they wanted to target, CSR reports is the medium most recognised and accepted by a wide range of stakeholders: investors, creditors, employees, analysts, pressure groups and governments (O'Dwyer, 2003).

CSR reporting and regulatory approaches to it have evolved over time (Tables 3-4). It emerged in the late 1970s along with publishing "green wash" reports, "social window dressing", and eco-marketing campaigns in which CSR disclosure was used as an element of PR. In the next decade, approach to CSR reporting was refocused in order to take into consideration interest of the main stakeholders, therefore reaching beyond a narrow circle of shareholders (Marlin and Marlin, 2003). There was an expansion of reporting practices covering social issues with the use of new media such as stand-alone reports (Fifka, 2013). In the early 1990s, CSR reporting was re-modelled once again following trends of using social and environmental disclosures in annual reports to manage public opinion and appease shareholders (Blacconiere and Patten 1994, Neu, Warsame and Pedwell, 1998, Owen, 2003).

Table 3. Evolution in CSR reporting

Development milestones	CSR reporting
Early problems	Early 1970s – CSR reports provided little value. They were used more for marketing purposes. Information was not comparable, consistent, reliable, or useful
Political and social structures leading to change	Environmentalism in the 1970s and sustainability movements and social activism in the 1990s
Economic structures leading to change	Socially responsible investing and the rise of institutional investors
Primary stakeholders	Investors, corporations, governments, suppliers, customers, labour unions, employees, citizens, media and non-governmental organizations
Standard setters	Governmental regulatory bodies and numerous reporting agencies
Mandatory reporting requirements	2001 – France became the first country to require CSR reports from listed companies. Denmark, Sweden, the Netherlands and Norway followed with mandatory requirements
Global standards	GRI's, Accountability's AA1000 Principles Standard, UN Global Compact's

	Communication on Progress, and ISO 26000
Obstacles to harmonization	No international standard meeting the needs of all stakeholders
Decision-usefulness: comparability, consistency, reliability, and relevance	GRI reporting requirements are structured and rule-based. UN Global Compact and AA1000 reporting requirements are based on guidance and principles

Source: Tschopp and Nastanski (2014).

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Table 4. Regulatory approaches to sustainability reporting, 2006-2013

Year	Milestone
2006	• GRI G3 Guidelines • Amsterdam Global Conference on Sustainability and Transparency; Carrots and Sticks for Starters • Accounting for Sustainability launched by the Prince of Wales
2007	• "Growth and Responsibility in a World Economy", G8 Summit Heiligendamm, Summit Declaration • Guidelines for external reporting by state-owned companies complementing existing accounting legislation (Sweden) • Accounting for Sustainability Report
2008	• Financial Statements Act requires CSR disclosure for large businesses (Denmark) • Amsterdam Global Conference on Sustainability and Transparency
2009	• White Paper on "CSR in a global economy" (Norway) • GRI Amsterdam Declaration on Transparency and Reporting • SEC shifts policies to incorporate ESG concerns (USA) • European Workshops on the disclosure of ESG information (European Commission) • Initiation of review of OECD MNE Guidelines (OECD) • Accounting for Sustainability launches "A Practical Guide to Connected Reporting" • Inaugural Sustainable Stock Exchanges Global Dialogue
2010	• SEC releases interpretive guidance on climate change risk disclosure (USA) • Final EU Workshop on the disclosure of ESG information (European Union) • Amsterdam Global Conference on Sustainability and Transparency • OECD revision of MNE Guidelines • ISO 26 000 to be launched • United Nations Global Compact: 10 year anniversary • GRI Guidelines: 10 year anniversary • Establishment of the International Integrated Reporting Committee/Council (IIRC)
2011	• Updated OECD Guidelines adopted at the 50th Anniversary Ministerial Meeting • GRI G3.1 Guidelines launched, with updates on gender, community and human rights • "A renewed EU strategy 2011-14 for CSR" published by the European Commission, with new definition of CSR and announcement of future mandatory sustainability reporting • UNGC women's empowerment principles • Launch of the UN Guiding Principles on Human Rights • 7th KPMG global survey on corporate responsibility reporting

2012	• Rio+20 summit in Brazil; outcome document "The Future We Want" adopted, with explicit reference to sustainability reporting in Paragraph 47 • The Group of Friends of Paragraph 47 founded by the governments of Brazil, Denmark, France and South Africa • Grenelle II passed in France • Work on the post-2015 development agenda gets underway
2013	• Norway and Colombia join the Group of Friends of Paragraph 47 in the first four months of 2013, members of group are: Brazil, Colombia, Denmark, France, Norway, South Africa • European Commission launches proposal amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups • Amsterdam Global Conference on Sustainability and Reporting • Launch of G4, the fourth generation of GRI Guidelines • 30th ISAR conference on Corporate Transparency Accounting • IIRC releases the draft International Integrated Reporting Framework for public consultation

Source: KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School (2010, 2013).

The emphasis in early reports was primarily on the environment, as firms gradually realized that the introduction of environmentally friendly products and production methods could bring significant comparative advantages, but as the time went by, special attention was drawn to wider issues of sustainable development (Day and Woodward, 2009, KPMG, 2005, 2013). It stemmed from increase in public interest about where and how money is invested and the growing evidence of long-term financial benefits of social and environmental consideration.

As a result, CSR disclosure has become quantifiable and verifiable. This makes the introduction of multi-stakeholder approach possible, as well as the provision of necessary information for the decision-making process. Moreover, it allows noticing the need for greater credibility of CSR reporting, as only such reports can present important benefits for the discloser in terms of:

- attaining or regaining legitimacy (Hooghiemstra, 2000),
- disarming regulatory pressures (Berthelot et al., 2003),
- competitive advantage when the discloser is performing better than its industry peers (Fung, Graham and Weil, 2002), and
- instrumental tool used in impression management tactics (Bansal and Kistruck, 2006).

On the other hand, overload, too detailed and lengthy social reports may bring about negative outcomes. They are costly to produce (Hutchison and Lee, 2005). They may also cause the negative consequences of accountability (Owen, Swift and Hunt, 2001) while alienating certain stakeholder groups because of either unusable information or by engendering a negative perception among stakeholders that it is only disclosing the information favourable to its own purposes (Hess and Dunfee, 2007).

CSR reporting, as noted, may be mandatory or voluntary. Mandatory reporting presents several advantages such as the creation of standardized and comparable measures that enable benchmarking and best practices (Hess and Dunfee, 2007). At the same time, voluntary reporting is an effective tool to manage the risks that environmental and social issues represent to stakeholders (Owen, Swift and Hunt, 2001). Anyway, both methods come with several drawbacks (Table 5). Among them, mandatory reporting can encourage counter-productive efforts such as the investment of resources in the research of loopholes

(Hess, 2007), whereas voluntary reporting can be just the presentation of a corporation's report on its own trustworthiness (Swift, 2001).

The most urgent problem related to CSR disclosure nowadays appears to be the lack of global, comparable, consistent, and reliable standard of CSR reporting. Existing standards, introduced by different international organisations, are very different (Table 6). Without harmonization of current standards, reports cannot be compared. Instead, they can be viewed as just a strategic marketing strategy employed by corporations.

Undoubtedly, it is likely that harmonisation process will be slow and complicated. The main obstacles to harmonisation include the organizations' desire to illustrate their particular CSR efforts, lack of common issues relevant to all companies, difficulties in establishment of core CSR elements, lack of precise quantitative or qualitative measures and perceived relevancy, particularly as it relates to companies' performance (Tschopp and Nastanski, 2014). One can outline also problems with organisation of the process of external assessment of CSR reports that could allow not only a correct evaluation of the ethical profile, but also activate positive processes of market discipline (De Ceuster and Masschelein 2003).

Nevertheless, despite that, in an attempt to standardize the information disclosed by corporations, and in order to pressure greater accountability, there is increasing demand from various stakeholder groups and the public for more comprehensive and harmonized disclosure on the part of corporations. Stakeholders have come to demand more transparency in order to protect their stake in the corporations. This can be accomplished in the nearest future, as general trends, observed nowadays, manifest themselves in the shift towards more comprehensive self-regulation and better corporate governance. This is evidenced by the growing number of non-governmental organizations offering social and environmental voluntary disclosure outlets to corporations (KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School, 2013, Perrault Crawford and Clark Williams, 2010).

Table 5. Reasons for and against mandatory and voluntary approaches

Reasons	For	Against

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Mandatory approaches to reporting	• Changing the corporate culture – leaders will continue to innovate above minimum requirements • Incompleteness of voluntary reports • Comparability • Non-disclosure of negative performance • Legal certainty • Market failures – theory of regulation • Reduction of non-diversifiable market risk free rider problem • Cost savings • Standardisation • Equal treatment of investors	• Knowledge gap between regulators and industry • One size does not fit all • Inflexibility in the face of change and complexity • Lack of incentive for innovation • Constraints on efficiency and competitiveness
Voluntary approaches to reporting	• Flexibility • Proximity • Compliance • Collective interest of industry	• Conflicts of interest • Inadequate sanctions • Under-enforcement • Global competition • Insufficient resources

Source: KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School, (2010).

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Table 6. Selected CSR reporting standards and their convergence

Standard	Mission	Governance	Scope	Content	Comparability	Consistency	Reliability	Relevance
GRI	Reporting on economic, environmental, and social performance becomes as routine and comparable as financial reporting	Multi-stakeholder steering committee	Economic, environment, human rights, labour society, products	Disclosure framework based on G3 reporting Principles and indicators	Standards and indicators apply to all reporting organizations	Standards and indicators apply to all reporting organizations	Assurance recognized by a plus (+) rating. No attestation services	Stakeholders are involved in the development of the standards and indicators
AccountAbility's AA1000-Principles Standard	Principles-based standards intended to provide the basis for improving the sustainability performance of organizations	International council of the institute of social and ethical accountability	Accountability's AA1000-Series	Principles-based standards intended to improve the sustainability performance of organizations	This is a principles-based standard, comparability is difficult between different organizations	Standards and indicators used by organizations differ	AA1000 provides an Assurance Standard	Stakeholders have strong interaction and participation in the actual reporting process
UN Global Compact's COP	To encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on them	United Nations	Human rights, labour standards, environment, anti-corruption	Based on ten key principles. Standards and indicators are determined by the reporting organization	The principles are the same between organizations, however, the specific level and content may differ	Standards and indicators used by organizations differ	No verification services offered by the UN Global Compact	Principles are derived from various conventions, declarations, and stakeholder input
ISO 26000	ISO standards contribute to making the development, manufacturing and supply of products and services more efficient, safer and cleaner	The ISO 26000 was developed by Working Groups which include several stakeholder categories	Social responsibility	A guidance standard, with a reporting component. Not a certification standard	This is not a traditional reporting tool, but it does offer guidance on the reporting process	This is not a specific set of standard, but more principles-based guidance	Unlike the other ISO standards, this is not a certified standard	Numerous stakeholders involved in the development of ISO 26000

Source: Tschopp and Nastanski (2014).

As reporting organizations voice their concerns about the various frameworks they may use or need to comply with, there will be increasing calls for the alignment and harmonization of all current global sustainability and CSR frameworks to be further aligned and consolidated in one international reporting standard. Number of report readerships will grow, and the discussion of sustainability data will continue to increase.

Therefore, new international regulation on minimum standards of operations for corporations should be formulated by a collaboration of international stakeholders including the United Nations, regional organizations, multinational corporations and non-governmental organisations to create binding. Some of the existing regulations can potentially be elevated to binding status, as they have undergone this collaborative process (Emesh et al., 2010). The question remains, however, how self-regulation harmonization can accelerate the pace of making relevant, accurate and comparable information available to various stakeholders (KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School, 2013).

3. Characteristics of genesis, evolution and motivation for implementing CSR in financial institutions

3.1. Financial institutions' social responsibilities and functions

A discussion on CSR in financial sector has to take into account the characteristics of that sector and areas of societal concerns that prevail in financial services. Financial institutions play a key role in sustainable economic and social development (Scholtens, 2006). Financial services are merit goods, based on trust, customer knowledge, and prudent management of funds, proximity, and accessibility (Decker, 2004). Therefore, CSR in financial sector should be seen not only in terms of interactions between a different stakeholders (shareholders, investors, depositors, borrowers, regulators), and financial institutions (Yamak and Süer, 2005), but also in their distinctive function of financial intermediaries.

Moreover, also the financial services are of unique nature due to distinctive features: fiduciary responsibility and two-way information flows between customer and financial intermediary (Jeucken, 2001, McKechie, 1992). Financial services are intangible and cannot be sampled before purchase. They require an element of corporate responsibility in terms of the process by which the services emerge as a solution to consumers' problems. In the case of financial services, the needs of consumers are security, access, liquidity, interest, and social responsibility. Fulfilment of these requirements translates into products that offer liquidity and are appropriate for the lifestyles of a cross section of society while also offering yields that can be achieved with an appropriate social impact (Decker, 2004).

Financial markets are characterised by information asymmetry between financial institutions and their clients. Customers can hardly evaluate offers of financial institutions in the absence of full information. Therefore, financial institutions have implicit responsibility to provide clients with honest advice (Neuberger, 1997). Nevertheless, this is not the sole responsibility of financial institutions. Under the circumstances of information asymmetry and uncertainty trust is a necessary condition for doing business in the long term (Decker and Sale, 2009). Hence, as noted by Hodgson (2002), financial institutions have an inherent responsibility to know their customers and their needs. This requires i.a. a broad CSR action of financial institutions in order to prevent their clients from purchase inappropriate or unsuitable services.

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Considering abovementioned issues, social responsibilities of financial institutions' can be divided into four categories (Rendtorff, 2009):

- economic responsibility (paying for negative effects),
- legal responsibility (respecting rules),
- ethical responsibility (concerns values, social justice and sustainability), and
- philanthropic responsibility (search for social benefits and the global interest).

Finally, a special and unique responsibility of financial institutions consists in creating economic and social opportunities for population.

In general, the most important issues referring to CSR in financial institutions are the following (Condosta, 2012):

- access to saving,
- transparency in policies,
- financial inclusion,
- financial education, and
- ethical investments.

Activity of financial institutions, sustainability, and CSR are very closely related. This can be seen while observing Table 7. It presents main activity types of the financial intermediaries, the operational areas through which the financial institutions intermediate with business, the main problems with respect to sustainable economic development, and some solutions to these problems proposed by Scholtens (2006).

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Table 7. Finance and CSR

Functions	Business	Social and environmental problems	Innovations
Pricing and monitoring: information production	• Asset management • Stock selection • Corporate governance • Investment banking • Research • Trading	• Equity or debt prices not reflecting sustainability performance • Ownership not being exercised to promote sustainable asset use	• Measurement of corporate performance and impact on value and risk • Shareholder engagement • Create market in unpriced assets
Asset transformation: financing	• Commercial banking • Credit • Leasing • Investment banking	• Sustainability risks not integrated • Access to finance difficulties for innovative projects and for the poor	• Assess and integrate these risks in credit risk assessment • Include sustainability impact in financing
Risk management	• Project finance • New issues • Private equity • Insurance • Reinsurance • Non-life • Investment banking • Derivatives	• Access to finance difficulties for innovative projects and for the poor • Lack of experience of risks and therefore of cover for key new technologies • Threat to reinsurers and lack of cover because of climate change • Contaminated-land brownfield development hindered by unforeseen liabilities and clean-up costs overruns	• Include sustainability impact in financing • Listing requirements • Set up specialized investment funds • Specialist underwriting capacity • Encourage mitigation and adaptation • Transfer weather risk to capital markets through new derivatives • Cost-cap, liability and other insurance instruments to mitigate risks and brownfield facilitation

Source: Scholtens (2006).

It appears that most business areas in finance face the challenge of social and environmental problems. Therefore, it is not surprising that financial institutions are nowadays among the most proactive ones investing in CSR (Truscott, Bartlett and Tywoniak, 2009) as this support is a part of their identity and commitment to the communities they live and work in (Hagenah 2009).

As noted, CSR in financial institutions refers not only to firms' responsibility for the impact their actions have on their different stakeholders but also to their function as financial intermediaries. Socially responsible activities occur in the financial sector in two ways (De la Cuesta-González, Muñoz-Torres and Fernández-Izquierdo, 2006):

- social and environmental responsibility initiatives in internal bank operations, causing the direct and indirect impact on environmental management, and
- integration of CSR in financial intermediation and in stock market investments, allowing for support socially or environmentally responsible projects, innovative technologies and sustainable companies and exerting an influence on an greater scale.

This dual influence of CSR stems from the crucial difference between functioning of companies in the real sector of the economy and financial institutions. Financial institutions are special market players as far as the environment and society are concerned (Saeed, 2004), as they are influencing the sustainable development in a direct and indirect manner (Scholtens, 2009). As a result, CSR in financial institutions not only affects directly these particular institutions or their services, but also has an indirect impact on the real sector of the economy. By taking account of social, ethical, and environmental conditions in the provisioning of finance, the financial institutions formulate additional requirements, which clients, including companies, have to fulfil (Scholtens, 2009, Weber, 2012). This indirect impact on the real sector of the economy may be additionally enforced by other CSR initiatives: organisation of microcredit or micro insurance schemes, community investing, ethical, social and environmental funds, low-income banking and removal barriers to credit access (Brau, Merrill and Staking, 2011, Prior and Argandoña, 2009, Scholtens, 2006), and last but not least – by socially responsible investment.

In its broadest meaning SRI refers to the inclusion of ethical, religious, social, and environmental aspects in investment decision processes, combining the intentions to maximize both financial return and social good, "mix money with morality" (Diltz, 1995). As a

result, financial institutions build portfolios being subjected to a variety of social screens, which are designed to target companies that meet or fail to meet certain criteria, for instance lack of associations with tobacco, gambling, weapons, and alcohol. Investors can make a trade-off between the performance and policies of the firm with respect to these criteria and financial performance. (Bauer, Koedijk and Otten, 2005, Bello, 2005). Law sometimes enforces socially responsible investment[1]; however, external ethical screening is the method used most commonly in order to affect the structure of the portfolio of financial institutions (Diltz, 1995). There are three ways of assessing beneficiaries of financial services (Haigh and Hazelton, 2004, Relaño, 2011):

- negative screening: it excludes actors or certain specific sector,
- positive screening: it includes best in class actors, believed to have a high positive impact in social or environmental terms, and
- shareholder activism: it is a way to invest in critical companies to push their behaviours, through voting in shareholders' meeting.

Undoubtedly, financial institutions depend on reputation (Brickley, Linck and Smith, 2003), and are very susceptible to clients' assessment of their behaviour and performance. To be perceived as trustworthy is crucial for financial institutions (Chami and Fullenkamp, 2002). Therefore, financial institutions have to make choices in the grey areas of ethics and under high level of pressure that may damage reputation and may cause financial loss (Chowdhury, 2011).

As financial institutions' reputation is crucial for the stability of the financial sector (Schinasi, 2006), it has to be protected by appropriate legislation, referring directly and indirectly to CSR. The rationale for regulation is often based on the market failures and negative systemic externalities in the financial sector. However, these are not the only reasons for regulation. In some cases, governments extend the scope of regulation to a wider range of matters that are the subject of social interest. Therefore, regulation is also the reaction to real or perceived problems in the functioning of a particular financial system (Decker, 2004).

[1] For instance, in 2007, the Belgian government adopted a law that forbids Belgian investors from financing or investing in any Belgian or foreign company that is involved with anti-personnel mines and cluster munitions in any way (Steurer, 2010).

Presently, apart from formal regulations, financial institutions are regulated also by self-regulations. These regulatory rules are self-specified, conduct is self-monitored, and the rules are self-enforced by financial institutions (Bartle and Vass 2007). However, in almost all countries self-regulation in the financial sector is subject to a considerable level of government direction and involvement. As a result, it becomes co-regulation, implemented in financial sector through moral suasion by the government (Decker, 2004), and supporting the state regulations.

3.2. Involvement in CSR activities by different types of financial institutions and their interactions with stakeholders

As mentioned, financial institutions are becoming more and more concerned with CSR (Garcia de los Salmones, Pérez and Rodríguez del Bosque, 2009, Peterson and Hermans, 2004), mainly due to growing public interest in these issues (Black and Strahan, 2001).

Financial institutions have improved their internal processes related to environmental and social management since the early 1990s. Some of them have started controlling the direct environmental impacts of their operations, in particular waste and energy usage, thus limiting cost through increased energy and resource efficiency (Jeucken and Bouma, 1999). Number of initiatives has increased enormously, including introduction of biodegradable credit cards or carbon management task forces to determine the measures to dampen the release of greenhouse gases (Herzig and Moon, 2011). CSR initiatives have become a common activity of financial institutions, despite the fact that initially the financial sector responded to the challenges of ecological sustainability more slowly than industrial sectors (Coulson and Dixon 1995).

Even though that financial sector is a relatively non-polluting one, it plays important role while influencing the environmental and social activities of its clients. In 1990s, these impacts of financial operations were recognized as especially important in the field of sustainable development (Thompson 1998, Coulson and Monks, 1999). Since then, implementation of CSR has appeared to be necessity, as consumers in general have assumed that an ethical firm would offer them better quality (Kitson, 1996, McWilliams and Siegel, 2001). Customers have preferred to place trust in such institutions, expecting investments and CSR

actions in their environment and taking into account in their decisions the social behaviour of chosen financial institution. Institutions have assumed that pursuing such an activity allows for the improvement of relationships with relevant stakeholder groups, resulting in transaction costs decline (Greening and Turban, 2000).

This latter remark is supported by research conducted by Callado-Muñoz and Utrero-González (2011) in retail banking sector in Spain in 1999-2004. They found that CSR affected competition between savings and commercial banks with respect to the rates charged in the loan market, interest paid in the deposit market, market share, competitive location, and profits. In particular, savings institutions were found to be able to charge higher rates on loans offered to customers, pay lower interest rates on deposits, and enjoy a greater market share than commercial banks in both markets. The effects on competitive location for savings banks depended on the relation between the cost of travelling to the bank (to get a loan or make a deposit) and the private benefit consumers derive from CSR activities.

The correlation between CSR and the performance of the financial institution is not of a clear-cut character, however. Recent research suggests there is evidence of a perceived relationship between CSR and profitability with the risks and potential reputational damage if CSR is not addressed (Day, Woodford, 2009), however, different researches provide reader with opposite results. As aptly underlined by Preston and O'Bannon (1997), the mathematical sign for the causal relationship can be positive, negative or neutral.

Particularly, it is unclear whether investments in CSR return similar or higher benefit to the financial institution, as well as to its stakeholders (Barnett, 2007). Both in the short and long term CSR activity may negatively influence firm's profitability (Wright and Ferris, 1997, Waddock and Graves, 1997), because not all corporations "can do well while doing good" (Hamilton, Jo and Statman, 1993). Another problem stems from the inability to measure CSR properly due to lack of commonly accepted and reliable indicators. There is neither possible to assess all the costs and benefits that CSR performance brings about, nor to determine precise CSR indices (Gjølberg, 2009).

The situation does not differ significantly in the financial sector. In 2006, Vilanova, Lonzano and Arenas (2009), invited 35 senior officers representing most relevant stakeholder groups of the European financial sector to a research focus group centred on the re-

lationship between CSR and competitiveness. The objective of the focus group was i.a. to analyse what was the relationship between CSR and firm competitiveness. According to the research, there was a connection between CSR and competitiveness, and this connection usually began with issues of image and reputation. Moreover, once companies accepted CSR, it could provoke some unexpected transformations in terms of business values and processes, such as changing the corporate mission, identifying risks, or generating new products and services. Next, studies of Simpson and Kohers (2002), Scholtens and Dam (2007) and Scholtens (2009) also showed a positive relationship between CSR and economic performance, regardless of the size of financial institutions. Finally, CSR investments were found to be correlated with improvement of financial institutions' image (Ogrizek 2002), market reputation (Scholtens and Dam 2007), as well as loyalty and customer satisfaction (Matute-Vallejo, Bravo and Pina, 2010), especially if CSR activities were well communicated to stakeholders.

Despite all the costs, pursuing of CSR activities appears to be for financial institutions a sine qua non for being perceived as trustworthy and credible. However, CSR actions implemented by financial institutions differ from similar activities undertaken in the real sector of the economy. Financial institutions, in order to influence their image, have to create special customer centric initiatives aimed at covering areas critical for main stakeholders.

CSR initiatives are usually targeted at direct internal (shareholders, employees) and external (clients) stakeholders on the one hand, and on the whole society on the other. In the financial sector, the former initiatives prevail. This stems from the need to create direct benefits for direct internal and external stakeholders, thus building among them a perspective of socially responsible institution (McDonald and Rundle-Thiele, 2008). Another reason for popularity of focusing of CSR actions on narrower range of stakeholders is the fact that members of the society usually perceive negatively CSR activities aimed at the wider part of this society if pursued by institutions that perform particularly well (Barnett, 2007). Wide-ranging actions of financial institutions are considered as an evidence of hypocritical window-dressing, conducted in order to hide something.

In order to avoid negative perception of CSR actions, financial institutions have to cooperate with non-governmental organisations. Austin (2000) identifies three types of

such a partnership with non-governmental organisation. According to him, these relationships evolve along a so-called "collaboration continuum":

- philanthropic phase: the most common phase found in the relationships, which consists of corporate donations, either monetary or in kind, but the level of commitment and resources involved is relatively low, infrequent, simple, and non-strategic,
- transactional phase: the interaction is focused on more specific activities or projects with pre-set objectives and deadlines; as a result this phase includes, among other things, cause-related marketing programs, event sponsorship, special projects, and corporate volunteer services, and
- integrative phase: the institution and the non-governmental organisation find deeper points of intersection in terms of mission, strategies, and activities, as a result partners interact more frequently, and carry out many more types of joint activities.

Reaching of this last phase enriches the financial institutions' organizational culture and working environment with the resulting high yields in terms of employee recruitment, retention, and motivation.

Obviously, just like in the real sector of the economy, financial institutions attitudes towards CSR are not the same. Diversity of approaches is explicit especially in the banking sector. In this sector, one can include commercial banks, in which CSR approach is usually based on what they say. They are very good in communicating about CSR but are not ready to change in depth their traditional business model. In many cases there is a gap between what these banks say and what they do in their in their day-to-day practice (Relaño and Paulet, 2012).

Then, there are social banks: cooperative or savings banks in which CSR approach is based on what they are, while emphasizing their specific legal status and their commitment to the values of the social economy. They are committed to being responsible members of their communities, recognizing that both the financial profit of their operations and the societal benefit of their involvement in the community are important (Hagenah, 2009). In such banks, CSR encompasses four fundamental areas: the set of rules and practices that allow for good governance, the social and environmental dimension of the internal and external relationships with the various stakeholder groups, the social focus of financial activity, and

social works (Barroso et al., 2012). Their foundational objectives are to provide an impulse to economic and financial development in their areas of action, to avoid social and financial exclusion, and to return the profits they make to society (Chambers and Day, 2009).

Finally, there are banks in which CSR approach is based on what they do: so-called ethical banks. They publish modest CSR reports and they do not emphasize a declaratory commitment to the principles of the social economy but in their practice, they go far beyond the other two types of banks in the objective of a socially responsible finance (Relaño and Paulet, 2012). Relaño (2011) underlines the importance of the functioning of ethical banks as a final answer to CSR in financial sector. Ethical banks usually:

- refuse to participate in the speculative operations of the financial market,
- are concentrated only in the original business of banks,
- give privilege the ethical, social or environmental dimension of the project they finance, instead of just the bottom line of the project,
- encourage solidarity between depositors and borrowers to enable loans at lower interest rates, and
- have a local or regional coverage, addressing specific need of a small population of consumers.

One of the most outstanding facts that make ethical banks different from other banking institutions is that they usually do not participate in the speculative operations of the financial market. These banks can occasionally sell SRI funds or held to maturity some financial products in order to cover potential liquidity needs. The participation of ethical banks in the stock market is generally insignificant, because it is not their core business, and their trading activities are confined to long-term and non-speculative operations. As a result, ethical banks concentrate their activities in the original business of banks: savings collection and credit distribution. In this regard, ethical banks take into consideration the social, ethical, and environmental dimension of the projects they finance. Unlike traditional banks, ethical banks usually introduce a triple bottom analysis. Particular attention is thus given to projects in areas of social and ecological housing, corporate responsibility organic farming, and renewable energies, as well as to sector of small and medium-size companies. Moreover, financing these projects, very often rejected by commercial banks, ethical banks

are ready to take higher risks. Therefore, ethical banks encourage solidarity between depositors and borrowers to enable loans at reduced interest rates for projects which are worthy in social, ethical or environmental terms. Problems referring to imperfect or asymmetric information are solved due to better recognition of the local or regional communities, the projects and the clients they finance (Relaño, 2011).

CSR in these institutions encompasses four fundamental and interrelated areas (Barroso et al., 2012):

- the set of rules and practices that allow for their good governance,
- the social and environmental dimension of their internal and external relationships with the various stakeholder groups,
- the social focus of their financial activity, and
- the social works – an area which is unique to this type of financial institution, especially in the field of international cooperation for development, encompassing:
    - development projects, covering various sectors – health, education, water etc. – with the aim to promote the development of disadvantaged communities,
    - microcredits: programs based on promoting sustainable microfinance systems targeted at the most disadvantaged sectors,
    - humanitarian actions: actions mainly in the areas of emergency relief, food aid etc.,
    - co-development: programs in which emigrant citizens serve as vehicles for the development of their countries of origin,
    - education for development: actions such as informative campaigns, training programs, information services, etc.,
    - fair trade: actions aimed at encouraging and supporting activities of solidarity and fairness in trade in conditions that respect the producer cooperatives,
    - training and research: actions directed at non-governmental organisations contributing to the improvement of their internal management and increasing the quality of their performance.

It has to be noticed, however, that CSR in the banking sector is negatively affected by two phenomena. First, there has been blurring of the distinctions between commercial, cooperative and investment banks since 1990s. The processes of globalization, deregula-

tion, and liberalization have imposed a number of constraints, inducing a general repositioning of all banks and fighting for the increase of the market share (Friedman and Friedman, 2010). Cooperative and savings banks have been unable to escape this mimetic isomorphism (DiMaggio and Powell, 1983). In the extreme case, the pressure over cooperative banks led to a process of demutualization, just like in the United Kingdom in 1980s and 1990s, where the demutualisation of building societies increased the number of financial institutions whose primary concern was shareholder value. As a result, mainstream providers that concentrate on the more affluent customers have increasingly dominated the financial sector (Decker, 2004).

Second, the number of purely ethical banks is very small. These banks, created in the mid-1980s, were in their beginnings designed to fill market niche: clients who did not believe any more the good intentions generally conveyed by CSR policies, which were not followed by facts. However, as it is impossible to satisfy, at least in the short term, the customers' demand of increasing financial returns on the one hand, and greater ethical, social, and environmental involvement on the other, ethical banks usually perform worse than their peers (Relaño and Paulet, 2012). Assumption that profitability should not be only measured in terms of financial performance and social and environmental returns discourages financial institutions from such an activity.

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4. CSR self-regulations in the EU member states: impacts and perspectives

4.1. The genesis of CSR self-regulation in the financial sector at the international level

Before the outburst of the global financial turmoil, due to large scale of financialisation of European economies and the movement of control from major block holders to capital markets, more shareholder-oriented corporate governance became possible, with the increasing role of CSR. CSR programmes were commonly treated as actions taken to reduce externalized costs or to avoid distributional conflicts that would cause harm to the clients, such as for instance insider trading, allocation of under-valued shares, fake bids, rigged auctions or volume-contingent commissions (Heal, 2004). Access to capital markets became a key driver of CSR prior to the global financial crisis (Williams and Conley, 2005).

As a result, both "implicit" and "explicit" CSR developed. Europe had a legacy of distinctive "implicit" CSR elements but also "explicit" component was supported. The European Commission and national governments encouraged it through Green Papers, communications, funded projects, and incentive schemes (Albareda et al., 2006, Cantó-Milà and Lozano, 2009, Hartman, Rubin and Dhanda, 2007). This led to a wave of self-regulations and other regulatory efforts. These efforts were supported by creating many national and international initiatives.

One of the first was the Finance Initiative, launched by the United Nations Environment Program (UNEP) in 1992. Initiative was founded in the context of the Earth Summit in Rio, as a platform associating the United Nations and the financial sector. The need for this partnership arose from the growing recognition of the links between finance, environmental, social and governance challenges, and the impact of banking, insurance and investment institutions on creating a more sustainable world.

According to the Initiative (UNEP FI, 2011), financial institutions should do the following actions to support global development:

- increase the use of sustainable criteria in investment and credit,
- increase the availability of financial services for poor people and countries, and

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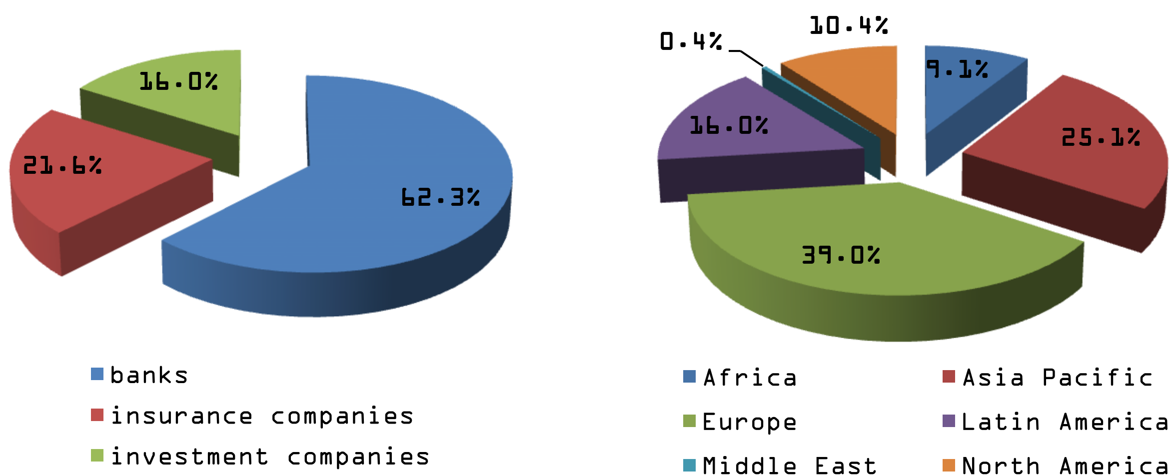
- increase the financial support for small and medium-sized enterprises in developing countries through the creation of private-public funds and mechanism to facilitate investment in developing countries.

The Initiative continued collecting partnerships with financial institutions in order to promote its principles and to advance dialogue regarding bank relationships with the environment. As of July 2014, there are 231 signatories of the Initiative applying the Principles of Responsible Investing (see Annex, Table 12, and Figure 2) – banks (66%), insurance companies (17%), investment companies (17%), mostly from Europe (44%). The membership is balanced between developed and developing countries.

Figure 2. Signatories to the principles outlined in the UNEP FI statements, as of 31 July 2014



Source: Own preparation based on UNEP FI (2014).

Then, more restrictive and concrete principles emerged in the form of the Equator Principles, initiated in 2002 and based on the International Finance Corporation (IFC) principles. The Equator Principles were adopted by financial institutions as a framework for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making (Relaño, Paulet, 2012). They applied globally, to all industry sectors and to four groups of financial products:

- project finance advisory services,

- project finance,
- project-related corporate loans, and
- bridge loans.

The purpose of the Equator Principles was to prevent banks and investment companies to engage in social irresponsible companies that take loans (for more than USD 50 million) and indirectly involve these banks in accusations of major pollution or human rights violation or other anti-social use of their funds (Heal, 2004).

The principles require banks to perform an assessment process to categorize projects to be financed in three categories (Condosta, 2012):

- category A: projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented,
- category B: projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation, and
- category C: projects with minimal or no social or environmental impacts.

Medium and high-risk projects require an environmental impact assessment (EIA). Additionally, the borrower must prove that the project complies with the respective national laws and the environmental provisions of the IFC and the World Bank. In the case of projects in developing countries, the banks must comply with the Safeguard Policies of the IFC. Next, an environmental management plan (EMP) is prepared for all high-risk projects, and for medium-risk projects if required (Scholtens, 2006).

The Equator Principles have promoted convergence around common environmental and social standards. Multilateral development banks, including the European Bank for Reconstruction and Development, and export credit agencies through the OECD Common Approaches, are increasingly drawing on the same standards as the Equator Principles. In the beginning, the ten principles were signed by ten global banks. As of July 2014, there are 80 signatories, mostly from Europe (see Annex, Table 13, and Figure 3).

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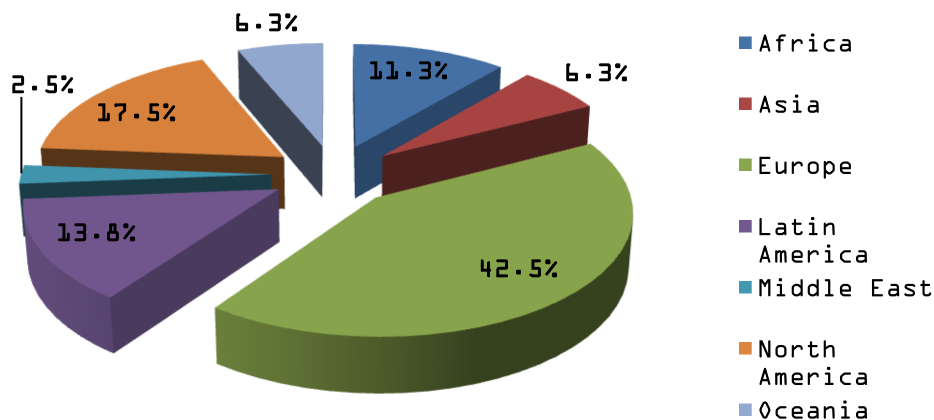
Figure 3. The Equator Principles banks, as of 31 July 2014



Source: Own preparation based on Equator Principles (2014).

British FORGE Group published similar voluntary guidance on CSR for the financial sector in the United Kingdom in July 2002[2]. This was the reaction to widespread criticism relating to the management and delivery of products and services after a dotcom bubble of 2001, resulting from the increasing pressure faced by the financial sector to demonstrate a positive response to managing its societal impact. The FORGE guidelines were developed during external stakeholder process, incorporating comments from a wide range of groups, including the industry's trade associations, the government, mutual, and investor owned financial institutions, non-governmental organisations and special interest groups (Decker, 2004).

The FORGE Group's (2002) *Guidance on corporate social responsibility management and reporting for the financial services sector* followed classification of reporting categories developed by the Business Impact Task Force in 2000. The purpose of the guideline was to (Chambers and Day, 2009):

- improve understanding of the relevance of CSR to the sector and the role and challenges of the sector in responding to CSR,

[2] The FORGE Group is a consortium of financial institutions, non-governmental organisations, British Bankers' Association and Association of British Insurers. Its members include i.a. Abbey National, AVIVA, Barclays, Lloyds TSB, Legal and General, Royal and Sun Alliance, Royal Bank of Scotland and Zurich.

- increase engagement of financial services companies in responding to CSR, recognising that many financial service companies are already addressing some aspects of CSR,
- build on the initiatives that companies are already taking to help develop a systematic and structured approach to CSR,
- provide a basis for achieving increased levels of consistency across the sector,
- provide a practical 'step-by step' toolkit for identifying and prioritising issues, designing and implementing CSR management processes both in central functions/departments and in relation to financial products and services, and
- improve sharing of the sector's knowledge relating to CSR management and reporting.

The FORGE guidance identified four areas of impact for CSR issues in the financial services industry namely the community, the marketplace, the workplace and the environment. Within each category, particular issues that should be reported were further identified (The FORGE Group, 2002):

- workplace: disciplinary practices, work/life balance, health and safety, learning and development, diversity/equal opportunities, freedom of association/collective bargaining, forced and child labour, bullying and harassment,
- environment: materials consumption, waste management, transport, property design and management, indirect impacts,
- marketplace: access to products and services, advertising and pricing, business ethics, customer service, privacy, terms of trade, supplier relationships, value/impact of products and services, and
- community: involvement with the community, investment in the local community, exposure to human rights risks for investment activities arising from third party activities, indigenous rights.

Some Swiss and German banks associated in the VfU (Verein fur Umweltmanagement in Banken), as well as insurance companies, also undertook initiative related to CSR, called EPI-Finance 2000 (Environmental Performance Indicators for the Financial Industry). During the period between autumn 1999 and autumn 2000 a group of 11 institutions applied the guidelines of the standard ISO 14031 and developed a set of industry-specific environ-

mental performance indicators, displaying the environmental performance of financial institutions with regards to the following aspects (Schmid-Schönbein and Braunschweig, 2000):

- the performance of the environmental management system itself, on the basis of management indicators (Management Performance Indicators – MPI), and
- the environmental performance resulting from the institution's financial services, whereby the following four business sectors were individually examined: commercial banking, investment banking, asset management and insurance (Operational Performance Indicators – OPI).

This set of indicators was designed for financial institutions, which were developing a standardised environmental management system or had already become certified to an environmental management standard such as ISO 14001. This framework was introduced to communicate and benchmark environmental performance with the use of a common set of management and operational performance indicators in order to harmonise reporting practices and to facilitate benchmarking. The intention of development of a set of indicators was also the improvement of the quality of communication with interested third parties (Schmid-Schönbein and Braunschweig, 2000).

However, regardless of many international initiatives, some non-governmental organizations shared viewpoint that too many institutions adopted voluntary guidelines prepared by them without a strong commitment to putting them into practice. There was the absence of a systematic way to monitor implementation efforts and a joint accountability mechanism, independent of any one institution, necessary in order to ensure greater adherence to the joint commitments. A move from a "tell me" to a "show me" world was required (WWF and BankTrack, 2006).

Partially due to this pitfall, in 2003, a network of non-governmental organizations cooperating in the field of private banks and sustainability, called BankTrack, drafted their code of conduct for financial institutions, called the Collevecchio Declaration. It was the first civil society statement on the role of financial sector and sustainability, and was signed by over 100 civil society organizations. According to the declaration, financial institutions could and must play a positive role in advancing environmental and social sustainability. Declaration called to embrace six commitments that reflect civil society's expectations of the role

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and responsibilities of the financial sector in fostering sustainability and take immediate steps to implement them. These principles are the following:

- sustainability – financial institutions must expand their missions from ones that prioritize profit maximization to a vision of social and environmental sustainability, a commitment to sustainability would require to fully integrate the consideration of ecological limits, social equity and economic justice into corporate strategies and core business areas, to put sustainability objectives on an equal footing to shareholder maximization and client satisfaction, and to actively strive to finance transactions that promote sustainability,
- do no harm – financial institutions should commit to do no harm by preventing and minimizing the environmentally and/or socially detrimental impacts of their portfolios and their operations, improve social and environmental conditions where they and their clients operate, and avoid involvement in transactions that undermine sustainability,
- responsibility – financial institutions should bear full responsibility for the environmental and social impacts of their transactions, they must also pay their full and fair share of the risks they accept and create,
- accountability – financial institutions must be accountable to their stakeholders, particularly those that are affected by the companies and activities they finance and stakeholders must have an influential voice in financial decisions that affect the quality of their environments and their lives,
- transparency – financial institutions must be transparent to stakeholders, not only through robust, regular and standardized disclosure, but also by being responsive to stakeholder needs for specialized information on policies, procedures and transactions, and
- sustainable markets and governance – financial institutions should ensure that markets are more capable of fostering sustainability by actively supporting public policy, regulatory and/or market mechanisms that facilitate sustainability and that foster the full cost accounting of social and environmental externalities.

According to the declaration, "civil society is increasingly questioning the financial sector's accountability and responsibility, challenging financial institutions' social license to operate. [...] Financial institutions should embrace a commitment to sustainability that re-

flects best practice from the corporate social responsibility movement, while recognizing that voluntary measures alone are not sufficient" (Collevecchio Declaration, 2003). Not surprisingly, regardless of the fact that more than 100 organisations signed the declaration, only a few signatories represented the financial sector.

The positive side of spreading of presented guidelines and initiatives among financial institutions prior to the outburst of the global financial crisis was the improvement of the CSR quality. Chih, Chih and Hen (2010) analysed 520 financial firms from 34 countries in 2003-2005 and stated that especially large institutions in countries with more cooperative employer-employee relations, higher quality management schools and a better macroeconomic environment were CSR-oriented, as they tried to use it in order to enhance their competitive advantages in markets characterized with high degree of competition. They found that stronger legal enforcements supported CSR activities, whereas strong investor rights protection did not, because financial institutions in countries with stronger shareholder rights were geared toward shareholders' welfare at the expense of fulfilling their obligations to other stakeholders. Last but not least, they proved that self-regulation in the financial sector had a positive effect on CSR and institutions that adopted, for instance, the Equator Principles, were more attractive for socially responsible investors.

4.2. Evolution of voluntary reporting in financial institutions – towards harmonisation of CSR practices and standards

In the 1990s, awareness of financial institutions concerning the importance of CSR grew significantly, with the special consideration of reputation and responsibility risks stemming from involvement of the financial institutions in lending money to irresponsible companies (Viganò and Nicolai, 2006). Financial institutions became aware of their critical indirect impacts it exerts on the environment and communities through infrastructure project financing, credit, and investment (KPMG, 2008). New social entrepreneurship movements appeared, aimed at, for instance, the diffusion of micro-credits for poor people (Lauesen, 2013). After several years, during which the financial sector as a whole was a laggard in disclosing non-financial information because of the nature of its operations (KPMG, 2002) and had little interest in such reporting (KPMG and United Nations Environment Pro-

gramme, 2006, Stray and Ballantine 2000), social responsibility disclosure has become common. Large financial groups publish CSR reports every year. As a result, according to KPMG (2005), the most notable increase in the CSR disclosure in the recent years refers to the change in reporting activity of the financial sector.

However, CSR reporting in the financial sector is not fully free from serious drawbacks. Birindelli et al. (2014) analysed 30 largest banks in terms of market capitalization in Europe in 2010, finding that the CSR disclosure dimension was the one that would need a special treatment and improvement. Majority of analysed banks published a specific document about CSR, usually in form of Corporate Social Responsibility Report and Sustainability Report, but of very different content, as it could range from about ten pages to more than two hundred. Moreover, only eighteen analysed banks submitted the CSR report to external audit, and if so, sometimes only partially. Only five banks published specific documents about the environment. Ten banks did not produce information on the conflicts of interest. The information on the economic value created and on the value distributed to the community and environment was also very limited and sketchy. Only nineteen institutions edited stakeholder engagement report and the same number of banks revealed compliance with the GRI standards.

According to Birindelli et al. (2014), results of the research prove that banks pay attention primarily to the offer of socially responsible products and services. Therefore, the enhancement of socially responsible practices and of the related organizational structures has not yet been accompanied by reinforcement in disclosure. Reports on specific CSR issues are very laconic and even if bank includes CSR information in the annual report, it mainly concerns specific aspects and the experiences of integrated reporting are quite rare.

Coupland (2006) analysed five major five banking groups in the United Kingdom. She stated that financial institutions concentrated on publishing of stand-alone reports signalling the growing importance of CSR considerations, but only some of them were trying to articulate a stance with regard to CSR. Decker (2004) drew similar conclusion based on the British retail-banking sector. Other researchers, who analysed social responsibility disclosure in annual reports by finance institutions in different countries, also formulated similar remarks (Douglas, Doris and Johnson, 2004, Hamid, 2004).

Partially this weakness of CSR reporting stems from lack of harmonisation or uniformity in terms of the items reported, or the way of reporting. There are too many international guidelines, as well as disclosure and assurance standards, there are also different reporting standards set at the national level (See Annex, Tables 14-15). Not surprisingly, financial institutions have not yet fully adhered to them. Consequently, various non-governmental organisations have been developing models or frameworks for reporting on CSR, such as the ISO 14001 or the Global Reporting Initiative (Reverte, 2009).

This latter initiative appears to be the most popular CSR reporting framework used today (European Commission, 2013). It was designed as a voluntary framework for companies to report on the economic, environmental, and social dimensions of their activities (Day and Woodward, 2009). The GRI was conceived in 1997 by the Coalition for Environmentally Responsible Economies (CERES), a Boston-based group that encourages companies to adopt environmental practices. Adopted groundwork is considered to be the most complete voluntary self-regulation concerning the CSR report.

The GRI first issued guidelines in a 1999 draft. After a series of reviews and adjustments, guidelines were revised in 2000, 2002, 2006, and the current G4 guidelines were published in 2013. The aim of G4, the fourth update of guidelines, is to help reporters prepare sustainability reports that matter, contain valuable information about the organization's most critical sustainability-related issues, and make such sustainability reporting standard practice (GRI, 2013b).

Important aspects of GRI guidelines are the application levels that provide information to the reader concerning the extent to which the GRI guidelines have been utilized (self-declared, third-party-checked, GRI-checked, each with the option of recognizing external assurance). GRI guidelines encompass two parts:

- Reporting Principles: these help guide the reporting process, such as engaging with stakeholders, selecting material indicators, and adhering to a high standard of report quality, and
- Reporting Indicators: these form the basis of quantitative disclosure on economic, environmental, and social issues.

The GRI Guidelines develop sector supplement in order to take into account the characteristics and challenges of twelve sectors, with financial services among them. The supplement for the financial sector was elaborated, as already mentioned, by the GRI in collaboration with a group of banks and insurance companies from Germany, Australia, the Netherlands, the United Kingdom, South Africa and Switzerland (See Annex, Table 16). It defines guidelines for the elaboration of sustainability reports, establishing both management and operational indicators, structured according to the main business areas of a financial institution. They are dedicated to universal, corporate, investment banking, and asset management (Seguí Alcaraz and Palomero Rodenas, 2013). Following the launch of the G4 Guidelines in May 2013, the complete sector supplement content is presented in a new format, to facilitate its use in combination with the G4 Guidelines (GRI 2013a).

Communication with stakeholders is important in the financial sector, as decisions of financial institutions have a serious impact on the natural environment, and further, as facilitators of the activity of the real sector of the economy (Thompson and Cowton, 2004). Until the global financial crisis, this communication with stakeholders was kept open. A constant increase in the adoption of common guidelines for social reporting and the diversification of the information produced was observed (Branco and Rodrigues 2006, Stubbs and Cocklin 2007). There was a significant increase of CSR disclosure in the financial sector, both in terms of quality and quantity (Douglas, Doris and Johnson, 2004). Situation has changed after the outburst of the global financial meltdown.

5. Global financial crisis and CSR in the financial sector

5.1. Discourses on CSR in financial institutions after the global financial turmoil: corporate irresponsibility or weak regulations?

Undoubtedly, growing popularity CSR in the financial sector prior to the global financial crisis should be welcomed, despite some imperfections and inappropriate approach implemented by some institutions. However, despite the constant improvement of CSR quality, it occurred that self-regulations and actions of financial institutions were not enough to nip the global financial crisis in the bud. Visser recognized this problem as "incremental approach of CSR" (see Section 2.2).

Obviously, awareness of financial institutions concerning CSR issues had not been growing fast enough and CSR had not been an instrument that governments promoted as a solution for stabilization of the financial sector. Consequently, well-known and well-recognized problems of asymmetry of information, moral hazard, negative selection, and irrational euphoria created the background for the formation and outburst of the bubble in the US subprime mortgage market (Jurek, Marszałek, 2014). CSR programmes appeared to be unable to supress the chain reaction that involved a global net of financial institutions, quickly resulting in the global turmoil. The international financial system was affected firstly by a liquidity crisis, and then by solvency crisis and sovereign debt crisis. Problems quickly spread to other countries and markets through contagion channel (Argandoña, 2012).

In order to analyse for purposes of general failure of CSR in financial institutions, multidimensional discourses on linkages between CSR and the financial sector were formulated. Trying to identify these discourses in the aftermath of the global financial turmoil, Herzig and Moon (2011) analysed three British media publications: "Financial Times", "Ethical Performance" and "Ethical Corporation" for the period September 2007 until August 2010. They distinguished four discourses of "CSR, the financial sector and economic recession" (see Tables 8-11):

- *Market Rationalisation* of a fit or alignment between CSR and mainstream business operating in markets: get the fit right and business will act responsibly,
- *Moralisation and Ethical Leadership* – focuses on the need for a moral or ethical element to infuse business from the top down in order for it to function responsibly,

- *Reconceptualisation and Professionalisation* of CSR and business people that focuses on a critical analysis of the CSR concept and the re-evaluation of the awareness and capabilities of CSR and other professionals to ensure that business is conducted in a responsible way, and
- *Political Economy Restructuring* – presumes that there is a need for wider restructuring in the form of systemic power and governance re-alignments in order to ensure the responsibility of business.

According to Herzig and Moon (2011), each discourse betrays different understandings not only of why the financial crisis took place and the place of CSR whether is the problem or its resolution, but also of wider issues concerning i.a. individual responsibility and leadership, the adequacy and professionalization of CSR, and the necessity of more fundamental regulatory change.

The *Market Rationalisation* underlines that in the light of the problems leading to crisis organisations in the financial sector can and should better align CSR with their market contexts in order to ensure more responsible and productive future performance. The *Moralisation and Ethical Leadership* discourse indicates moral and ethical shortcomings of the sector. The *Reconceptualisation and Professionalisation* discourse locates between the former two, encouraging a more thoroughgoing re-think about the scope and capacity of CSR to ensure responsible market operations. Last but not least, the *Political Economy Restructuring* discourse stipulates that re-conceptualisation and professionalism is not adequate for the task of ensuring more responsible market operations. Instead, regulatory change is required.

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Table 8. Overview of *Market Rationalisation* discourse on "CSR, the financial sector and economic recession"

Discourse	Basic assumptions and relationships	Agents and their responsibilities	Actions	Motives/value orientation	Key metaphors and rhetorical devices
Market Rationalisation	• lack or insufficient integration of CSR into the core activities of financial organisations has contributed to the economic recession • gradual evolution of CSR in core operations will positively impact on both financial and non-financial performance, and will help to avoid future crises • greater integration of CSR will follow sector's improvement efforts • prevailing business logic is not questioned	• individual and collective initiatives should come from within the sector and drive the integration of CSR into financial businesses • self-regulation is a means to establish CSR as a serious factor in the operation of global financial markets, • prescriptive approaches to the responsibility agenda are seen to be counter-productive	• organisational and business changes towards a more responsible agenda are needed to realign financial institutions with their operating environment • demands organisational integration of CSR across all functions • cut "fluffy" CSR and focusing on strategic, financially beneficial CSR • re-build reputation and trust	• demonstration of wider institutionalisation of CSR • Increasing profitability through "streamlining" CSR, entering new markets and realising market opportunities • legitimisation of financial sector's response to the crisis	• metaphors: corporate social opportunity, netting rich returns • legitimisation devices: efficiency/win-win rhetoric, makes business sense and contributes to the financial bottom line • empirical evidence: statistics/figures and surveys

Source: Herzig and Moon (2011).

Table 9. Overview of *Moralisation and Ethical Leadership* discourse on "CSR, the financial sector and economic recession"

Discourse	Basic assumptions and relationships	Agents and their responsibilities	Actions	Motives/value orientation	Key metaphors and rhetorical devices
Moralisation and Ethical Leadership	• time to recover a sense of what is right in order to avoid another crisis • ethical leadership in	• pressure for moving the responsible agenda forward comes from individual and institu-	• ethical leaders to demonstrate responsibility in executive payment and deal respon-	• ethical motivation to move responsible business agenda forward ("the right thing to do")	• metaphors to encourage ethical leadership (e.g. not give up during the downturn)

	and after the recession is more relevant than ever • cautious view on progress in responding to the crisis	tional leaders of the financial sector • ethical leaders can take a structural-political role • critical view on the reliability of CSR engagement of some financial agents (e.g. private equity)	sibly with the negative effects of the recession • provide an honest and visionary account of the achievements and objectives • realise responsible business opportunities with solid long-term returns • calls for firmer evaluation of initiatives and progress made in integrating CSR	• fairness and long-term thinking as an inherent part of the response to the crisis	• metaphors to warn against misuse of the CSR concept and misbehaviour (e.g. easing the barbarians through the gate)

Source: Herzig and Moon (2011).

Table 10. Overview of *Reconceptualisation and Professionalisation* discourse on "CSR, the financial sector and economic recession"

Discourse	Basic assumptions and relationships	Agents and their responsibilities	Actions	Motives/value orientation	Key metaphors and rhetorical devices
Reconceptualisation and Professionalisation	• lack or dysfunction of CSR mechanisms and institutions cast shadow over the capacity of CSR to necessitate the transformation process • critique of insufficient knowledge and capabilities of CSR and other professionals	• individual and institutional advocates of CSR need to coordinate the "reconstruction" of CSR • CSR and SRI professionals need to address fundamental issues (e.g. deep distrust) and long-term societal challenges	• reflects on necessity of conceptual reinvention of CSR • demands better integrated, balanced, collaborative, thought-through approach to CSR in the financial sector • individual and institutional capacity building play critical role in this process	• self-reflection and self-critique • instrumental to the survival of CSR as a concept and profession	• irony and cynicism used to question and criticise the role of CSR • empirical evidence which show that CSR has proven to be a driver of value and will not disappear

Source: Herzig and Moon (2011).

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Table 11. Overview of *Political Economy Restructuring* discourse on "CSR, the financial sector and economic recession"

Discourse	Basic assumptions and relationships	Agents and their responsibilities	Actions	Motives/value orientation	Key metaphors and rhetorical devices
Political Economy Restructuring	• reveals a frayed social fabric between the financial sector, government and society • questions the sustainability and ethicality of the current political economy, • expects more irresponsible behaviour without change in the political economy • draws attention to alternative framings of political economy to ensure responsible business	• several financial agents turned a blind eye on what has been happening in the past • collective greed requires institutional response • changes in interrelated governance factors to avoid future crises Two variants: • reformist – regulation of business, corporate governance, trust relationships • radical – radical changes to the political economy	Reformist discourse: • reform to enhance government and regulatory oversight and better embed CSR • greater accountability, higher transparency and more balanced power for better trust relationships Radical discourse: • reinvention of capitalism • question bailouts • structural change to inform cultural and norm changes	• remedies for financial sector/regulatory failures	• classical political-economic critique of system: "socialism for the rich and capitalism for the poor" • metaphor: greedy and selfish bankers • use of sarcasm

Source: Herzig and Moon (2011).

5.2. The future trends in the social responsibility of financial institutions – perspectives for CSR self-regulation in the financial sector

The global financial crisis proved that finance issues exerted a huge influence on the economy, playing an essential role for the misallocation of capital among sectors and countries. It is a major factor of instability, both for the financial and the real sectors, at all levels: national, regional and international. This holds true particularly in Europe (Gossé and Plihon, 2014).

One of most devastating consequences of the global financial crisis is a loss of credibility of financial institutions (Decker and Sale, 2009, Pérez and Rodríguez del Bosque, 2014). Some financial institutions are already talking openly about restoring their reputations and taking steps to reduce the scope for future damage. Assessing new product opportunities in the context of public perception, shareholder benefit, and reputational risk has to become the norm (Ernst & Young, 2013). Financial institutions must earn high level of trust in order to retain customers (Ernst & Young, 2014). CSR is considered essential for the recovery of corporate credibility and customers' trust, as well as for the improvement of employees' motivation (Pérez, Martínez and Rodríguez del Bosque, 2013). For this purpose, financial institutions are focusing on CSR, trying to put emphasis on the restoration of confidence, and implementing policies that prevent erosion of trust that customers place in them. One of the first steps of this process was resignation from the rewards and bonus systems that promoted excessive risk-taking and an orientation on the short-term shareholder value.

Not surprisingly, since the beginning of the financial crisis, an increasing attention has been devoted to CSR. Companies have been trying to demonstrate the inclusion of social and environmental concerns in business operations, and in interactions with stakeholders (van Marrewijk, 2003). Greater concentration on CSR in financial institutions became is undeniable fact. A kind of wake-up call effect has appeared, as many economists and policymakers have started advocating stricter regulations as well as the implementation to the core business activity of financial institutions CSR issues (O'Toole and Vogel, 2011). In addition, public evaluation of the financial sector has declined, and the integrity and the competence of financial institutions have been both called into question (Bennett and Kottasz,

2012). Demands for corporate action and accountability have translated into new forms of coercive pressure in exchange for continued legitimacy.

On the other hand, the global financial crisis has a dampening impact on CSR actions in many companies because of the expenditure cuts, necessary to survive the recession (Giannarakis and Theotokas, 2011, Jakob, 2012). The result of the retrenchment process for operational reasons, which has been taking place since the financial meltdown, is putting a halt to greater CSR involvement. Companies have found themselves compelled by financial circumstances to restrict their expenses including delaying or cancelling CSR activities (Orlitzky, Schmidt and Rynes, 2003; Fernández and Souto, 2009).

There is no doubt: financial institutions should engage more intensively in the CSR field, with not only a compliance approach, but also trying to support also local economies where they operate. To work properly in this way, they should identify effective partners (local representatives, non-governmental organisations) able to support them in integrating CSR in ordinary business model. The great opportunity financial institutions can take from the crisis is to enlarge their presence in local economies, and supporting them, gain a better reputation (Condosta, 2012). In order to accomplish this target, financial institutions must change their business strategies, answering to the societal function they should fulfil. According to Prior and Argandoña (2009), a first step on this rocky road could be reorientation of financial institutions towards micro financing activity. They support the view that a kind of "bankization" should be given a priority in order to overcome negative outcomes of the global finance turmoil, claiming that microfinance can help individual clients and small and medium business, which usually have limited access to financial services due to lack of creditworthiness or a strong credit track record.

The global financial crisis has proved also the inefficiency of the current CSR self-regulation and co-regulation framework, especially in multinational financial institutions and large investment banks. Therefore, a new coordinated and stricter global regulation of financial institutions is required to avoid future crisis. There is also a need to broaden the scope of global regulation more generally at international law (Emesah et al., 2010), supplementing or even replacing the existing framework of CSR self-regulation.

Optimisation of trade-off between formal regulations and self-regulations is of high importance. As formally proved by Calveras, Ganuza and Llobet (2007), if formal regulation is established by activist and non-activist consumers alike, as a result of a political decision process, then a majority of non-activist voters in an environment with some highly activist consumers (and this is actually the case advanced economies nowadays) can take an unfair advantage. Due to free-rider problem, they may prefer and favour a loose regulatory framework that allows them buy goods and services at a low price and exploit the conscious approach of activist consumers to limit the externalities. Moreover, potential crowding out of strict formal regulation by looser firm self-regulation may lead to the situation in which only activists would carry the burden of a conscious consumption, whereas non-activists would enjoy the benefits of both a less regulated environment and the conscious consumption of activists. Consequently, an increasing reliance on the CSR self-regulation rather than on formal regulatory guidelines can lead to decline in social welfare.

Implementing a new formal regulatory framework for CSR seems unavoidable. Strict demands towards nations on the verge of financial collapse is todays continuing breaking news especially in the EU. Disputes of governmental interference and regulation, perceived as "bad rhetoric" before the crisis, now is at the top of the agenda. Academics and policymakers have begun to praise this as an instrument to solve the preceding irresponsibility of the financial business sector. It is widely accepted that voluntary or self-regulating CSR for financial sector is not enough, and a binding, coercive and enforced government-regulated CSR is needed (Karnani, 2011).

The financial market has no morality. Very often, it does not pay to be socially responsible. However, as Relaño and Paulet (2012) put it, the more ethical behaviour, the better economic performance and social gains that increase social wealth for all the society. In order made this possible, an enforcement of CSR regulations is necessary.

CSR is not only business and social ethics, but also political ethics. Governments also bear social responsibilities. They must not avoid their regulatory duties when it comes to curbing irresponsible, excessive risk-taking behaviour of financial institutions. As confirmed by the global financial crisis, such behaviour can too easily create a background for a price

asset bubbles formation, the outburst of which causes financial crises that eventually decline social welfare of all the infected countries.

6. Conclusion

The paper analyses the genesis and evolution of CSR self-regulation with special reference to the case of financial institutions in the selected EU countries. It creates a background for the analysis of the prerequisites of a sustainable financial institution, whose activity is fully consistent with the requirements of sustainable development and contributes to its implementation. The primary aim of the paper is the analysis of CSR self-regulation with special reference to the case of financial institutions. The specific target is the analysis of:

- analysis of the linkages between global financial crisis and the evolution of CSR issues in financial institutions in the EU, and
- analysis of CSR self- and formal regulations framework and its re-modelling required to build sustainability of financial institutions that would be socially responsible for offered services and conducted operations.

In order to accomplish these targets, extensive research was undertaken. Conducted analysis allowed formulating many remarks. Among them, the most important appears to be that the proper regulatory environment is crucial to build sustainability of the financial sector and prevent social externalities of their improper functioning. Governments should be more proactive in creating a legal framework that would persuade or if necessary compel financial sector striving for profit to take under consideration also social, environmental, and ethical concerns that affect the well-being of the whole society. Public authorities should, on the one hand, regulate and supervise CSR in the financial sector, and, on the other, create favourable conditions for dissemination of social responsibility ideas and concepts among financial institutions, supporting the introduction of effective self-regulations.

7. Annex

Table 12. Signatories to the principles outlined in the UNEP FI statements, as of 31 July 2014

No.	Institution	Country	Region	Industry
1	ABN AMRO BANK N.V.	Netherlands	Europe	Bank
2	Access Bank Plc.	Nigeria	Africa	Bank
3	Achmea	Netherlands	Europe	Insurance
4	Actis	UK	Europe	Investment
5	AEGON N.V.	Netherlands	Europe	Insurance
6	MONGERAL AEGON Seguros e Previdencia S.A.	Brazil	Latin America	Insurance
7	AGF Investments Inc.	Canada	North America	Investment
8	Aioi Nissay Dowa Insurance Company Ltd.	Japan	Asia Pacific	Insurance
9	Allianz SE	Germany	Europe	Insurance
10	Alpha Bank	Greece	Europe	Bank
11	Aquila Capital Structured Assets GmbH	Germany	Europe	Investment
12	KlimaINVEST Green Concepts GmbH	Germany	Europe	Investment
13	Argonaut Services GmbH	Switzerland	Europe	Insurance
14	ASN Bank	Netherlands	Europe	Bank
15	ATLANTICLUX S.A.	Luxembourg	Europe	Insurance
16	Australia & New Zealand Banking Group Limited	Australia	Asia Pacific	Bank
17	Aviva plc	UK	Europe	Investment
18	AXA – Group Management Services	France	Europe	Insurance
19	Banca Commerciala Romana	Romania	Europe	Bank
20	Banco Africano de Investimentos	Angola	Africa	Bank
21	Banco Bradesco S.A.	Brazil	Latin America	Bank
22	Banco Continental S.A.E.C.A.	Paraguay	Latin America	Bank
23	Banco de Desarollo de El Salvador (Bandesal)	El Salvador	Latin America	Bank
24	Banco de Galicia y Buenos Aires SA	Argentina	Latin America	Bank
25	Banco de la Republica Oriental del Uruguay	Uruguay	Latin America	Bank
26	Banco de las Microfinanzas – Bancamia S.A.	Colombia	Latin America	Bank
27	Banco del Estado	Ecuador	Latin America	Bank
28	Banco Espírito Santo	Portugal	Europe	Bank
29	Banco General, S.A.	Panama	Latin America	Bank
30	Banco Industrial e Comercial S.A.	Brazil	Latin America	Bank
31	Banco Itaú Holding Financeira S.A.	Brazil	Latin America	Bank
32	Banco Nacional de Desenvolvimento Economico e Social (BNDES)	Brazil	Latin America	Bank
33	Banco Pichincha C.A.	Ecuador	Latin America	Bank
34	Bancoldex S.A.	Colombia	Latin America	Bank
35	Bancolombia SA	Colombia	Latin America	Bank
36	Bangkok Insurance Public Company Ltd	Thailand	Asia Pacific	Insurance
37	Bank bjb	Indonesia	Asia Pacific	Bank
38	Bank Muscat (SOAG)	Oman	Middle East	Bank

39	Bank of America	USA	North America	Bank
40	Bank of Montreal	Canada	North America	Bank
41	Bank of Taizhou Ltd	China	Asia Pacific	Bank
42	Bankmecu	Australia	Asia Pacific	Bank
43	Barclays Group plc	UK	Europe	Bank
44	Bayern LB	Germany	Europe	Bank
45	BBVA Group	Spain	Europe	Bank
46	Bentall Kennedy	USA	North America	Investment
47	BMCE Bank	Morocco	Africa	Bank
48	BNP Paribas	France	Europe	Bank
49	Caisse des Dépôts	France	Europe	Investment
50	Caixa Geral de Depositos SA	Portugal	Europe	Bank
51	CalPERS	USA	North America	Investment
52	Calvert Investments	USA	North America	Investment
53	Canadian Imperial Bank of Commerce (CIBC)	Canada	North America	Bank
54	China Development Bank	China	Asia Pacific	Bank
55	China Merchants Bank CO.,LTD	China	Asia Pacific	Bank
56	CIBanco S.A.	Mexico	Latin America	Bank
57	Citigroup	USA	North America	Bank
58	Grupo Financiero Banamex	Mexico	Latin America	Bank
59	ClearBridge Investments, Legg Mason	USA	North America	Investment
60	Commercial Bank of Africa	Kenya	Africa	Bank
61	Commonwealth Bank of Australia	Australia	Asia Pacific	Bank
62	Sovereign Limited	New Zealand	Asia Pacific	Insurance
63	Community CPS Australia Ltd	Australia	Asia Pacific	Bank
64	CONTINENTAL REINSURANCE PLC	Nigeria	Africa	Insurance
65	Corporación Andina de Fomento (CAF)	Venezuela	Latin America	Bank
66	Corporacion Financiera Nacional	Ecuador	Latin America	Bank
67	Crèdit Andorrà	Andorra	Europe	Bank
68	Credit Suisse	Switzerland	Europe	Bank
69	Croatian Bank for Reconstruction and Developm.	Croatia	Europe	Bank
70	Custodian and Allied plc	Nigeria	Africa	Insurance
71	Danske Bank A/S	Denmark	Europe	Bank
72	Delta Lloyd	Netherlands	Europe	Insurance
73	Desjardins Group	Canada	North America	Bank
74	Deutsche Bank AG	Germany	Europe	Bank
75	Development Bank of Japan Inc.	Japan	Asia Pacific	Bank
76	Development Bank of Southern Africa (DBSA)	South Africa	Africa	Bank
77	Development Bank of the Philippines	Philippines	Asia Pacific	Bank
78	DGB Financial Group	South Korea	Asia Pacific	Bank
79	DNB	Norway	Europe	Bank
80	Earth Capital Partners LLP	UK	Europe	Investment

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81	Ecobank Transnational Incorporated	Togo	Africa	Bank
82	EUROBANK ERGASIAS SA	Greece	Europe	Bank
83	Eurobank EFG ad Beograd	Serbia	Europe	Bank
84	EBRD	UK	Europe	Bank
85	Export Development Canada	Canada	North America	Bank
86	Export Finance and Insurance Corporation	Australia	Asia Pacific	Bank
87	F&C REIT Asset Management	UK	Europe	Investment
88	FATUM Schadeverzekering N.V.	Suriname	Latin America	Insurance
89	Fidelity Bank plc	Nigeria	Africa	Bank
90	Financiera America SA	Colombia	Latin America	Bank
91	Financiera Rural	Mexico	Latin America	Bank
92	Findeter	Colombia	Latin America	Bank
93	FIRA-Banco de Mexico	Mexico	Latin America	Bank
94	FirstRand Group Limited	South Africa	Africa	Bank
95	Folksam	Sweden	Europe	Insurance
96	Fundacion Social	Colombia	Latin America	Bank
97	Garanti Bank	Turkey	Europe	Bank
98	Global Bank Corporation	Panama	Latin America	Bank
99	Global Currents Investment	USA	North America	Investment
100	Good Bankers Co. Ltd.	Japan	Asia Pacific	Investment
101	Grupo Financiero Banorte, S.A.B. de C.V.	Mexico	Latin America	Bank
102	Guaranty Trust Bank plc.	Nigeria	Africa	Bank
103	Hana Bank	South Korea	Asia Pacific	Bank
104	Helm Bank S.A.	Colombia	Latin America	Bank
105	Helvetia	Switzerland	Europe	Insurance
106	Henderson Global Investors	UK	Europe	Investment
107	Hermes Fund Managers Limited	UK	Europe	Investment
108	Hesse Newman Capital AG	Germany	Europe	Investment
109	HSBC Holdings plc	UK	Europe	Bank
110	HSBC Insurance Holdings Limited	UK	Europe	Insurance
111	HSH Nordbank AG	Germany	Europe	Bank
112	Hyundai Marine and Fire Insurance Co. Ltd.	South Korea	Asia Pacific	Insurance
113	IDLC Finance Limited	Bangladesh	Asia Pacific	Bank
114	Industrial Bank Co. Ltd	China	Asia Pacific	Bank
115	Industrial Development Corporation (IDC)	South Africa	Africa	Bank
116	Inflection Point Capital Management	Canada	North America	Investment
117	Infrastructure Leasing & Financial Services	India	Asia Pacific	Investment
118	ING	Netherlands	Europe	Bank
119	Insurance Australia Group Limited	Australia	Asia Pacific	Insurance
120	Amgeneral Insurance Berhad	Malaysia	Asia Pacific	Insurance
121	Interamerican Hellenic Life Insurance Company	Greece	Europe	Insurance
122	Intesa Sanpaolo	Italy	Europe	Bank

123	Investa Property Group	Australia	Asia Pacific	Investment
124	KB Kookmin Bank	South Korea	Asia Pacific	Bank
125	KCB	Kenya	Africa	Bank
126	KfW Bankengruppe	Germany	Europe	Bank
127	KPA AB	Sweden	Europe	Investment
128	La Banque Postale	France	Europe	Insurance
129	La Compagnie Financière Edmond de Rothschild	France	Europe	Bank
130	Land and Agricultural Development Bank of South Africa	South Africa	Africa	Bank
131	Land Bank of the Philippines	Philippines	Asia Pacific	Bank
132	Landesbank Baden-Württemberg	Germany	Europe	Bank
133	Landsbankinn (NBI hf.)	Iceland	Europe	Bank
134	Lend Lease	Australia	Asia Pacific	Investment
135	Lloyd's	UK	Europe	Insurance
136	Lombard Odier Darier Hentsch & Cie	Switzerland	Europe	Investment
137	Longjiang Bank	China	Asia Pacific	Bank
138	Manulife Financial Corporation	Canada	North America	Insurance
139	MAPFRE S.A	Spain	Europe	Insurance
140	Grupo Segurador Banco do Brasil e Mapfre	Brazil	Latin America	Insurance
141	ME Bank	Australia	Asia Pacific	Bank
142	Medibank Private Ltd.	Australia	Asia Pacific	Insurance
143	Mirova (Natixis Asset Management)	France	Europe	Investment
144	Mitsubishi UFJ Trust and Banking Corporation	Japan	Asia Pacific	Bank
145	Mitsui Sumitomo Insurance Co., Ltd.	Japan	Asia Pacific	Insurance
146	Mizuho Financial Group, Inc.	Japan	Asia Pacific	Bank
147	MOZA BANCO SA	Mozambique	Africa	Bank
148	MSCI Inc.	USA	North America	Investment
149	Munich Reinsurance Company	Germany	Europe	Insurance
150	Mutualista Pichincha	Ecuador	Latin America	Bank
151	National Australia Bank Limited	Australia	Asia Pacific	Bank
152	Nedbank Ltd	South Africa	Africa	Bank
153	Netherlands Development Finance Company	Netherlands	Europe	Bank
154	Nikko Asset Management Co. Ltd.	Japan	Asia Pacific	Investment
155	Nipponkoa Insurance Co., Ltd.	Japan	Asia Pacific	Insurance
156	NORD/LB Norddeutsche Landesbank	Germany	Europe	Bank
157	Nordea AB	Sweden	Europe	Bank
158	Northern Trust Corporation	USA	North America	Investment
159	NRW Bank	Germany	Europe	Bank
160	OECO Capital Lebensversicherung AG	Germany	Europe	Insurance
161	Pax World Management Corp.	USA	North America	Investment
162	Peak Reinsurance Company Limited	Hong Kong	Asia Pacific	Insurance
163	Ping An Bank	China	Asia Pacific	Bank
164	Piraeus Bank S.A	Greece	Europe	Bank

165	Planters Development Bank	Philippines	Asia Pacific	Bank
166	Portigon AG	Germany	Europe	Bank
167	Porto Seguro S.A.	Brazil	Latin America	Insurance
168	Prudential plc	UK	Europe	Insurance
169	PT Bank Negara Indonesia (Persero) Tbk	Indonesia	Asia Pacific	Bank
170	QBE Insurance Group Ltd.	Australia	Asia Pacific	Insurance
171	Rabobank Netherlands	Netherlands	Europe	Bank
172	Banco Rabobank International Brasil SA	Brazil	Latin America	Bank
173	Robeco Asset Management	Netherlands	Europe	Investment
174	Raiffeisen Zentralbank Austria AG	Austria	Europe	Bank
175	Royal & SunAlliance	UK	Europe	Insurance
176	Royal Bank of Canada	Canada	North America	Bank
177	Royal Bank of Scotland Group	UK	Europe	Bank
178	ROYAL MICROFINANCE OF ZAMBIA LIMITED	Zambia	Africa	Bank
179	Samsung Fire & Marine Insurance	South Korea	Asia Pacific	Insurance
180	Santam Limited	South Africa	Africa	Insurance
181	SCOR SE	France	Europe	Insurance
182	Scotiabank (Bank of Nova Scotia)	Canada	North America	Bank
183	Seguradora Lider DPVAT	Brazil	Latin America	Insurance
184	Shinhan Bank	South Korea	Asia Pacific	Bank
185	Skandinaviska Enskilda Banken (SEB)	Sweden	Europe	Bank
186	SEB AG	Germany	Europe	Bank
187	Skye Bank PLC	Nigeria	Africa	Bank
188	Société Générale	France	Europe	Bank
189	Sompo Japan Insurance Inc.	Japan	Asia Pacific	Insurance
190	Standard Bank Group	South Africa	Africa	Bank
191	Standard Chartered plc	UK	Europe	Bank
192	Bank for Development and Foreign Economic Aff.	Russia	Europe	Bank
193	State Street Corporation	USA	North America	Investment
194	Storebrand	Norway	Europe	Insurance
195	Sudameris Bank S.A.E.C.A.	Paraguay	Latin America	Bank
196	SulAmérica	Brazil	Latin America	Insurance
197	Sumitomo Mitsui Financial Group, Inc.	Japan	Asia Pacific	Bank
198	Sumitomo Mitsui Trust Holdings, Inc.	Japan	Asia Pacific	Bank
199	Sun Life Financial Inc.	Canada	North America	Investment
200	Sustainable Development Capital, LLP	UK	Europe	Investment
201	Svenska Handelsbanken	Sweden	Europe	Bank
202	Swedbank AB	Sweden	Europe	Bank
203	Swiss Reinsurance Company	Switzerland	Europe	Insurance
204	TAL	Australia	Asia Pacific	Insurance
205	TEMPORIS CAPITAL LLP	UK	Europe	Investment
206	Terra Brasis Resseguros S.A.	Brazil	Latin America	Insurance

207	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Japan	Asia Pacific	Bank
208	The Chiba Bank, Ltd.	Japan	Asia Pacific	Bank
209	The Co-operators Group Limited	Canada	North America	Insurance
210	The Export-Import Bank of Korea	South Korea	Asia Pacific	Bank
211	The Link REIT	Hong Kong	Asia Pacific	Investment
212	The Shiga Bank, Ltd.	Japan	Asia Pacific	Bank
213	ThomasLloyd Group Ltd	UK	Europe	Investment
214	TISCO Financial Group Public Company Limited	Thailand	Asia Pacific	Bank
215	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Japan	Asia Pacific	Insurance
216	Toronto Dominion Bank	Canada	North America	Bank
217	Trillium Asset Management LLC	USA	North America	Investment
218	Triodos Bank NV	Netherlands	Europe	Bank
219	Turkiye Sinai Kalkinma Bankasi (TSKB)	Turkey	Europe	Bank
220	UBS AG	Switzerland	Europe	Bank
221	UmweltBank AG	Germany	Europe	Bank
222	UniCredit	Italy	Europe	Bank
223	VicSuper Pty Ltd	Australia	Asia Pacific	Investment
224	Visión banco SAECA	Paraguay	Latin America	Bank
225	Westpac Banking Corporation	Australia	Asia Pacific	Bank
226	Woori Bank	South Korea	Asia Pacific	Bank
227	XL Group	Switzerland	Europe	Insurance
228	YES BANK Limited	India	Asia Pacific	Bank
229	Zenith Bank plc	Nigeria	Africa	Bank
230	Zwitserleven (SRLEV)	Netherlands	Europe	Insurance
231	Zürcher Kantonalbank	Switzerland	Europe	Bank

Source: Own preparation based on UNEP FI (2014).

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Table 13. The Equator Principles banks, as of 31 July 2014

No.	Institution	Country	Region
1	ABN Amro	The Netherlands	Europe
2	Access Bank Plc	Nigeria	Africa
3	Ahli United Bank	Kingdom of Bahrain	Middle East
4	ANZ	Australia	Oceania
5	Arab African International Bank	Egypt	Africa
6	ASN Bank NV	The Netherlands	Europe
7	Banco Bilbao Vizcaya Argentaria	Spain	Europe
8	Banco Bradesco	Brazil	Latin America
9	Banco de Crédito	Peru	Latin America
10	Banco de Galicia y Buenos Aires	Argentina	Latin America
11	Banco de la República Oriental del Uruguay	Uruguay	Latin America
12	Banco do Brasil	Brazil	Latin America
13	Banco Espírito Santo	Portugal	Europe
14	Banco Mercantil del Norte	Mexico	North America
15	Banco PINE	Brazil	Latin America
16	Banco Popular Español	Spain	Europe
17	Banco Sabadell	Spain	Europe
18	Banco Santander	Spain	Europe
19	Bancolombia	Colombia	Latin America
20	Bank Muscat	Sultanate of Oman	Middle East
21	Bank of America Corporation	US	North America
22	Bank of Montreal	Canada	North America
23	Bank of Nova Scotia	Canada	North America
24	Bank of Tokyo-Mitsubishi UFJ	Japan	Asia
25	Barclays	UK	Europe
26	BMCE Bank	Morocco	Africa
27	BNP Paribas	France	Europe
28	CAIXA Economica Federal	Brazil	Latin America
29	CaixaBank	Spain	Europe
30	Canadian Imperial Bank of Commerce	Canada	North America
31	CIBanco	Mexico	North America
32	CIFI	Costa Rica	Latin America
33	Citigroup	US	North America
34	Commonwealth Bank of Australia	Australia	Oceania
35	CORPBANCA	Chile	Latin America
36	Crédit Agricole Corporate and Investment Bank	France	Europe
37	Credit Suisse Group	Switzerland	Europe
38	DekaBank	Germany	Europe
39	DNB	Norway	Europe
40	DZ Bank	Germany	Europe
41	Ecobank Transnational Incorporated	Togo	Africa
42	EFIC	Australia	Oceania

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43	Eksport Kredit Fonden	Denmark	Europe
44	Eksportkreditt Norge	Norway	Europe
45	Ex-Im Bank	US	North America
46	Export Development Canada	Canada	North America
47	Fidelity Bank	Nigeria	Africa
48	FirstRand	South Africa	Africa
49	FMO	The Netherlands	Europe
50	HSBC	UK	Europe
51	IDFC	India	Asia
52	Industrial Bank	China	Asia
53	ING Bank	The Netherlands	Europe
54	Intesa Sanpaolo	Italy	Europe
55	Itaú Unibanco	Brazil	Latin America
56	JPMorgan	US	North America
57	KBC Group	Belgium	Europe
58	KfW IPEX-Bank	Germany	Europe
59	Lloyds Banking Group	UK	Europe
60	Manulife Financial	Canada	North America
61	Mauritius Commercial Bank	Mauritius	Africa
62	Mizuho Bank	Japan	Asia
63	National Australia Bank	Australia	Oceania
64	Natixis	France	Europe
65	Nedbank	South Africa	Africa
66	NIBC Bank	The Netherlands	Europe
67	Nordea Bank	Sweden	Europe
68	Rabobank Group	The Netherlands	Europe
69	Royal Bank of Canada	Canada	North America
70	Royal Bank of Scotland	Scotland	Europe
71	Skandinaviska Enskilda Banken	Sweden	Europe
72	Société Générale	France	Europe
73	Standard Bank	South Africa	Africa
74	Standard Chartered	UK	Europe
75	Sumitomo Mitsui Banking Corporation	Japan	Asia
76	TD Bank Financial Group	Canada	North America
77	UK Green Investment Bank	UK	Europe
78	UniCredit Bank	Germany	Europe
79	Wells Fargo Bank	US	North America
80	Westpac Banking Corporation	Australia	Oceania

Source: Own preparation based on Equator Principles (2014).

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Table 14. Overview of selected voluntary standards and reporting guidelines that may be used by the EU financial institutions

Coun-try/region	Name	Description
International	AA1000 Guidelines	• issued by the UK-based Accountability • guidelines are used by organisations to develop an accountable and strategic response to sustainability, including reporting • they provide guidance on how to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting systems needed to ensure its effectiveness in impacting on decisions, activities and overall organizational performance by evaluating the adherence of an organization to the Accountability Principles (AA1000APS) and the reliability of associated performance information • they were developed through a multi-stakeholder process and is designed to help ensure that reporting and assurance meets stakeholders' needs and expectations
	UN Global Compact	• the largest global corporate citizenship initiative to date, the UN Global Compact provides a network of UN agencies, business, labour, non-governmental organisations and public institutions working to promote companies internalizing ten principles in the areas of human rights, labour, environment and anti-corruption • once a commitment is made by the CEO of a company joining the initiative, the company has to integrate the principles into its business operations, contribute to broad development goals (including the Millennium Development Goals), advance the ideals of the UN Global Compact and communicate annually on progress • since 2004, the initiative expects its company participants to annually submit Communications on Progress (COPs), using reporting indicators such as those of the GRI; a simplified COP template has been created for use by small and medium-sized companies • the COP must contain the following elements: a statement by the CEO expressing continued support for the UN Global Compact, a description of practical actions the company has taken to implement the principles, and a measurement of outcomes • supported by the GRI, the Global Compact also published a practical guide on COPs

International	UN Principles for Responsible Investment (UNPRI)	• is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact • the PRI is a set of voluntary best practice principles to assist investors in integrating environmental, social and corporate governance (ESG) issues into investment processes and ownership practices • Principle six of the PRI asks each signatory to "report on their activities and progress towards implementing the Principles" • the PRI's annual Reporting & Assessment survey is an annual online questionnaire for PRI asset owner and investment manager signatories • individual responses are confidential; however, signatories are encouraged to publish their full responses on the PRI website • the PRI is a voluntary and aspirational framework; however, participation in this survey is the one mandatory requirement for all signatories – those signatories that do not fulfil this requirement will be publicly delisted from the initiative • Principle three also encourages signatories to encourage the entities in which they invest to disclose ESG issues
	Section III on Disclosure in Guidelines for Multinational Enterprises	• the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises include Section III on "Disclosure", which encourages timely, regular, reliable and relevant disclosure on financial and non-financial performance on financial and non-financial performance, including environmental and social issues • The OECD Principles of Corporate Governance which were introduced in 1999 and revised in 2004 also require timely and accurate disclosure on all material matters including financial performance, ownership, and governance
	Guide to Best Practice in Environmental, Social and Sustainability Reporting on the World-Wide Web	• the Association of Chartered Certified Accountants (ACCA) has published a Guide to Best Practice in Environmental, Social and Sustainability Reporting on the World-Wide Web • the ACCA global sustainability reporting awards have been replicated in many national level equivalents, advancing the quality of reporting world-wide

Europe	Renewed EU 2011-14 Strategy for Corporate Social Responsibility	• the European Commission presented a new strategy for corporate social responsibility (CSR) on 25 October 2011, drafting an action program for the 2011-2014 period • in this document CSR is defined as "the responsibility of enterprises for their impacts on society" • in the strategy, the European Commission also announced a legislative proposal for regulation on the transparency of the social and environmental information supplied by businesses across all sectors, which was launched in April 2013
	EU Eco-Management and Audit Scheme (EMAS)	• EMAS is a management tool for companies and other organizations, requiring them to evaluate, report and improve their environmental performance • the scheme has been available for participation by companies since 1995 (Council Regulation (EEC) No. 1836/93 of 29 June 1993), on a voluntary basis, and it was revised in 2009 (Regulation EC No. 1221/2009) • originally it was restricted to companies in the industrial sector, but since 2001 it has been open to all economic sectors • one of the aims of this revision was to strengthen the rules on reporting through core performance indicators • it states that organizations should make periodic environmental statements publicly available; and in order to ensure the relevance and comparability of the information, reporting on the organization's environmental performance should be on the basis of generic and sector-specific performance indicators
	EC Recommendation on recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of EU companies	• in 2001 the European Commission adopted a Recommendation on recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of EU companies • the Recommendation clarifies existing EU accounting rules and provides guidance to improve the quality, transparency and comparability of environmental data available in companies' annual accounts and annual reports • the current lack of a common set of rules and definitions means that environmental information disclosed by companies is often inadequate and unreliable; this makes it difficult for investors and other users of financial statements to form a clear and accurate picture of the impact of environmental factors on a company's performance, or to make comparisons between companies
	Coalition for Environmentally Responsible Economies (CERES) Principles	• they were developed in 1992 by CERES following the 1989 Exxon Valdez disaster • this ten-point code of conduct also introduced specific environmental reporting guidelines, embedded in the code of conduct, creating the mandate to report periodically on environmental management structures and results • a CERES continues to encourage corporate environmental responsibility through working with endorsing companies on meeting their commitment and reporting along the GRI Sustainability Reporting Guidelines

Denmark	Social-ethical Accounts	• guideline for private and public companies that wish to draw up a report on their social and ethical initiatives
	Etikbasen/CSR Scorecard	• a public database on the Internet where companies can report on their CSR initiatives and performance

	Social Index	• is a tool for measuring a company's degree of social responsibility on a score from 0 to 100 • it requires external verification and certification to use the Social Index for external reporting • PriceWaterhouseCoopers has the secretariat for the Index
	Danish Action Plan for CSR "Responsible Growth"	• launched by the Danish Government • the Action Plan aims to provide guidance on creating shared value for business and society through innovative partnerships between the private and public sectors and civil society • it also lays out a plan to strengthen accountability though the implementation of the UN Guiding Principles and transparency requirements • in addition to the reporting requirements in place since 2009, new requirements entail disclosure on whether a company has policies to ensure respect for human rights and/or to reduce its climate impact • this is the second Action Plan for CSR, the first being launched in 2008 by the former government
Finland	Finnish Accounting Standards Board	• the Finnish Accounting Standards Board (FASB) issues guidelines that deal with the disclosure of environmental expenditures and environmental liabilities as a part of the legally required financial accounts
France	French National Sustainable Development Strategy 2010-2013 (SNDD)	• the National Sustainable Development Strategy (SNDD) was inspired by the Grenelle Environmental Forum and adopted by the Interdepartmental Committee on Sustainable Development in July 2010 • the SNDD provides a framework of reference and guidance to all private and public national organizations to help them structure their own policies and projects around strategic choices and indicators of sustainable development, clustered in nine key challenges • businesses are encouraged to commit to an advanced social responsibility approach • the strategy also seeks to ensure coherence and complementarity of France's commitments at the national level with commitments made at the European and international level
	Global Performance of Responsible Enterprise	• the Centre des Jeunes Dirigeants d'Enterprise created in 2011 a tool for internal and external information exchange • by completing a questionnaire, companies can report on their social profile and performance • the Global Performance tools are aligned with ISO 26000 for Social Responsibility

France	Centre of Young Leaders and Agents of Social Economy Social Impact Assessment	• it is a tool for internal and external information exchange • by means of completing a questionnaire, companies can report on their social profile and performance
Germany	German Sustainability Code	• in 2011 the German Council for Sustainable Development passed the German Sustainability Code (GSC), which was sent to the German Federal Government with a recommendation for implementation

		• the GSC is the result of a biennial consultation process between representatives of financial markets, various enterprises and civil society • the code addresses companies of every size and legal form and is recommended to be used as a voluntary instrument • it features 20 indicators of sustainability performance that are aligned with the GRI Guidelines, the UNGC principles, the OECD Guidelines for Multinational Companies and the ISO 26000 Guidelines • the disclosures regard strategy, process management, environment, and society • comprehensive reporting following GRI (A+) or EFFAS (Level III) equates to compliance with the Code • application of the GSC occurs at the companies' discretion and they declare whether and to what extent they are in accordance with the Code ("comply or explain") within a declaration of conformity, which can be furnished using a template
Greece	Law 3487	• in 2006 this law transposed the EU Modernisation Directive 2003/51/EC into Greek national legislation • the Directive states that for companies which meet certain financial criteria, to the extent necessary for understanding the company's overall position/performance, the Annual Report (and Financial Statements) shall include financial and nonfinancial indicators (if deemed applicable/required) related to the company's business activity • these indicators may include information regarding employee relations and environmental issues • the law applies if at least 2 of the conditions are met: 1) exceed a balance sheet value of EUR 2.5 million, 2) exceed net sales of EUR 5 million, 3) exceed average personnel number of 50 throughout the financial year

Hungary	Accounting Act, Act C, Section 95	• the EU Modernisation Directive (2003/51EC directive) was implemented in Hungary by Act XCIX, approved by the Hungarian Parliament in October 2004 • the requirements of the directive were incorporated into the Accounting Act, Act C of 2000 • there is no specific detailed guidance for reporting and assurance on these disclosures • the regulation resulted in very limited development of non-financial reporting • most of the companies meet the requirements but the separate section dedicated to non-financial performance in annual reports is mostly descriptive and has limited quantitative content
Italy	National Action Plan on Corporate Social Responsibility 2012-2014	• in March 2013, Italy sent the European Commission its first National Action Plan on Corporate Social Responsibility • Italy is the first EU Member State to publish its Plan of Action responding to the Commission Communication "A renewed EU strategy 2011-14 for Corporate Social Responsibility" • in 2012 Italy also launched an inter-ministerial process to elaborate a National Action Plan on Business and Human Rights, as requested by the Commission Communication
	CSR key performance indicators by Italian SMEs	• in 2011 the Ministry of Economic Development signed an agreement with the ABI and the National Association for Industries (Confidustria) to promote the adoption of CSR key performance indicators by Italian SMEs • the agreement, which was renewed for another two years, fosters non-financial reporting among enterprises and promotes pilot projects, together with Italian banks, to introduce non-financial parameters to evaluate the risk of credit while financing enterprises' projects
	Directors' report on financial statements	• Issued in 2009 by the Italian Accounting Association • this document on environmental and personnel disclosures is not mandatory but can be considered as the implementation of the Legislative decree no. 32/2007 • the document provides an in-depth analysis on what to include in the directors' report in compliance with the decree
	Legislative decree no. 32/2007	• the EU modernisation directive (2003/51EC) was transposed into Italian law under Legislative decree no. 32/2007 • it states that companies shall provide a description of employee relations and environmental performance in the directors' report of financial statements
	Operational Guidelines for CSR in the banking sector	• the Italian Banking Association (ABI), together with the Institute for Social Reporting (IBS), published in 2005 guidelines for social reporting in the financial sector • these guidelines are used by banks • additionally, ABI organizes an annual meeting in Rome to analyse the status of sustainability reporting in the financial sector

Italy	CSR-SC project	• this initiative enables organizations to voluntarily participate and adopt a social report in accordance with pre-defined guidelines and indicators • many chambers of commerce have help desks available to assist companies in implementing their reporting in accordance with

		the CSR-SC
Luxembourg	Ten Principles of Corporate Governance	• these principles were issued in 2006 by the Luxembourg Stock Exchange • they were initiated following the European Commission launch of an Action Plan in 2003 aimed at enhancing corporate governance within the European Union • the scope is to be in line with international practice and the recommendations of the European Commission, while taking into account the interests of all stakeholders • the Ten Principles and their recommendations are highly flexible and are based on a "comply or explain" system • the Principles are complementary to Luxembourg legislation, and are broken down into recommendations • Recommendation 1.1 "Corporate governance framework" highlights that companies should disclose the essential aspects of their corporate governance framework in their Corporate Governance (CG) Charter • Recommendation 1.6 specifies that the CG Charter should be updated as often as necessary to accurately reflect, at all times, the company's corporate governance framework; it should be posted on the company's website, with an indication of when it was last updated • Recommendation 1.7 specifies that companies should publish a CG Chapter in their annual report, describing all the relevant events connected with corporate governance that took place in the preceding financial year • if the company does not fully implement one or more of the recommendations, it should explain its decision in the CG Chapter of its annual report
Portugal	Resolution of the Council of Ministers, no. 49/2007	• the Portuguese Government encourages all public companies of the business sector to develop a sustainability strategy and to adopt sustainability practices • Resolution of the Council of Ministers, no. 49/2007, March 28th, approved the Principles of Good Governance of public companies, according to which companies are compelled to include in their annual report and accounts a sustainability analysis in the corporate governance section • the aim is for these companies to implement corporate models with high levels of performance, contributing to the dissemination of good practices in the sustainability area, including the adoption of a sustainability strategy in the economic, environmental and social areas

Spain	RSE.PIME, 2008-2010	• developed with the support of the government of Catalonia and the body representing the chambers of commerce of Catalonia • the program consisted in the development of a CSR action plan for a total of 30 SMEs, the implementation of different actions with the support of an external consultant, and also the development of sustainability reports using GRI's Guidelines
	RSE.COOP Reporting Guidelines Programme, 2005-2007	• these guidelines were created by the Spanish Enterprise Confederation of the Social Economy (CEPES) and different federations of co-operatives • initially the program was focused on 40 cooperatives of Catalonia, and was implemented from 2005 to 2007

		• within the program, a tool was created to promote the development of CSR and sustainability reports within co-operatives
	Spanish Organic Law 3/2007 for Effective Equality between Women and Men	• this law encourages companies to promote conditions of equality between men and women • private companies with more than 250 employees and all public companies and public administrations must develop an equality diagnosis and an action plan • the Spanish Securities and Exchange Commission's (CNMV) has also issued a Corporate Governance Code that recommends that listed company boards include women with appropriate business backgrounds when seeking additional directors • companies that do not follow the recommendation of a corporate board consisting of 40% female positions must provide an explanation • in order to promote these actions, the law suggests that a logo be created to recognise companies that stand out in this field
	The Resolution of 25 March 2002	• issued by the Institute of Auditing and Accounting (ICAC), states that organizations are obliged to include environmental assets, provisions, investments and expenses in their financial statements
Sweden	Guidelines on environmental information in the Directors' Report section of the Annual Report	• the guidelines were issued initially in 1998 by the Swedish Accounting Standards Board • for the accounting years that begin after 31 December 2013, companies that are larger than certain criteria enumerated in the Annual Accounts Act should make their Annual Report and a possible Consolidated Account Statement according to the general guidelines by the Swedish Accounting Standards Board • in addition to these general guidelines there are specific guidelines concerning disclosure of non-financial information, regarding environmental and social issues

the Netherlands	Guidelines for the integration of social and environmental activities in the financial reporting of companies	• the guidelines were issued in 2010 by The Assurance Standards Committee (RJ) • as the EU Modernisation Directive does not provide specific guidance on reporting non-financial information, and in view of considerable interest in social reporting from Dutch companies and stakeholders, the Dutch Social Economic Council (a government advisory council consisting of employers and workers' associations and independent expert members) proposed that the Assurance Standards Committee review its existing guideline 400 to provide specific guidance to companies on how to include non-financial information into regular financial annual reports (Annual Report Guideline 400) • in view of evolving public expectations about company reporting on CSR, the Social Economic Council asked the Assurance Standards Committee in July 2008 to review its guideline 400 and guidance on separate social reporting again; the main change in this update is the inclusion of reporting on responsible supply chain practices
	Recommendations on supply chain disclosure and due diligence	• pursuant to the article in the Dutch Civil Code implementing the Modernisation Directive's provision, the Netherlands Council for Annual Reporting adopted an explanatory guideline on the application of the article • the guideline is reviewed regularly, and includes i.a. recommendations on supply chain disclosure and due diligence • its application is furthermore extended to pension funds, while small and medium size enterprises are exempted • listed companies in the Netherlands are subject to a more boldly formulated provision in the Dutch corporate governance code,

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		whereby the management board shall report in the annual report on corporate social responsibility issues but only insofar as the particular issues that the company deems relevant • Dutch companies that participate in trade missions or receive any other forms of government support are required to report specifically on the observance of relevant International Labour Organization Conventions
the United Kingdom	Reporting Guidelines – Environmental Key Performance Indicators	• issued in 2006 by the Department for Environmental, Food & Rural Affairs (DEFRA), designed to assist companies with new narrative reporting requirements relating to environmental matters, as contained within the "Contents of Directors Report" of the Company Law Reform Bill

Source: Own preparation based onKPMG and United Nations Environment Programme, 2006, KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School (2010, 2013).

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Table 15. Overview of selected assurance standards applicable to use while analysing CSR reporting of the EU financial institutions

Country/region	Name	Description
International	Global Reporting Initiative (GRI)	• provides the most recognized global standard with its framework for sustainability reporting • the GRI framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance • the cornerstone of the framework is the Sustainability Reporting Guidelines, other components of the framework include Sector Supplements and National Annexes • sector specific supplements provide, amongst other things, sustainability indicators specific to the needs of sectors; one of sector supplements is the Financial Services Sector Supplement (FSSS) • National Annexes include unique country specific or regional sustainability issues • the GRI plays a crucial role in sustainable development as provider of the world's most widely used sustainability reporting framework • as a network organisation, GRI provides a forum where those who take an interest in environmental, social and governance issues (ESG) and those organisations or individuals working in the Sustainability Reporting field can come together to advance the sustainability agenda • the foundations of the Reporting Framework – the GRI Guidelines – are continuously developed by the network through a multi-stakeholder consensus seeking process to which anyone can contribute • the GRI Secretariat, based in Amsterdam, is a UNEP Collaborating Centre
	AA1000 Assurance Standard (AA1000AS), 2008	• issued by the UK-based Accountability • provides a comprehensive approach to holding an organisation to account for its management, performance and reporting on sustainability issues by evaluating the adherence of an organisation to the AccountAbility Principles (AA1000APS) and the reliability of associated performance information • it was developed through a multi-stakeholder process and is designed to help ensure that reporting and assurance meets stakeholders' needs and expectations

Europe	International Standards (ISO)	• ISO has developed over 15000 standards to date • with the ISO 9000 (quality) and ISO 14000 (environmental management) series, ISO has entered the terrain of management and organizational practice • ISO 14001 on environmental management systems recommends reporting, as opposed to the EMAS standard that requires reporting • ISO14063 on "environmental communications" offers guidance on what should be considered in developing an environmental communication program. • the ISO standard on Social Responsibility (ISO 26000) notes that to be accountable an organisation should at appropriate intervals report significant impacts related to social responsibility to concerned stakeholders
	Guideline SA8000 of Social Accountability	• it is a voluntary, universal and auditable standard for decent work conditions that was developed by Social Accountability International, a multi-stakeholder non-governmental organisations' initiative • The SA8000 standard is based on the core conventions of the International Labour Organisation, the United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights
	The International Standard on Assurance Engagements (ISAE) 3000	• Assurance Engagements other than Audits or Reviews of Historical Financial Information was developed by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC) • IFAC is the body responsible for issuing international accounting and auditing standards for the accounting profession • ISAE 3000 is used by accounting firms to guide their assurance engagements on sustainability reports
France	Auditor's standards regarding social and environmental information	• standard draft defines the diligence to be applied by auditors regarding assurance on social and environmental information in sustainability reports
Italy	Research Document no. 153: limited assurance report on social or sustainability report	• issued by Assirevi, the Italian Association of Internal Auditors
Spain	ICJCE Action Guide	• developed in 2008 by the Institute of Chartered Accountants of Spain, this guide established the procedures that an auditor should follow for verifying sustainability reports

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Sweden	Standard RevR 6 Independent Assurance of Separate Voluntary Sustainability reports	• issued by the Swedish Institute for the Accountancy Profession (FAR) • an updated version of the recommendation, in compliance with ISAE 3000, published in 2008, provides guidance on reasonable assurance and limited assurance engagements of sustainability reports • the Swedish recommendation is based on the Dutch Assurance Standard 3410N "Assurance Engagements Relating to Sustainability Reports" published by Royal NIVRA in July
the Netherlands	Standard COS 3410N Assurance Engagements relating to Sustainability Reports	• issued by the Royal Dutch Institute for Registered Accountants (NIVRA) • the standard is designed to comply with ISAE 3000 while incorporating the principles of AA1000AS and drawing on the GRI Sustainability Reporting Guidelines • the standard is applicable to all engagements agreed after 1 July 2007 • the standard defines the objective of the auditor: to form a reasonable basis for his conclusion that the sustainability report provides a reliable and adequate presentation of the reporting organisation's policy for sustainable development, as well as the activities, events and performance of the organisation relating to sustainable development in a reporting period • in the "Application Notes" particular attention is given to the characteristics of sustainability reporting (compared to financial reporting), intended users (or user groups) and the expertise required in the assurance team • large audit firms reference this standard in their assurance reports in the Netherlands although the scope of the engagement varies (not always the whole sustainability report

Source: Own preparation based on KPMG and United Nations Environment Programme, 2006, KPMG, the United Nations Environment Programme (UNEP), Global Reporting Initiative (GRI) and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School (2010, 2013).

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Table 16. The institutions involved in Working Groups at various stages of the development of the Financial Services Sector Supplement

No.	Institution	No.	Institution
1	AVIVA	26	Interpolis NV
2	Bank of America	27	Insurance Australia Group (IAG)
3	Bank of China	28	National Australia Bank (NAB)
4	BCSC Fundación Social (Colombia)	29	Nedbank
5	BMO Financial Group	30	Rabobank Nederland
6	Calvert Group Ltd.	31	Rheinland Versicherungen
7	CECA (Confederación Española de Cajas de Ahorros)	32	Standard Bank of South Africa
8	Christian Brothers Investment Services (CBIS) Inc.	33	Standard Chartered
9	Citigroup	34	State Street Corporation
10	Co-operative Financial Services	35	Swiss Life
11	Co-operative Insurance	36	Swiss Reinsurance Company
12	CoreRatings Ltd.	37	Tapiola Insurance Group
13	Corporate Citizenship Centre, University of South Africa (UNISA)	38	The Co-operative Bank
14	Credit Suisse Group	39	The Netherlands Development Finance Company (FMO)
15	Deutsche Bank AG	40	UBS AG
16	Deutsche Bank Asset Management (PCAM)	41	UNEP Finance Initiative
17	Development Bank of Southern Africa (DBSA)	42	Union Network
18	Earthwatch Europe	43	Vancity & Citizens Bank of Canada
19	EIRIS	44	Verein für Umweltmanagement in Banken (VfU)
20	Euronatur	45	VicSuper Pty Ltd
21	FGVSP (Centro de Estudos em Sustentabilidade)	46	Westpac Banking Corporation
22	Friends of the Earth, USA	47	Wilderness Society Australia
23	Germanwatch	48	XL Winterthur International
24	Instituto Centroamericano de Administración de Empresas (INCAE)	49	Zürcher Kantonalbank
25	International Finance Corporation (IFC)	-	-

Source: Own preparation based on GRI (2013a).

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THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

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5	Pour la Solidarite, Brussels	Belgium
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7	Tallin University of Technology	Estonia
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