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CSR REPORTING IN EUROPEAN SAVINGS BANKS

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ABSTRACT

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Title:	CSR Reporting in European savings banks
Faculty:	School of Business and Management
Master's Programme:	Strategy, Innovation & Sustainability
Year:	2017
Master's Thesis:	Lappeenranta University of Technology
	73 pages, 10 figures, 5 tables
Examiners:	Professor Ari Jantunen
	Associate Professor Anni Tuppura
Keywords:	CSR, CSR reporting, GRI, banking sector

The aim of the thesis is to examine how European savings banks report about their corporate social responsibility (CSR) in year 2015. It is also examined how the Global Reporting Initiative (GRI) –framework is visible in the reporting in this sector and how comprehensive the reports are. The study focuses mainly on economic, social and environmental indicators of the GRI –framework. It is also examined whether the banks enhance the banks enhance the "savings bank –ideology" in their reports. The empirical part of the study was executed as a qualitative content analysis. The banks in the study were chosen from the member list of The World Savings and Retail Banking Institute and the CSR reports or the Annual reports were downloaded from each bank's website.

Many of the reports did not follow any specific framework. GRI –framework was not used in as many reports as was expected, but it was the most common framework used. The results show that there is a connection with the use of GRI –framework and better quality of the reports, when comparing to reports where no specific framework was used. The savings banks –ideology was enhanced clearly only in a couple of reports and it was mentioned in a few other reports in some way.

TIIVISTELMÄ

Tekijä:	Iida Dimov
Otsikko:	CSR-raportointi eurooppalaisissa säästöpankeissa
Tiedekunta:	School of Business and Management
Maisteriohjelma:	Strategy, Innovation & Sustainability
Vuosi:	2017
Pro gradu -tutkielma:	Lappeenranta University of Technology
	73 sivua, 10 kuviota, 5 taulukkoa,
Tarkastajat:	Professori Ari Jantunen
	Tutkijaopettaja Anni Tuppura
Hakusanat:	CSR, CSR-raportointi, GRI,

Tämän tutkielman tarkoituksena on selvittää kuinka eurooppalaiset säästöpankit raportoivat yritysvastuustaan vuonna 2015. Tutkielmassa pyritään myös selvittämään kuinka GRI –viitekehyksen käyttö näkyy pankkien yritysvastuuraporteissa ja kuinka laadukasta raportointi on. Tutkielma keskittyy lähinnä taloudellisen, sosiaalisen ja ympäristövastuun toimintamittareihin GRI –viitekehyksessä. Myös säästöpankkiaatteen näkyvyyttä raporteissa tutkitaan. Empiirinen osa toteutettiin laadullisena sisällön analyysina. Tutkimuksessa vertaillut pankit ovat The World Savings and Retail Banking Instituten jäsenlistan eurooppalaisia jäseniä, joiden vuosikertomukset tai yritysvastuuraportit ladattiin pankkien omilta internet-sivuilta.

Useimmissa raporteissa ei käytetty mitään erityistä raportointiviitekehystä. GRI –viitekehystä ei käytetty niin paljoa, kuin oli odotettavissa, mutta se oli yleisin käytetyistä viitekehyksistä. Tulokset osoittavat, että GRI –viitekehyksen käytön ja raportin paremman laadun välillä on yhteys, kun verrataan raporttiin, jossa ei käytetty mitään viitekehystä. Säästöpankkiaatetta korosti vain kaksi pankkia selkeästi ja muutama muu pankki mainitsi sen jollain tavalla raportissaan.

ACKNOWLEDGEMENTS

I’m thankful for my supervisor, friends and family for support.

In life, it is generally wise to trust that everything will go well. It often pays off, even if you wouldn't even believe in it. Many times, threats start to realize just because they have been prepared for.
- Mauno Koivisto

Tampere, 22nd May 2017

Iida Dimov

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1. Introduction

Corporate social responsibility (CSR) has been a popular topic and a trendy buzzword for some time now but banks were excluded from the conversation at first. For a long time, banks were not seen to have a big influence directly on society and environment due to not producing any physical products. However the view has changed over the last few years, which is due to banks' crucial role in economic development and sustainability. (Barako & Brown 2008, 312) The importance of corporate social responsibility (CSR) in the banking sector has grown alongside with the growing interest on responsibility in other sectors. Being responsible and maintaining a reliable reputation is crucial to banks, because their business is largely based on customers' trust. Including CSR in the strategy and reporting about CSR brings reputational advantages in the banking sector, where the average consumer doesn't distinguish the offered products particularly well, thus a good brand image is essential to banks. (Krasodomska 2015)

During the last decade the public trust towards financial sector and banks suffered due to the financial crisis and other scandal related to banking sector. Because the banking sector is strongly dependent on public trust, the role of CSR and CSR reporting have become more and more important in the past years. Since the importance of CSR in the banking sector and banks' indirect impact on society was recognized, the number of CSR reports has increased significantly.

CSR reporting has been based mainly on voluntary instructions and standards, until the last few years. The most widely used framework for CSR reporting is the GRI –framework. In some countries there is legislation concerning CSR or CSR reporting. For example, France was the first country to make CSR reporting obligatory for public companies in 2001. (Simola et al. 2010, 40) Also an EU directive for non-financial reporting came into force on 6^{th} December 2014. Companies that fill certain requirements concerning size and operate in certain field, have to begin to declare also their non-financial information along with their financial reports. Many companies, which are affected by this, already report about their responsibility in a specific CSR report or otherwise. The directive had to be implemented in national legislation on 6th December 2016 the latest, thus the reporting obligation starts from the financial year 2017. (European Commission 2016)

Because today corporate social responsibility and reporting about it is largely considered self-evident in every field of business, it might be considered suspicious if a company doesn't have a CSR declaration of any kind. Partly because of this and because of companies' own interests, voluntary CSR reporting is the choice of many organizations. Voluntary reporting is reasonable especially if the company's operations are dependent on public trust, like it is for banks.

In this study, the focus is on the CSR reporting of savings banks. Savings banks are considered to be naturally responsible and sustainable because they traditionally operate locally and they have a strong philanthropic background.

1.1 Objectives, research problems and delimitations

As CSR reporting has become more common, so have the tools for measuring it. Also the number of different recommendations and guidelines for organizations has increased. (Othman & Ameer 2009) The most widely used framework for CSR reporting is the GRI- guideline, which offers principles and measuring tools for economic, social and environmental responsibility reporting. (GRI 201/)

Reporting in banking industry was focused only on financial reporting for a long time. Even when CSR and CSR reporting became popular subject in business and academic research in many fields, these issues didn't seem to be related to banking industry directly because their products and production process were not as closely linked to risks or effects close to CSR issues. (Sarokin and Schulkin 1991; Carnevale et al. 2012) This has changed since then and nowadays banks are strongly related to CSR, both directly and indirectly through the companies they finance. (Thompson & Cowton 2004, Viganò & Nicolai 2009)

Banks are more sensitive to reputational risks than companies in other sectors. Reputation indirectly affects trade relations, which makes banks more exposed to stakeholders' criticism and customers' negative feedback and reactions. (Thompson & Cowton 2009) Good reputation makes it possible for banks to widen their customer base, charge higher fees, have access to high quality customers, arrange better contracts, be more attractive for investors and gain public trust. (Achua Jo 2008)

In the past years there have been numerous studies about CSR disclosure in different branches, but generally not that much attention has been paid towards banking industry, especially savings banks. Now the number of studies examining banks' CSR reports on the Internet has increased, but there still is room for research in this industry. (Kilic 2016)

Banks are commonly thought as institutions of public trust. Transparency and declaring information for customers is important for banks in order to keep their operations going. (Krasodomska 2015) The relationship between the society and banks is close; the trust of the society is important for banks in order to keep operating and the banks' effect on society is significant. Especially savings banks have traditionally been strongly involved in building the society and offering services for everyone.

The purpose of the study is to clarify how European savings banks report about their CSR actions. The study aims to answer the following research questions and sub-questions:

- How do European savings banks report about their CSR actions/ non-financial information in 2015?
    - How GRI –framework is visible in their reporting?
    - Do they emphasize the savings bank ideology in CSR reports?

In this study the aim is to find to out how European savings banks report about their CSR and what's the quality of reporting. The analysing framework is built around economic, environmental and social categories of GRI G4 –guidelines. One of the sub-questions is about finding out how common is the GRI –framework among European savings banks and it's also studied how well the banks report about the different categories. In the other sub-question it is wanted to find out whether the banks of this study emphasize the core ideology behind savings bank operations in their CSR reports.

1.2 Theoretical framework of the study

The theoretical framework of the study is presented in Figure 1. Savings banks are the broad base for the theoretical framework of this study. Savings banks are thought to responsible organizations naturally due to their traditional business model and it could be said that they have CSR in their DNA. The theoretical concept of CSR is introduced through Triple bottom line –theory in chapter 2. The next circle inwards in Figure 1 is CSR reporting, which brings us closer to the actual research problem. The theoretical background for CSR reporting is explained through Stakeholder theory and Legitimacy theory in chapter 3.

After introducing the theories, different legislation, regulation and standards for CSR reporting are also introduced in chapter 3. Moving on to the next circle in Figure 1 we move closer to the empirical part of the study. GRI –framework is an important part of the research problem and it is a focal concept in CSR reporting. GRI –framework is also a core concept in the empirical part of the study. In chapter 4 a comparison and analysis of CSR reports of European savings banks is presented.

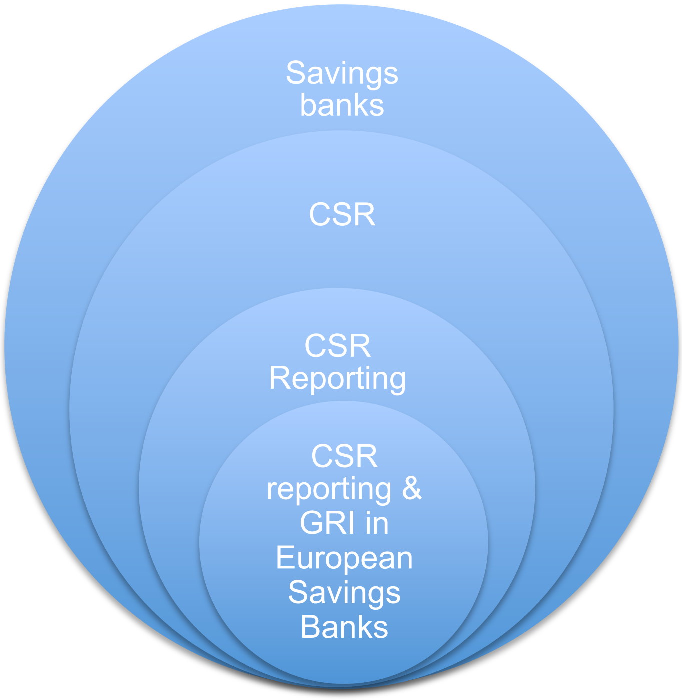

Figure 1. Theoretical framework of the study

2 CSR

CSR has become a popular topic in the recent years even if the concept has its roots way back in the 1920's. (Sharma & Metha 2012) The first notes about CSR can be traced back to 1920's but the in the academia the topic gained interest in the 1950's. (Kallio & Nurmi 2005) According to many scholars, "Responsibilities of the Businessman" by Bowen in 1953 was the first publication to examine the relationship of corporations and the society. In the book it is stated that in order to reach superior performance in the long run, a company has to be conscious of business ethics. (Carroll 1999) It is hard to find an exact definition for the CSR term, because there are numerous different words that are considered to be synonyms for CSR or at least their meaning is thought to be very similar to it. In addition, the descriptions for these terms vary widely, but there are some widely known definitions for CSR that could be seen to summarize the different options.

- "The responsibility of enterprises for their impact on society" (European Commission 2017)
- "Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (World Business Council for Sustainable Development 2017)

For the larger audience CSR became a popular topic in the 1980's. (Kallio & Nurmi 2005) Corporate social responsibility awareness has increased widely among company managers, customers, policymakers and different stakeholders, e.g. investors and shareholders. (Kilic 2016) The increased interest is linked to the globalized business environment, which has revealed different responsibility issues. (Sharma & Metha 2012) A growing part of consumers value responsibility highly and the demands for responsible operations from companies are big. Also the fact that information travels fast today is a contributor in the rise of CSR trend.

Especially NGOs utilize the Internet strongly and through the fast movement of information in the Internet-era the reputation of a company can be easily enhanced or deteriorated. (Kilic 2016) Maintaining a good reputation or improving the company image are examples of reasons for CSR.

Corporate social responsibility is related to the interaction between a company and the society. A company affects the society around it in many ways, but also the society and the environment have an effect on the conditions a company operates within. Usually corporate social responsibility is divided into three parts; economic, social and environmental responsibilities. (Niskala 2013)

2.1 Triple Bottom Line

Triple bottom line is one of the most widely used models for describing CSR. The model was introduced to the larger audience in 1997 in the book “Cannibals with Forks: The Triple Bottom Line of 21st Century Business” by John Elkington. The triple bottom line model divides responsibility into three sectors: economic, environmental and social sustainability. Earlier, only one of these responsibilities was recognized; companies only had to be economically responsible unlike today. (Cornelissen 2011) According to the triple bottom line –model, company should find a balance amidst the three areas of responsibility to be economically profitable, environmentally sustainable and socially responsible. (Van Marrewjik 2003) Nowadays, responsibility and sustainability in these areas is considered to be the base for CSR. The model enhances the thought that it should be possible to measure the success of a company with other indicators than only financial information. Including also environmental and social dimensions is why the model differs from traditional ways to measure profit. (Niskala et al. 2013 17-18) One possible reason why the triple bottom line –model has become so widely accepted, is the development from describing CSR only as philanthropy to expanding its definition into several aspects of a company’s operations. When the responsibility is considered more than a charity, it is more connected to developing new solutions to the problems related to all the three aspects of CSR. (Batenkas 2004)

The model has been also criticised for being vague since there is no clear way to measure the performance in the different dimensions. Many companies might tell that they use the triple bottom line –model in their operations, but there might not be concrete explanations of the operations and about the performance. (Sharma & Mehta 2012)

Figure 2. Three pillars of corporate social responsibility. (Niskala & Tarna 2003, 20 adapted)

2.1.1 Economic responsibility

Basically economic responsibility is in relation to how the financial added value of the business operations is divided between the company and its stakeholders. The salaries paid for the employees, purchases from the suppliers and paying taxes for the society are examples of financial added value that is produced for stakeholders. The economic impacts to stakeholders can also be indirect. For example a business sector's operations' or innovations' effects on the economy on a larger scale are examples of indirect impacts. Also the monitoring the risks inside the company is part of economic responsibility. (Niskala et al 2013, 17-18) Simply put, the economic responsibility can be seen as the impacts the company's operations have on the environment where it operates in.

A more detailed analysis of the triple bottom line model is from Elkington, where the economic responsibility is divided into three parts; economic capital, economic accountability and economic accounting. In short, capital means the value of company's assets with liabilities deducted from it. In a responsible company, the capital should not include only the financial capital, also company's intangible resources, e.g. human capital and social capital, should be attached. Companies are usually obligated to declare their financial performance information for their shareholders in case of limited companies or publish annual reports and accounts in case of public companies. For a long time, the two other sectors of CSR, the environmental and social, didn't get much attention in this kind of declarations. Economic accountability can be seen as a way to include more topics from the other sectors of CSR, e.g. eco-efficiency into company's annual meetings in addition just financial accountability. In short, sustainable accounting can be described as accounting, where the principles of accounting are followed and misleading procedures are avoided. (Elkington 1997, 74-76)

The economic responsibility can be seen as the most important pillar of the three, since being economically viable it possible to perform well also in environmental and social dimensions. Still, in order to perform well economically, a company has to also environmentally and socially responsible. (Van Marrewjik 2003)

2.1.2 Environmental responsibility

Simply put environmental responsibility means minimizing the negative impacts a company might have on the nature. It can be done by conserving nature, water and air and trying to be as efficient as possible in using different energy sources. Also all purchases and produced goods should be evaluated through a environmental friendly way of thinking. (Niskala et al. 2013)

Also environmental responsibility can be seen to consist of three areas; the use of resources, emission levels and possibility of environmental damages or risks. A company should not risk the natural reserves by utilizing them in an irresponsible way and also the emissions should be managed responsibly so that the nature or the people in the operating environment are not harmed in any way. (Danciu 2013) Elkington uses the term natural capital, when talking about environmental responsibility. Natural capital can be seen in two ways; “as critical natural capital and renewable, replaceable or substitutable natural capital”. Critical natural capital is crucial for preserving the ecosystems and life and the renewable capital means capital that can be repaired or replaced for example by using solar-panels instead of fossil fuels for energy generation.

2.1.3 Social responsibility

Social responsibility is considered to be the newest feature of CSR and the discussion concerning it has increased, as is the research. The social responsibility becomes more and more important all the time. The core idea of social responsibility is that a company should aim to have a positive impact on people, e.g. employees, customers or the people living in the community where the company operates in. The impacts a company might have on their stakeholders can be direct or indirect. (Danciu 2013) According to Elkington (1997, 84) any progress made in the environmental responsibility sector could be undermined if the political, social and ethical issues would be failed to address. Social capital is a building block for social responsibility and it can be seen to include human capital, which consists of public health, skills and education, but also in a bigger picture a society’s health and wealth-creation possibilities. For socially responsible company, trust from their stakeholders is crucial in their aspirations for long-term sustainable operations. (Elkington 1997, 85)

2.2 CSR in banking industry

As it was stated earlier, banking industry has not been a noticeable part of the CSR discussion until the past few years. The importance of CSR in banking sector is changing, because both direct and indirect responsibility issues of the industry have received more attention, partly because of the recent financial crisis and the increase of CSR awareness. The financial crisis, which has also been called as a crisis of values and crisis of confidence, has caused an increase in society's expectations for banking industry. Comparing to other economic organizations, banks are nowadays expected to contribute more in forming the aimed socio-economic order and in creating society's wealth. (Krasodomska 2015)

Banks utilize resources that are trusted to them by third parties, thus the base of their operations is on public trust. In banking sector, keeping operational safety is crucial, because they are responsible for efficient risk management and for ensuring a return for the resources that are trusted to them by their depositors. Retaining the operational safety is part of the economical responsibility and it's not important only for the continuity of bank's operations but also, in the bigger picture, for the stability of the economy in whole. (Krasodomska 2015)

Because banks are an important part of the society, the society's expectations affect the social responsibilities the banks have. Thus in order to adjust to the expectations banks, have to take into consideration also the social and environmental impacts to their operations. (Barako & Brown 2008)

Banks are not traditionally thought to have a lot of impact on the environment directly, but by financing different companies they can have an indirect effect. According to Simpson and Kohers (2002, 108) banks don't have to deal with responsibility issues like pollution or product safety, but they still have a legal and social responsibility, because they lend money to companies that might pollute, treat their employees badly or sell products that are not safe. Naturally the environmental impacts of banks can also be good ones if the banks operate in a responsible way both in their primary actions but also by choosing responsible companies to finance in order to have good indirect impacts. For example when banks are trying to find ways to promote environmental responsibility, it could be executed by paying more attention to the usage of energy and paper in the organization itself but also encourage their customers to do the same thing. For example, paper bank statements could be changed into statements in a web bank and the bank could offer financial products that help to fund environmental projects. Also employees could also be engaged in reducing the consumption of energy and paper in the workplace. In addition they could be encouraged to have videoconferences instead of travelling to different meetings and to public transport instead of driving a car. (Krasodomska 2015)

3.2.3 Savings Banks ideology

Savings banks differ slightly from commercial banks since they European savings banks have a “common historical identity comprised of socio-political commitment, regional ties and business relations, especially with people earning lower incomes, small and medium-sized enterprises and regional and local authorities”. Usually savings banks donate some of their profit for supporting the local communities. (WSBI 2017a) According to the Finnish Savings Banks Association savings bank were originally founded in order to serve people with low income and to educate people about thrift. The savings banks ideology is described as “the desire to promote the wellbeing of individuals and communities”. (Säästöpankkiliitto 2017) The business model of savings bank in general thus can be considered to be responsible if they follow these principles.

3.2.4 Socially responsible investing

Like CSR, also socially responsible investing (SRI) has a quite long history, but the topic has become more popular in the past decades. The concept of socially responsible investing has developed during its rather long history but the basic idea has remained the same. According to Arrington (1999) the roots of SRI can be traced back to the 1700s when religious groups restricted their investing in companies, which operated in the areas of distilling, tobacco production or gambling. The more modern SRI concept however began to emerge more strongly in the 1960s, and the first SRI fund was launched in 1971. This fund was created for people, who wanted to avoid supporting the Vietnam War through their investments. (Hawken 2004)

In addition to SRI, there are others terms for describing somewhat the same concept; for example, responsible investing or ethical investing. The definitions for SRI can vary to some extent, but the following definition sums up well the some of the different definitions.

- According to the definition of Social Investments Forum, an association for SRI, socially responsible is investing in companies, that fulfil specific standards for social and environmental responsibility, that try to engage those companies to develop into more responsible corporate citizens and that distribute some of their assets for their community's economic development. (Sethi 2005)

Basically SRI can be defined as investing that includes or excludes stocks of certain company for ethical, social or environmental reasons. At the moment, in 2010s the growing popularity of SRI can be linked to returning the trust on financial markets after the banking crisis (Krasodomska 2015)

3 CSR Reporting

In this chapter the concept of CSR reporting, both in general and in banking sector, and different drivers for both CSR and CSR reporting are introduced and explained with the help of stakeholder theory and legitimacy theory. In addition, regulations and standards concerning CSR reporting are presented.

Like it was stated earlier that there is no single definition for CSR there isn't one for non-financial disclosure, meaning CSR reporting, either. Both the term and the description vary. There are several terms for describing non-financial reporting practices, e.g. social and environmental, sustainability, ethical, triple bottom line and CSR reporting. (Skouloudis et al. 2014) In this study the term CSR reporting is used. One quite common definition for CSR reporting is as follows: "*the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large*" (Gray et al. 1987). According to Gray et al. (1996) CSR reporting is seen to be a continuation for organization's accountability in addition to the traditional duty of producing a financial report for the shareholders. Reporting isn't the only way for a company to communicate their CSR actions, but it can be seen as the most common form of communication, since in the academic world, the largest part of studies on CSR communication concentrates on reporting beside websites. (Birth et al. 2006)

Mathews (1997) claims that the content, but also format and space allocation of company annual reports have gone through visible changes since 1980. During the first phase of reporting non-financial information, starting from the early 1970s, environmental issues were introduced but they were not tied to corporate performance. Social audits, which focused on how the companies performed in terms of respecting their stakeholders, became common in the 1980s. The third phase started in the late 1990s and during that time social auditing became even more important part of reporting because of externally determined and certified standards. (Othman & Ameer 2009)

3.1 Stakeholder theory

The stakeholder theory aims to clarify the relationships between a company and the people and organizations in the company's operating environment. The theory states that a company should not only focus on their shareholders' expectations but also take into account all stakeholders and aim to find a balance in satisfying the needs and expectations of all parties. According to the most widely known definition by Freeman (1984, 52) stakeholders are the groups or people, which have an impact on a company's operations, or the operations have an impact on them. Stakeholders are for example shareholders, employees, customers, investors, general public and the government. (Alniacik et al 2011)

Every stakeholder has expectations towards the company. According to the stakeholder theory, companies try to counter to these expectations by communicating their CSR practices. (Barako & Brown 2008) According to Carroll & Buchholtz (2006) there is a chance that the power of the companies have might weaken if they don't pay attention to stakeholders. Basically this means that by focusing on stakeholder management and dialog, it is possible to build a strong business in the long run.

The stakeholder theory models have evolved through time, and the first models were seen from a "production view" where only two stakeholder groups were presented; suppliers and customers. In this model suppliers were so called inputs and the customers so called outputs. In the later more developed models also managerial features were identified and e.g. employees were included in the model too, since they were recognized as important components for a company's success. (Khan 2010) In 1984 an expanded view on the model was presented, where the stakeholder relationships were shown to be more complex than in the earlier models. In the new model Freeman included different environments, where the companies operate; social, economic and political. In addition, also internal and external stakeholders were identified as different groups. (Freeman 1984) The model is presented in figure 3 below.

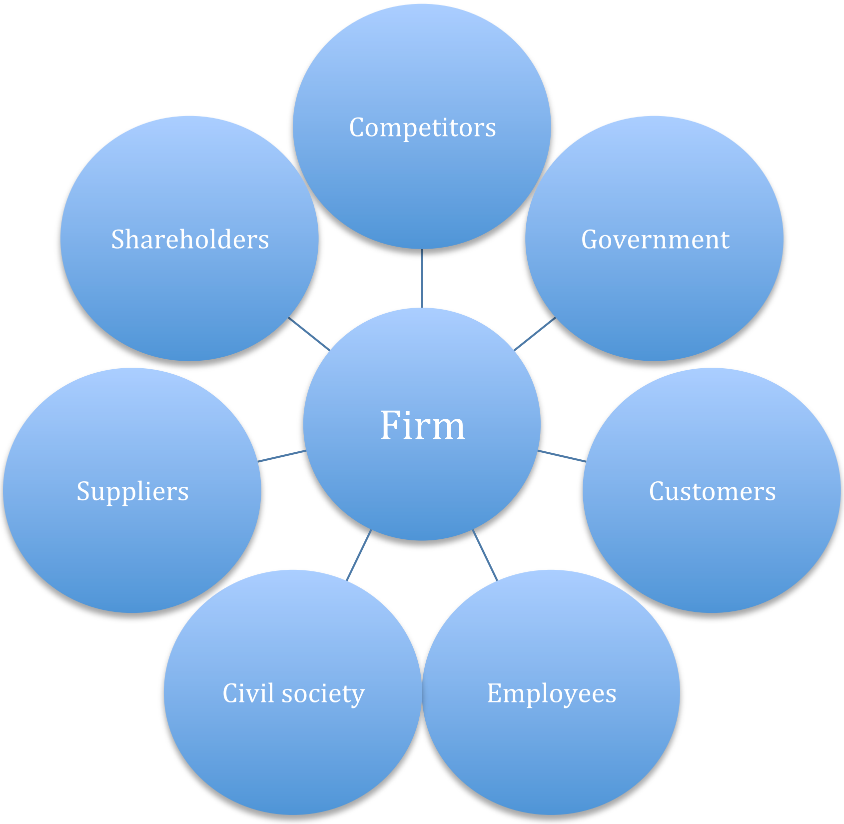

Figure 3. Stakeholder model (Freeman 1984, adapted)

In the stakeholder theory, all stakeholders are considered to be important and the company should try to treat all the stakeholders equally. However, this is very complicated in real life due to limited resources and information. Thus a company should prioritize and find the most important stakeholders and focus on keeping them happy. In the banking industry, the main stakeholder group consists of depositors and borrowers, which have a straight impact on banks' operations and success (Branco & Rodrigues 2006, Khan 2010) Stakeholders are putting an increasing amount of pressure on banks to behave in a socially responsible and ethical way. (Khan et al 2011) This might be linked to the financial crisis and the mistrust towards banks. Publishing a CSR report often works as an answer to these kinds of demands from the customer base.

3.2 Legitimacy theory

In studies related to CSR and CSR reporting, legitimacy is a common topic, because often it is recognized as the result that is wanted from CSR inputs. (Colleoni 2013) One of the most widely accepted definitions for legitimacy in the academia is by Suchman (1995, 575)

- “Generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values beliefs and definitions.”

According to Khan et al. (2011) legitimacy theory can be explained as follows: organizations try to make sure that their actions are seen to fit the borders and norms of their respective societies, in other words, their actions are seen as legitimate. Legitimacy can be defined as a perception that the actions of an organization are appropriate or acceptable according to some socially established values, definitions or norms (Perrow 1970). It has to be taken into consideration that organizational legitimacy is a volatile state, as the general attitudes, opinions and perception of legitimacy can change during time or within different stakeholders, cultures and locations. (Lindblom 1993) Because the society changes and its expectations change along, it might be challenging for a company to follow the changes simultaneously. The situation of not fulfilling the expectation is called a legitimacy gap (Deegan 2002)

Another way of explaining the theory is by Deegan and Unerman (2011). They state that the legitimacy theory is based on a thought, that an organization and the society have a “social contract”. Because of this, an organization engages in CSR reporting in order to legitimize their operations, receive approval from the society in which it operates and to secure their existence in the future too. The social contract includes the infinite expectation that the society has for the organization concerning the way the organization operates. (Deegan 2002)

Basically, a company tries to fit into the value frames or norms of stakeholders in order to gain acceptance. In order to meet the expectations of the stakeholders, a company has to take these expectations or needs into consideration in their business operations.

Suchman (1995) divides legitimacy into three types; pragmatic, cognitive and moral legitimacy. All these type share the assumption that a company's operations are appropriate, but each of these types has a somewhat differing behavioural explanation behind it. All three types can be also divided into sub-types/variants.

Suchman (1995) states that pragmatic legitimacy "rests on the self-interested calculations of an organization's most immediate audiences". In short, pragmatic legitimacy is based on self-interest. It is presumable that the audiences become constituents, which scrutinize the company's actions and through that determines the consequences in practice. (Wood 1991) One rather simple way for explaining pragmatic legitimacy could be term exchange legitimacy, which can be seen as a sub-type for it. This is due to the closeness of the audience to the company and the direct exchanges between them. In addition, there can also be larger political, economic or social interdependencies between the company and the audiences, through which the company's actions affect the audiences' well-being. (Suchman 1995; Dowling & Pfeffer 1975) Another sub-type of pragmatic legitimacy is influence legitimacy, where the constituents accept the company's operations because it seems to serve their larger interests. This usually happens when a company has taken these constituents into consideration in policy-making or the company accepts the constituents' standards as the company's standards. Third type of pragmatic legitimacy is called dispositional legitimacy, which is based on audiences' beliefs about a company. These beliefs might not be built on any concrete knowledge about the company, but rather on more abstract views, e.g. the company seems honest and their values are same as the audiences. (Suchman 1995)

Moral legitimacy is based on the judgments about a company’s actions, whether they “the right thing to do”. In other words, it is based on evaluations of the company’s actions. Moral legitimacy usually has one of the following forms, which are evaluations of the following thins: of outputs and consequences, of technique and procedures or of categories and structures (Suchman 1995; Scott & Meyer 1991)

Cognitive legitimacy is based on cognition, as the term already tells. Cognitive legitimacy is mostly reached in cases of doing things the way that is already seen as legitimate rather than developing new ways of operations. (Suchman 1995)

For example Deegan (2002), claims that legitimacy from the society is one of the reasons why companies do CSR reporting. In some sectors the legitimacy is more important than in other and it shows in the reporting frequency of the sector. In some sectors where the business can a bit controversial or the products might be considered harmful for the society, the voluntary reporting can be purely done in order to receive legitimacy from the society. In some sectors the more harmful companies report more actively than the less harmful companies but it doesn’t apply to all sectors. (Campbell et al. 2003)

3.3 Drivers for CSR reporting

Since the awareness for CSR has increased, also CSR reporting has become more common. Because it has become more common, companies might think that the stakeholders automatically expect CSR reporting from them also. (Kilic 2016) The fact that CSR reporting has become more common over the years is due to general attitudes towards CSR and partly because of regulations. For a long time CSR reporting has been mainly voluntary, but it can also be obligatory or recommended in some situations. There is no clear consensus why organizations are motivated to act responsibly and report about it, but it is widely argued in the academia that organizations, which are responsible and communicate that to their stakeholders, benefit from it both tangibly and intangibly. So, in order to gain the benefits, a company might start CSR reporting. (Bowd, Bowd & Harris 2006)

Today CSR reporting is among the main instruments that companies use in order to keep up a dialogue with the society. (Branco & Rodrigues 2006) The success of a company’s business operations and its continuity in the future are strongly dependent on the way the company’s stakeholders, e.g. customers, the surrounding community and the employees see the company and its responsibility. (Cornelissen 2011) There are different drivers for CSR; it is a way for companies to try to reach economic savings, build legitimacy Arvidsson 2010, Khan et al 2013) and create a good corporate image (Hinson 2011). This can lead to improved competitiveness (Porter 2006) and stimulate brand awareness. The corporate image and reputation have a big impact on the stock price. Responsibility can this way have a clear and significant impact on the company value and performance. (Scharf and Fernandes 2012) Also gaining legitimacy for the business operations from the surrounding society is one reason for starting CSR reporting.

According to KPMG (2008) the motivations for CSR reporting can be divided into economic and ethical factors. Economic factors can be e.g. brand and reputation management, gaining the stakeholders’ trust in order to ensure financing from them, risk management and political influencing. Ethical factors can be for example the well being of the employees, good relations with customers, well being of the community, philanthropy and taking care of product safety. Ethical and economic factors can also blend with each other if a company tries to gain economic success by producing responsible products or marketing their products as responsible.

3.4 Regulations and standards

CSR is mostly regulated through different voluntary instructions and standards. The European Union has also published statements and recommendations concerning CSR, which largely are based on international contracts and declarations by United Nations. For example United Nations' Global Compact is maybe the most well known example of a international contract. It is based on nine principles related to human rights, labour conditions and environment. Also national legislation in many countries concerning CSR is based on these international contracts. (Niskala et al 2013)

According to Niskala et al. (2013, 52) the most essential voluntary instructions and standards can divided into three groups; commitment-like initiatives, standards and instructions concerning operating systems and reporting instructions. Generally the commitment-like initiatives focus on the issues related to responsible business operations, that the companies should take into account. The standards concerning operating systems aim to help organizations with carrying out responsible business operations in practice, through creating operating systems. The most important initiatives concerning operating systems are AA1000S series of Standards (Niskala et al 2013, 53-55). The most widely used reporting instruction framework is the Global Reporting Initiative. (Niskala et al. 2013, 106)

Since CSR reporting has been voluntary for a long time, companies might have seen it as too big of an investment for the benefit they would have gained for it. This is one reason why some smaller responsible companies might no have done the report, even though it would have been a good way for them to gain competitive advantage. On the other hand, some companies report only because they feel like it is basically obligatory even though it isn't. (Bowd, Bowd & Harris 2006)

3.4.1 EU directive for non-financial reporting

A new EU directive on disclosure of non-financial and diversity information (2014/95/EU) came into force in 2014 and it had to be included in member states' national legislation by 6th December 2016. First reports, on financial year 2017, will be published in 2018. The reporting obligation will affect large, over 500 employee, public-interest entities, e.g. listed companies, banks, insurance companies and other companied that are assigned by the state that have over 40 million euro turnover or total assets 20 million euros the least. In the reports, these companies should offer information on the policies, risks and outcomes on at least following topics: environmental, social and employee issues, human rights, anticorruption and diversity in boards of directors. (European Commission 2016) This is a step closer to CSR reporting being more regulated but the guidelines for reporting can be quite loose and the comparability between different reports might not be significantly easier, especially when comparing to reports done by using the GRI –framework.

3.4.2 AA1000 standards

The AA1000 series of standards was created in the early 2000s in order to direct especially ”the process of stakeholder impact” and the authorization of CSR reports. The standards are based on ethical and social accounting so traditional financial operations directions are utilized. (Niskala et al. 2013)

The AA1000 standards are process oriented, which respond to the approach of for example ISO 14001 environmental standard. AA1000 is not defining what is a sufficient level of responsibility in an organization but it rather describes a process that is heading for constant improving and learning. AA1000 standards are not certifiable standards but their principles include operation quality authorization as a central part. (Niskala et al. 2013)

3.4.3 ISO standards

The International Organization for Standardization (ISO) started a project in 2005 for creating a standard for the field of CSR. As a result for the project, the ISO 26000 –standard was created. The standard gives instructions for creating operating system for CSR and is meant applicable for all kinds of organizations both in public and in private sector. According to the standard, CSR concerns the whole organization, it acts as a base for stakeholder relationships and it takes into consideration the needs of the stakeholder groups. (Niskala et al. 2009, 50)

3.5 GRI -framework

The Global Reporting Initiative (GRI) is an independent organization that offers guidance to companies, governments and other organization for understanding and communicating the impact that a business has on sustainability matters, like environmental issues, corruption or human rights. The organization was founded in 1997 in Boston, USA with involvement of following organizations; Coalition for Environmentally Responsibly Economies (CERES), the Tellus Institute and the United Nations Environment Programme (UNEP). First, there was a GRI project department in CERES, which was established in order to improve the framework for environmental reporting, which was created in the early 1990s. The aim for the framework was to create an accountability tool for ensuring that companies followed the CERES Principles for responsible environmental conduct. In 2000 the first version of the GRI Guidelines were introduced to the public and it was the first framework for comprehensive sustainability reporting in the world. (GRI 2017)

The GRI framework (figure 4) is a common reporting standard and the biggest advantage in using the framework is the comparability with other companies' reports. The GRI framework guides the companies to report about the same topics and to report with the same details and focuses. In addition, because of the framework's international influence, the reporting has more meaning, credibility and it is easier to compare it with other reports by different companies, maybe from different countries. (Othman & Ameer 2009) The framework is based on the triple bottom line dimensions and it is then further divided into smaller aspects.

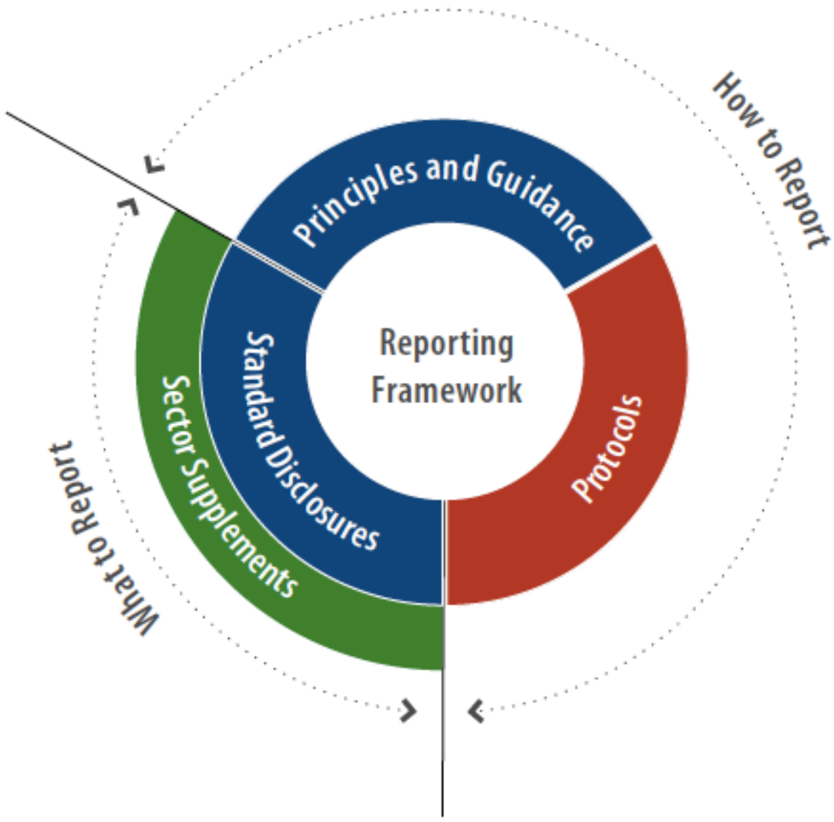

Figure 4. GRI Framework (GRI 2011)

The GRI G4 –instructions consist of Reporting principles, Standard Disclosures and Implementation Manual. The aim of the GRI G4 –instructions is that the general part of the Standard Disclosures is applicable for all organizations that carry out CSR reporting. This general part includes following topics; strategy and analysis, organizational profile, identified material aspects and boundaries, stakeholder engagement, report profile, governance and ethics and integrity. The Specific Standard Disclosures includes disclosures on management approach indicators in different categories; economic, environmental and social. Social category includes following sub-categories; labour practices and decent work, human rights, society and products responsibility. (GRI 2015)

The Reporting principles provide guidance on the content and quality of the report. The content should be designed to match the organization's operations, impacts and the expectations of the stakeholders. The principles for defining the report content consist of the following:

- Stakeholder inclusiveness
  The organization should recognize its stakeholder and gather information about how the organization has responded to their expectations.
- Sustainability context
  The organization's performance should be presented in a wider context of sustainability.
- Materiality
  In the report there should be included aspects like reflection of the organization's economic, environmental and social impacts and also the influence of the stakeholders'' decisions and evaluations.
- Completeness
  The report should include information in a way that the significant environmental, economic and social impacts are presented well and it is possible for stakeholders to evaluate the performance during the reporting period. (GRI 2015)

These principles combined with other content define the focal content of the report and the indicators of the report.

After the content has been defined, the quality of the report should be decided. The principles for defining the quality of the report are the following:

- Balance
  In the report there should be both negative and positive aspects of the organization's performance so a realistic evaluation of the organization's overall performance could be made.
- Comparability
  It should be possible to compare the report to earlier and future reports so the changes in the organization's performance could be analysed.
- Accuracy
  The report should consist of adequately accurate and detailed information so that the stakeholders could evaluate the organization's performance.

- Timeliness

  The reporting should be done regularly in order for the stakeholders have a chance to make informed decisions.
- Clarity

  The reports should be assembled in a way that the stakeholders would be able to understand all the information in the report.
- Reliability

  The report should be prepared carefully in order to ensure the quality and materiality of the report. The organization should gather information, assemble the report and analyse the information there accordingly. (GRI 2015)

  The GRI –framework in figure 4 is divided into two sections: What to report and How to report. The What to report –section gives instructions on the standard disclosures, the basic content of the report and the sector supplements, the different sector specific annex. The How to report – section is about giving instructions and guidance on how to interpret the indicators correctly. (GRI 2015)

3.5.1 Economic responsibility

The economic responsibility consists of the following aspects:

- Economic performance

  Economic performance aspect includes the value that the organization has gained and has distributed.
- Market presence

  This aspect includes the impacts the organization has on its focal market areas.
- Procurement practices

  In the procurement practices aspect the organization should report how much they have utilized local suppliers and how much they have been utilized in the focal market areas. (GRI 2015)

3.5.2 Environmental

The environmental category includes several aspects that focus on different impacts that an organization might have on the environment. The impacts can be due to the organization's use of resources for their daily operations, transportation or production. The aspects in this category are divided as follows:

- Use of resources

  The organization should report the amount of recycled materials used in the production processes. Also the amounts and types of energy and water used in the processes should be declared.
- Biodiversity

  If an organization operates in a protected area of in an area of high biodiversity, it should declare it if there is a possibility of harmful impacts due to the organization's operations.
- Emissions

  An organization should provide information about their direct and indirect greenhouse gas emissions. Information should be provided about the amounts of the gas, the impacts the organization has on the ozone layer and other polluting impacts.
- Effluents and Waste

  If the organization produces hazardous waste, it should declared how much waste is produced and if the amount of the waste has increased or decreased comparing to previous years. Also it should be reported how the waste is disposed.
- Products and Services

  An organization should report how the environmental impact of their products or services has been mitigated during the reporting year.
- Compliance

  If the organization has paid fines or has been sanctioned because of not complying with environmental laws and regulations, it should mention it in the report. Also it could be stated if there has not been any non-compliances.

- Transport

  If there are significant impacts to the environment due to the organization's operations, it should be reported and also how the impacts are going be mitigated.
- Overall

  This aspect should provide information about the expenditure and investments to total protection of the environment, e.g. waste disposal, environmental management and emissions decreasing costs.
- Supplier Environmental Assessment

  An organization should declare information about the percentage of their suppliers that have been chosen based on environmental criteria and about the notable actual or possible impacts of the supply chain and the mitigation plans.
- Environmental Grievance Mechanisms

  Information about how many grievances concerning environmental impacts have been received and resolved during the reporting year. (GRI 2015)

3.5.3 Social responsibility

The Social responsibility consists of the following sub-categories:

- Labour conditions

  In this sub-category it should declared how the employees are paid and how their occupational health and safety are taken care of. Also information about gender equality, education and training should be included.
- Human rights

  In the human rights sub-category the organization should acknowledge the actualization of human rights, prohibition of discrimination and monitor that the local laws and regulations are followed.
- Society

  In this sub-category information on the impacts of the organization to the society should be provided. It includes things like monitoring their suppliers' operations and that the local rules and laws are followed.

- Product responsibility
  The organization should provide information on taking care of customers' health and safety, ensuring that the product information is correct and that the customers' privacy is protected. (GRI 2015)

3.6 CSR reporting in banking sector

The importance of CSR issues has grown significantly in the banking sector (Callado-Munoz & Utrero-Gonzalez 2011), thus CSR reporting trend has also taken place there. (Garcia & Garraza 2010) According to Viganò and Nicolai (2006) European banks were considered to be relatively slow in adopting the idea of sustainability even with their uncertain role in the economy as a mediator. But in the 1990s European banks began to pay more attention to environmental and social sustainability. At first the research focus was on the responsibility issues and risks related directly to banks and to their actions. Later on there began to be more focus also on indirect risks, such as banks' reputation and responsibility. These risks were related for example to banks' lending activities and to the banks' responsibility of their customers. When earlier risk management was generally focused on financial risks, after CSR became a more important topic in banking sector, also social and environmental consequences of lending and other activities were taken into consideration more. (Viganò & Nicolai 2006)

The reason why there is a limited amount of studies on CSR reporting in the banking industry might be because for a long time banks were not seen to have a big role in environmental pollution, energy shortages, occupational accidents or other socially disastrous events. (Sobhani et al. 2012; Kilic et al 2015) Nonetheless banks' lending and investment practices can be seen as important environmentally as the practices of companies in more polluting branches (Branco & Rodrigues 2006)

4 EMPIRICAL STUDY – CSR REPORTING IN EUROPEAN SAVINGS BANKS

The empirical part of the study was carried out by examining the CSR reports of the 16 banks that were chosen to be a part of the study. The CSR reports are secondary data that is downloaded from each bank's website. When examining the data, the focus was on finding out how GRI –framework was visible in the reports; whether it was as common reporting framework among savings banks as it is among other sectors. Another aim in examining the reports was to learn whether the banks clearly emphasize the savings bank ideology in their reports. This chapter presents the research method used in the study and discussed the validity of the study.

4.1 Research methodology

The research methodology used in this study is qualitative study where the information for the empirical study is gathered by using secondary data from the chosen banks. The research plan has developed and changed during the writing process of the thesis, which is typical for this type of study. Also, the CSR reports used in the study are chosen systematically according to a qualitative research method. (Hirsjärvi et al., 2009, 16)

Secondary data in the form of CSR reports from different banks was used in this study. CSR report in this study can be a separate report about bank's CSR practices, a report about GRI index or a section concerning CSR in the bank's annual report or equivalent. The practices vary largely since there is no clear definition of a CSR report. Also the name of the report or section varies between different banks. For example, the following terms were used in the examined reports: Corporate social responsibility, social contribution and sustainability. The reports were analysed by doing a content analysis. The banks for benchmarking were chosen from the list of European members of The World Savings and Retail Banking Institute (WSBI). The members of WSBI are banks or bank associations. (WSBI 2017) WSBI has 28 European members and 17 of them had published a CSR report or there was clearly a section for CSR in their annual report or equivalent in the year 2015. The reports that were published in English were included in the benchmarking. There were 16 reports in published in English and one only in French.

4.2 Introduction of the companies

The case companies are from the member list of World Savings and Retail Banking Institute and can be seen in Table 1. All the companies are from the European section of the list. Some of the members are single banks and some of them banking groups or bank associations, which explains partly the differences in case companies' sizes. The companies differ quite significantly in their size thus it is expected that the quality of the CSR reports differ in quality. It is expected that the bigger companies with larger resources have more comprehensive and detailed CSR reports, since they probably have also higher expectations from their stakeholders. Also the country where the bank is situated might affect the CSR reporting, because for example in France, it is obligatory by law for public companies to publish CSR reports. Below, in Table 1 one can find the case companies, organized by size, from biggest to smallest.

Table 1. WSBI's list of European members

Organization's name	Country	Assets 20145(M EUR)
Fédération Nationale des Caisses dÉpargne (FNCE)	France	1 173 200,00
Banque Populaire – Caisse d'Epargne (Groupe BPCE)	France	1 166 535,00
Deutscher Sparkassen – und Giroveband e.V. (DSGV) German Savings Banks Association	Germany	1 145 300,00
Swedbank	Swedbank	219 577,85
Belarus Bank	Belarus	98 111,62
De Volksbank	Netherlands	62 690,00
Banque et Caisse d'Epargne de l'Etat (BCEE)	Luxembourg	42 811,47
Montepio Geral	Portugal	21 145,22
Lloyds Banking Group	United Kingdom	14 192,69
Slovenska Sporitelna AS	Slovakia	13 980,00
Cecabank	Spain	959,58
Bank of Valletta Plc	Malta	9 901,96
Säästöpankkiliitto (Finnish Savings Bank Association)	Finland	9 200,00
Public Joint Stock Company "Stat Savings Bank of Ukraine"	Ukraine	5 376,26
Banka Kombetare Tregtare	Albania	2 436,30
Kapital Bank	Azerbaijan	1 057,76
Caixabank	Spain	344,26
Associazione di Fondazioni e di Casse di Risparmio Italiane (ACRI) (Association of Italian foundations and savings banks)	Italy	206,18
Caixa Geral de Depósitos	Portugal	100,90
Ceska Sporitelna AS	Czech Republic	36,24

OTP Bank Plc	Hungary	34,73
Coordination of Belgian Savings and Network Banks	Belgium	-
Lokale Pengeinstituter	Denmark	-
International Association of Collateral and Social Credit (PIGNUS)*	Spain	-
Finance Norway	Norway	-
Austrian Savings Banks Association	Austria	-
Sparbankernas Riksförbund (Swedish National Savings Banks Organisation)	Swedish	-
Icelandic Savings Banks Association	Iceland	-

4.3 Analysing framework for the empirical study

The framework for analysing the reports was built around indicators of the GRI G4–framework. GRI framework consists of economic, social and environmental categories. The categories can be divided further into sub-categories or different aspects. In addition to the original GRI G4 –framework, there are some sector specific modifications in the aspects or there have been added new aspects in order to adapt it better to the sector. (GRI 2013)

In this study, the reports use different kinds of frameworks and thus not all the GRI G4 sub-categories or aspects are included directly into the analysing framework, but they have been combined and the reports have been analysed in a more holistic way. The sub-categories and aspects in the analysing framework have been chosen mostly based on the sector specific modifications or additions that are introduced in GRI G4 Sector disclosures for financial services. (GRI 2013) The analysing frameworks have been modified this way in order to make it easier to compare the reports that are built differently and might declare different kind of information.

The quality of the reports was evaluated in the following way; the reports were read thoroughly in order to find mentions of the categories and aspects of the analysing framework. After the quality of the findings was evaluated each was given a grade; comprehensive, concise or -.

- **Comprehensive**

There are several issues mentioned related to the category and the company has provided some practical examples for the actions, e.g. numeric data or detailed information about their operations and their effects. For example if the company declares that they have decreased their greenhouse gas emissions by 5% comparing to previous year and they have done it by choosing videoconferences instead of driving to a conference, it is considered to be comprehensive reporting.

- **Concise**

The company has mentioned something about the category but hasn’t provided any practical or clear examples. For example, if the company mentions that they have been participating in the local community by doing charity work but they don’t share more information about it, it is considered to be concise reporting in this study.

- \-

Not mentioned at all in report or it is not mentioned clearly.

4.3.1 Economic responsibility

The economic category in this study consists of following aspects: economic performance, procurement practices and indirect economic impacts. The criteria for this study have been simplified from the original criteria.

In this study the aspect of economic performance means information about the economic value that the company has generated and distributed, for example in form of investments locally. Investment can be concrete investments measured in money or for example offering an opportunity for employees for volunteer work in the community. Also general mentions about the economic performance were included to this aspect.

In the aspect of procurement practices there should be information about what kind of suppliers or products the company chooses to purchase. Usually this aspect focuses on locality of the suppliers and the purchases are either rather big or they are frequent.

Indirect economic impacts in this study are rather loosely defined. The indirect economic impacts could be for example impact on the local community through charity work or education, employing people in the community or utilizing local services.

4.3.2 Environmental responsibility

In the environmental responsibility category the aspects of emissions, effluents and waste and supplier environmental assessment were chosen to be a part of the analysis.

The emissions in this case are the emissions that result for example from travelling to conferences, commuting to work or purchases made for the company. Also the heating and other energy systems in the work place are included in this category.

Effluents and waste are the waste that stems from the company’s operations. This category includes for example information about recycling, energy recovery, reusing machinery or other related to the company and paper usage in the company. Also the actions are visible to the customer are included in this category. For example incentives towards internet services instead of paper bank statement can be included in this category and if the company’s products, like credit cards, somehow are designed in a way that produces less waste.

Supplier environmental assessment includes different evaluations of the environmental performance of the supplier before choosing one for the company.

4.3.3 Social responsibility

The social responsibility category has four sub-categories and to those four sub-categories one sector specific aspect is chosen. The sub-categories are labour practices and decent work, human rights, society and product responsibility.

For the labour practices and decent work –sub category, the aspect of occupational health and safety –aspect was chosen. The aspect includes different issues related to employees safety and health in the workplace. For example the evaluation of overall safety of the workplace, the general health condition of the staff and the ways the company supports their health and safety are included in this aspect.

Investment was the aspect that was chosen for the human rights sub-category. This section includes information about investment and other agreements that include evaluation concerning human rights.

In the society sub-category, local communities were chosen to be the aspect. The things that can be included under this aspect are for example accessibility of the banking service for everyone, including disabled people, people with low-income and people living in low-populated places. Also all the charity work and investments in the local community are included to this aspect in this study. For example educating people, organizing different events, offering internships or mentoring and sponsoring sport teams or local art are considered to be a part of getting involved in local communities.

Product responsibility sub-category has product portfolio as the aspect for the analysis. This means information about the banks' products and their responsibility. For a bank this could mean information their loans and investments;

whether there environmental or social responsibility criteria in evaluating in lending or in choosing a investment fund or equivalent to be in their product selection.

4.4 Frameworks for CSR reporting

In Table 2 the list of The World Savings and Retail Banking Institute's (WSBI) European members is presented. In this table, all the members are listed and it is stated whether they have published a CSR report in the year 2015 or not. If a CSR report is published, it is marked either combined or separated, depending on whether the report is integrated into the company's annual report or equivalent or it is a separate publication. Next in the table it is marked whether the company uses GRI as a framework for the report or not.

Table 2. WSBI members' CSR reporting in 2015

Bank	CSR report published	Combined	Separate	GRI	Other
Fédération Nationale des Caisses dÉpargne (FNCE)	X		X	X	
Banque Populaire – Caisse d'Epargne (Groupe BPCE)	X	X		X	X UNGC
Deutscher Sparkassen – und Giroveband e.V. (DSGV) German Savings Banks Association	X		X	X	
Swedbank	X		X	X	X UNGC
Belarus Bank	X	X			X
De Volksbank	X	X		X	
Banque et Caisse	X	X			X

d'Epargne de l'Etat (BCEE)					
Montepio Geral	X	X			X
Lloyds Banking Group	X	X			X UNGC
Slovenska Sporitelna AS	X	X			X
Cecabank	X	X			X
Bank of Valletta Plc	X	X			X
Säästöpankkiliitto (Finnish Savings Bank Association)					
Public Joint Stock Company "Stat Savings Bank of Ukraine"					
Banka Kombetare Tregtare	X	X			X
Kapital Bank					
Caixabank	X		X	X	X UNGC
Associazione di Fondazioni e di Casse di Risparmio Italiane (ACRI) (Association of Italian foundations and savings banks)					
Caixa Geral de Depósitos	X		X	X	X UNGC
Ceska Sporitelna AS	X	X			X
OTP Bank Plc	X		X	X	
Coordination of Belgian Savings and Network					

Banks					
Lokale Pengeinstituter					
International Association of Collateral and Social Credit (PIGNUS)*					
Finance Norway					
Austrian Savings Banks Association					
Sparbankernas Riksförbund (Swedish National Savings Banks Organisation					
Icelandic Savings Banks Association					

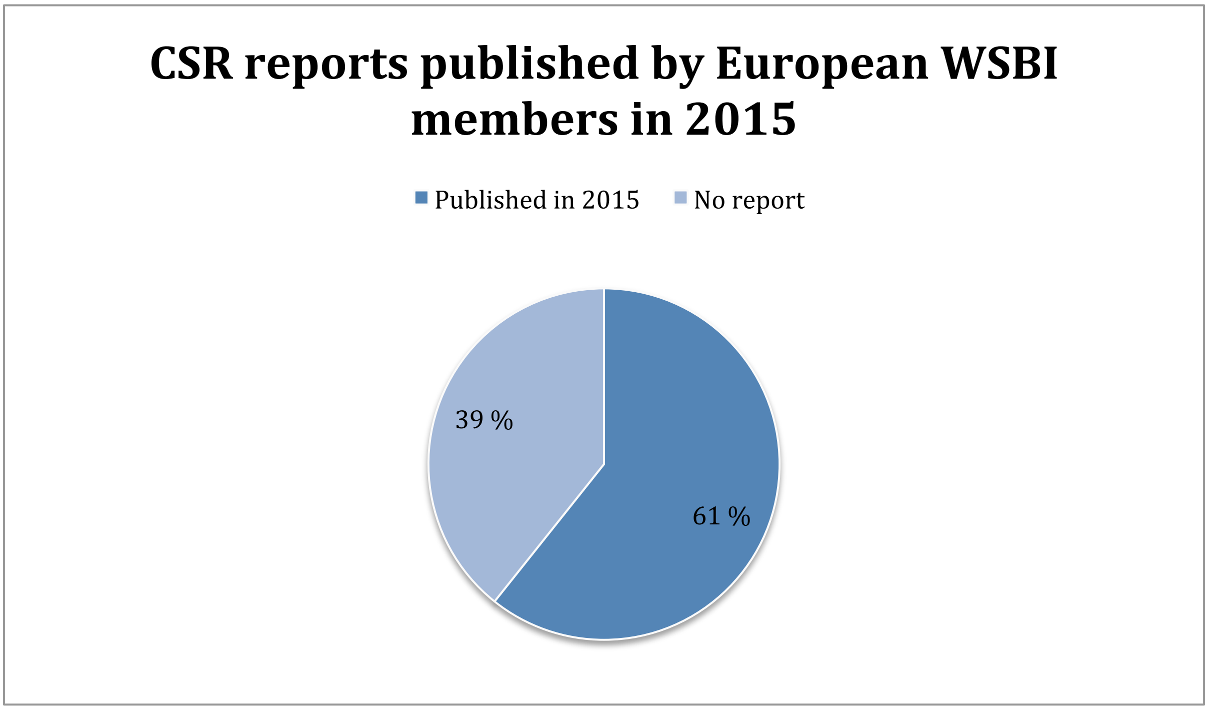

Figure 5. CSR reports published by WSBI members in 2015

As one can see both from table 1 and from figure 5, 61 % of the WSBI's European members published a CSR report in the year 2015. Some of the members that did not publish a report are bank associations, which consist of multiple banks that have published their own CSR reports, which are not included in this study. For example the Norwegian savings bank association Finance Norway has several members that publish CSR reports. The relatively low number of published reports is not very surprising due to the fact that there the earlier mentioned bank associations included in the study but also because some of the banks are quite small in size, which has often decreased the likelihood of reporting. Usually smaller organizations don't face as much demands for reporting from their stakeholders or in forms of regulations. Also the smaller resources the companies have impact on the probability of reporting.

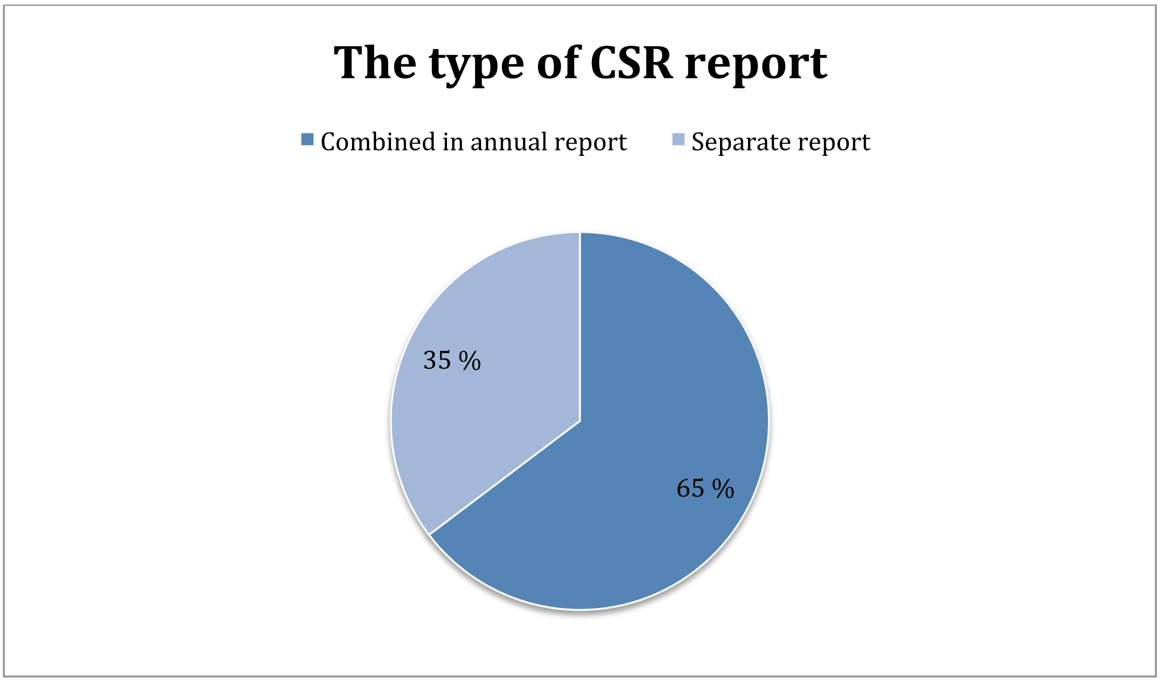

Figure 6. The type of CSR report

In figure 6, it is presented that clearly the biggest part, 65 %, of the CSR reports were integrated into the companies annual reports or equivalent. This is a trend that is becoming more and more common because it is seen to integrate the CSR issues better into the company's long-term strategy. (OECD 2014) One reason for the high number of integrated reports in this study is that also a chapter in annual report concerning CSR is included as CSR report. Other than that, the popularity of the combined report might be the fact that some of the banks quite small, which often means a smaller investment on CSR reporting and combining a section about CSR in the annual report might be an easier option for them.

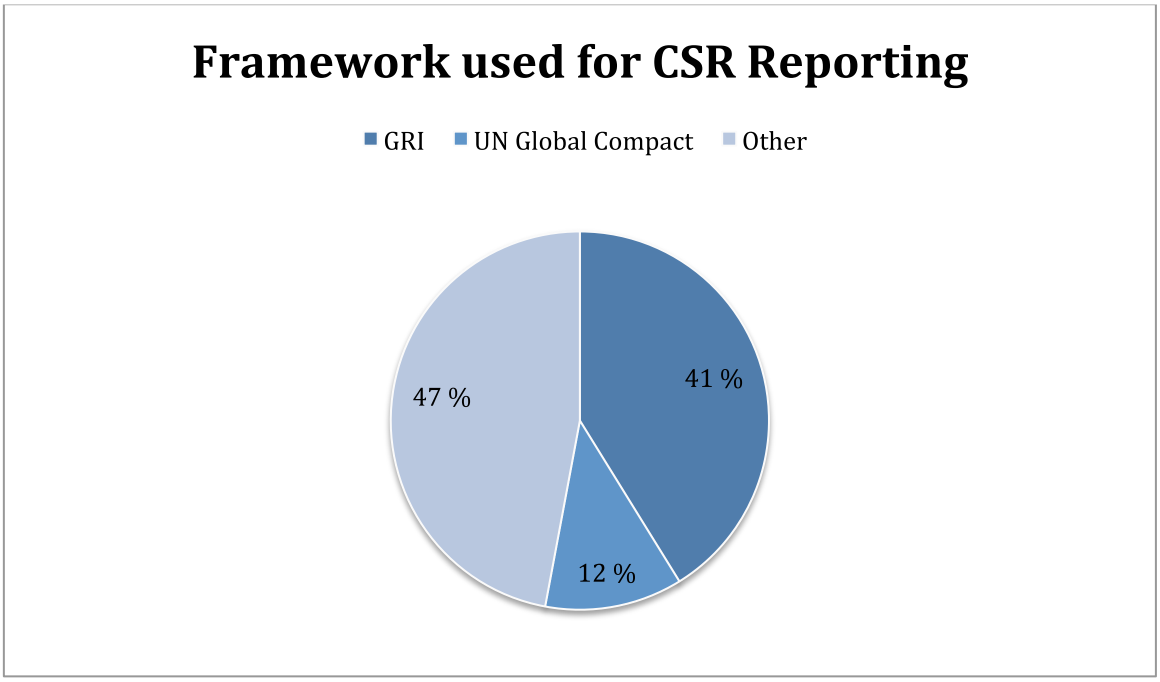

Figure 7. Framework used for CSR Reporting

In figure 7 the frameworks utilized in the CSR reports are introduced. It is surprising to notice that in only 41% of the reports GRI –framework was used even though it is the most common reporting framework in the world. This made the comparison between the reports a bit challenging, since the reporting themes and ways to present information varied largely. It was expected that many reports would be built around the triple bottom line or something close to it, but several reports had their own frameworks for reporting or their own way of declaring the information based on the themes they focus on their operations.

United Nations' Global Compact was mentioned in several reports and it was often used alongside with GRI –framework in the same report, but in the figure 7 only the cases are marked under “UN Global Compact” where Global Compact was the only framework mentioned in the report.

Generally the reports where GRI –framework was used offered more information for this study and they were more detailed. Some of the other reports offered a lot information too, but it wasn't as clearly declared as it was in the reports with GRI –framework or it didn't fit into this study's evaluating framework, which was built around GRI –framework. The banks that use the GRI –framework were often from countries were the savings banks have traditionally been quite big and popular; Germany, Spain, France and Sweden. (WSBI 2017b) This can explain partly the quality differences of the reports.

4.5 Economic

In the economic responsibility-reporting category, the differences are quite big between the companies as one can see from Table 3. Others report comprehensively about all three aspects and others perform weaker in almost all of them. It could be said that there is a connection visible between the quality of the reporting and the framework used in the report. Roughly said, the banks that used GRI –framework in their CSR reports have been reporting more comprehensively on almost all aspects of the economic responsibility category.

Table 3. Reporting of economic responsibility in 2015

Company	Economic Performance	Procurement practices	Indirect economic impacts
Groupe BPCE	Comprehensive	Comprehensive	Comprehensive
DSGV	Comprehensive	-	Comprehensive
Swedbank	Comprehensive	Comprehensive	Comprehensive
Belarus Bank	Comprehensive	-	Concise
De Volksbank	Comprehensive	Comprehensive	Comprehensive
BCEE	-	-	Concise
Montepio Geral	-	-	Concise
Lloyds Banking Group	Comprehensive	Comprehensive	Comprehensive
Slovak Republic	Comprehensive	Concise	Comprehensive

Slovenska Sporitelna AS			
Cecabank	Comprehensive	Comprehensive	Comprehensive
Bank of Valletta Plc	Concise	-	Comprehensive
Banka Kombetare Tregtare	-	-	Concise
Caixa Geral de Depósitos	Comprehensive	Comprehensive	Comprehensive
Caixabank	Comprehensive	Comprehensive	Comprehensive
Ceska Sporitelna AS	Comprehensive	-	Comprehensive
OTP Bank Plc	Comprehensive	Concise	Comprehensive

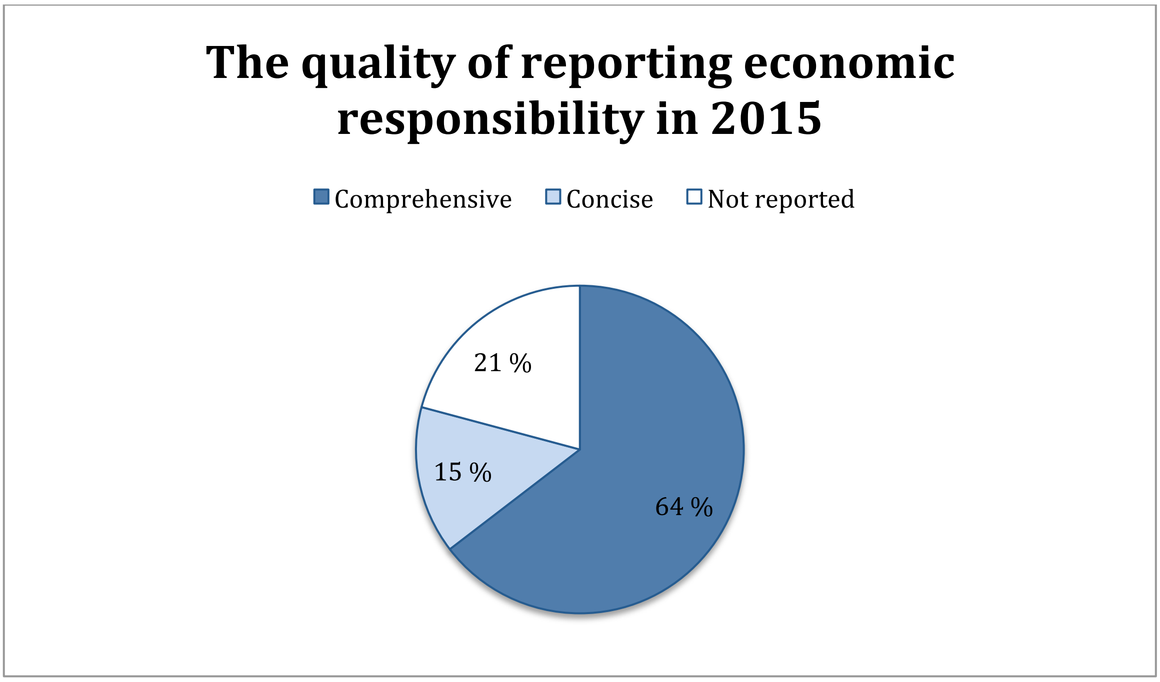

Figure 8. The quality of reporting economic responsibility in 2015

When looking at figure 8, it can be seen that the overall quality of reporting in the economic sector is good, in fact the best out the three categories in this study. The aspect that was reported the weakest was the procurement practices aspect. If the report was done by using GRI –framework, where the procurement practices is one the aspects, it was unlikely to find comprehensive reporting about it.

4.6 Environmental

In the environmental responsibility category, which is shown in Table 4, the connection with the GRI –framework is not that clear. Many of the banks that use GRI in their reports, Groupe BPCE, Caixabank, Caixa Geral de Depositos and Swedbank report very well in this category also but for example DSGV and Cecabank performed very weakly.

Table 4. Reporting of environmental responsibility in 2015

Company	Emissions	Supplier Environmental Assessment	Effluent and Waste
Groupe BPCE	Comprehensive	Comprehensive	Comprehensive
DSGV	Concise	-	-
Swedbank	Comprehensive	Comprehensive	Concise
Belarus Bank	-	-	-
De Volksbank	Comprehensive	Comprehensive	Comprehensive
BCEE	-	-	-
Montepio Geral	-	-	-
Lloyds Banking Group	Comprehensive	Comprehensive	Comprehensive
Slovak Republic Slovenska Sporitelna AS	Concise	Concise	Concise
Cecabank	-	-	-
Bank of Valletta Plc	Comprehensive	-	Comprehensive
Banka Kombetare Tregtare	Concise	-	Concise
Caixa Geral de Depósitos	Comprehensive	Comprehensive	Comprehensive
Caixabank	Comprehensive	Comprehensive	Comprehensive

Ceska Sporitelna AS	Concise	-	Concise
OTP Bank Plc	Comprehensive	Concise	Comprehensive

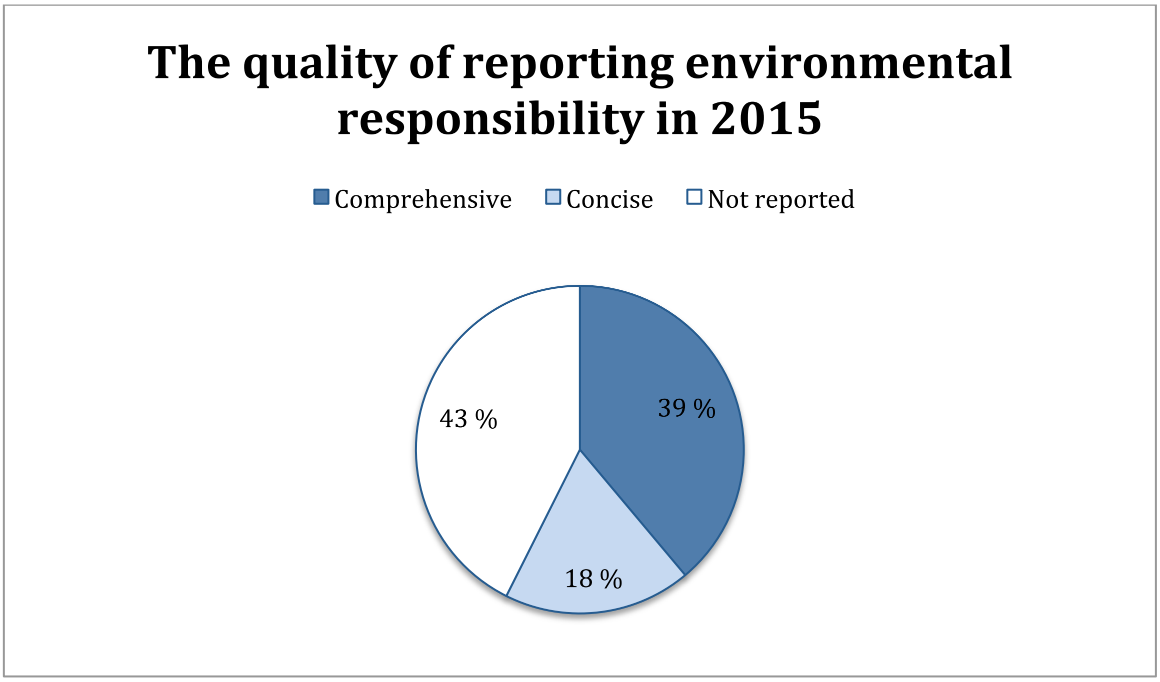

Figure 9. The quality of reporting environmental responsibility in 2015

The environmental responsibility category is the weakest of the three, as can be seen from figure 9. This might be due to the fact banks do not have a big influence on the environment through their business operations directly and thus the banks don't feel the need to report about it very comprehensively. Also in this category the banks using GRI –framework reported quite well but a couple of other banks, e.g. Lloyds Banking Group and De Volksbank, declared comprehensive reports. The weakest aspect in this category was the supplier environmental assessment, which can be linked to procurement practices –aspect under economic responsibility category, which was also reported quite poorly in general. It might be due also to the operating sector since the banking sector doesn't utilize supplier in the same scale as some other companies might do.

4.7 Social

In table 5, it can be seen that in the social responsibility category, the aspect of local communities was clearly the most thoroughly reported and product portfolio was the second best. It might be because these aspects are more clearly related to the business operations of banks. Human rights category was the weakest of the four, maybe because the definitions of the other three are related to more general topic in business.

Table 5.Reporting of social responsibility in 2015

Company	Labor pratices and decent work • Occupational Heath and Safety	Human rights • Investment	Society • Local Communities	Product Responsibility • Product Portfolio
Groupe BPCE	Comprehensive	Comprehensive	Comprehensive	Comprehensive
DSGV		Comprehensive	Comprehensive	Comprehensive
Swedbank	Concise	Comprehensive	Comprehensive	Comprehensive
Belarus Bank	Concise	Concise	Comprehensive	-
De Volksbank	Comprehensive	Comprehensive	Comprheensive	Comprehensive
BCEE	-	-	Concise	Concise
Montepio Geral	-	-	Comprehensive	-
Lloyds Banking Group	Comprehensive	Comprehensive	Comprehensive	Comprehensive
Slovak Republic Slovenska Sporitelna AS	-	-	Comprehensive	-

Cecabank	Comprehensive	Comprehensive	Comprehensive	Comprehensive
Bank of Valletta Plc	Concise	-	Comprehensive	Concise
Banka Kombetare Tregtare	Concise	-	Concise	Concise
Caixa Geral de Depósitos	Comprehensive	Comprehensive	Comprehensive	Comprehensive
Caixabank	Comprehensive	Comprehensive	Comprehensive	Comprehensive
Ceska Sporitelna AS	Concise	-	Comprehensive	Comprehensive
OTP Bank Plc	Comprehensive	Concise	Concise	Comprehensive

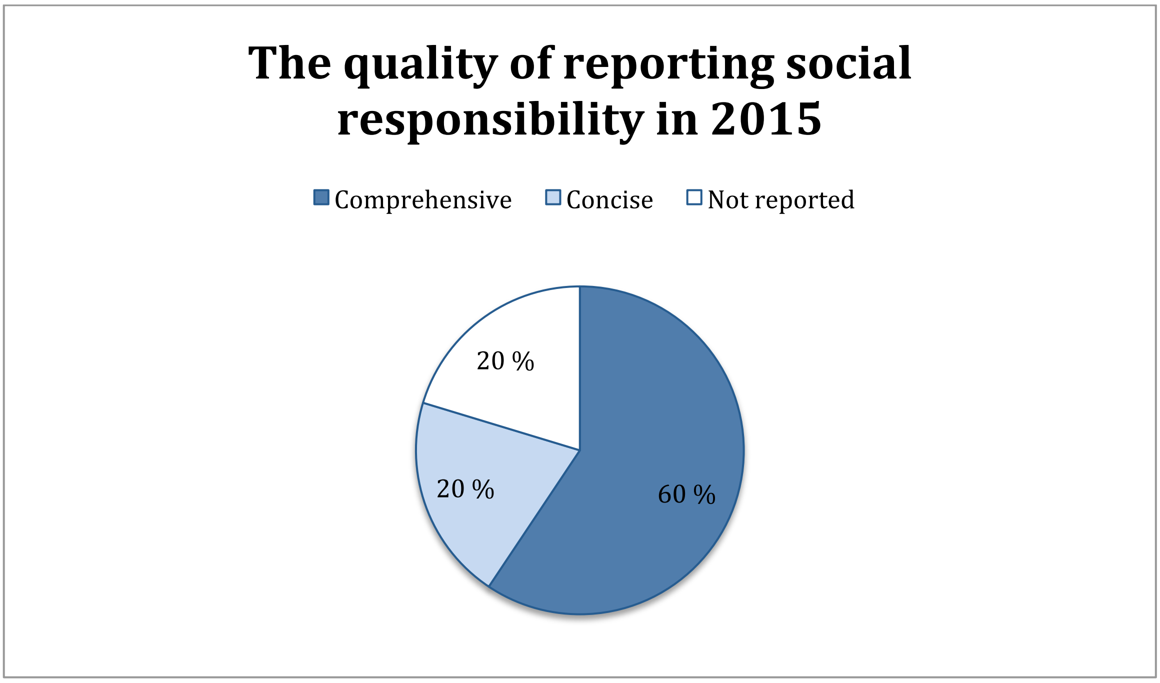

Figure 10. The quality of reporting social responsibility in 2015

Tin figure 10 it shows that the reporting in social responsibility category was quite good, the local community aspect being the most well reported aspect. Supporting local communities is a crucial part of the savings banks ideology, so it is not a surprise that the banks share a lot of information about that aspect. Many banks reported comprehensively about their charity work and investment made in the local community in form of education, sponsoring local sports teams or culture and offering internships or jobs for local students. The product portfolio aspect was also well reported, maybe because it concerns the products banks are offering for the clients so this aspect is crucial to the business operations, thus banks feel it is important to report about it.

4.8 Savings bank -ideology

In addition to the economic, environmental and social responsibility categories in the CSR reports, it was also analysed whether the banks emphasize the savings banks ideology in their reports. When analysing the reports, it was aimed to find out if the banks mention the identity, ideology, idea or tradition behind the savings banks in the CSR reports. The ideology could be of course read between the lines of the report, because the business model of savings banks is sustainable itself and there are some legal requirements for operations that are considered to be responsible, but in this case the focus was on finding out if the savings banks ideology is utilized as an advantage in CSR reporting.

The local communities aspect under the social responsibility category in the previous chapter showed that the banks do report about their actions for supporting the local community, which is a typical activity for savings banks. Still, there wasn’t too many mentions or references to the savings banks –ideology behind these operations. Here some mentions from the reports are presented:

- Ceska sporitelna mentions that CSR is “an integral part of our business and permeates all of our activities”. Still, there is no mention the savings bank ideology or tradition.

- Caixa Montepio Geral mentions “the tradition, solidarity and solidity on which it was constructed and that has always defined CEMG over its more than 170 years of history”, but it is not situated under the CSR section of the annual report.

- Groupe BPCE mentions the long history of savings banks and their core values; “local presence, facilitating access to banking services and supporting local economic and social development”. With the intention of promoting these values, Groupe BPCE (Banque Populaire and Caisses D’Epargne) adopted the French Corporate Social Responsibility Guidelines for 2014-2017. In this case the savings banks ideology is clearly linked to the CSR concept.

- Lloyds Banking Group introduces their “Helping Britain prosper” –programme, in which they mention their commitment for sustaining “the traditional values of customer service and community support, the foundations on which the Group has been built”.

- Swedbank declares the following in their website: “Swedbank has its historical roots in the savings bank movement and acts in many respects in accordance with the fundamental savings bank ideology, being a bank for everyone and with strong links within the local community.” (Swedbank 2017) This is a clear mention of the savings banks ideology, but it’s not in the CSR report or even under Sustainability –section of their website, but under History.

It can be stated that only Groupe BPCE and Lloyds Banking Group clearly emphasize the savings banks ideology in their CSR reports. Other banks like Swedbank and Caixa Montepio Geral do mention the savings banks tradition but these statements are not in banks’ CSR reports but elsewhere in their websites. Many other banks have mentioned things that can be linked to the savings banks ideology, but it hasn’t been clearly stated.

It is surprising how little the basic idea of the banks' operations is emphasized and utilized in the CSR reporting. Maybe the ideology is not enhanced because the banks are confident that the ideology comes through when they report about their CSR actions otherwise, without mentioning the savings banks ideology itself. It can be also taken for granted that the stakeholders already know the roots and basic principles of the savings banks model. Of course the actions, e.g. participating in the local community, are reported, but the fact that savings banks have strong tradition in responsible business and it is not highlighted is unexpected.

It would be great benefit for the savings banks to be able to the savings banks ideology that is considered to be truly and naturally responsible, since having the public trust is crucial for banks. Bringing out the savings banks ideology would be a great way to highlight the fact how much savings are banks involved in the community and how important they are for the society. This would differentiate them from commercial banks, and would work as a competitive advantage. Nowadays when responsibility is becoming more and more a way to gain customers and manage a company's reputation highlighting the savings banks ideology would be a way to build a responsible image without it seeming like “green washing”.

5 CONCLUSIONS

In this chapter the answers to the research questions and the conclusions are summarized. Also the limitations of the study and possible future research topics are presented.

5.1 Answers to research questions

The aim of this study was to find out how European savings banks report about their corporate social responsibility in the year 2013. It was also examined how well they reported about different categories and what quality of the reporting was like. There were also two sub-research questions for the study. The first was one was about the visibility of the GRI –framework in the CSR reports and the second one was about the visibility of the savings banks ideology in the reports.

In this study the CSR reports of 16 European savings banks were examined by using a content analysis, which is a qualitative research method. The banks were chosen from the member list of World Savings and Retail Banking Institute. There are 28 European members on the member list, but only 16 banks had published a CSR report of some kind in English. The reports were separate reports or combined in the annual reports or equivalent reports that were possible to download from each banks' website. In this study also a chapter in an annual report was considered to be CSR reporting.

At first in was studied whether the banks have CSR reporting at all, and then it was examined which framework they use. Surprisingly low number, 41% of the companies used GRI –framework. Often in the same reports where GRI was used, it was also mentioned that the bank follows the principles of the United Nations' Global Compact (UNGC). One company mentioned only UNGC in their report. Other than that, 47% of the companies didn't use a specific framework for reporting or they had built the report using their own guidelines. Because the banks used different kinds of frameworks for reporting or didn’t use a framework at all, it has challenging to compare the report.

Next the quality of the report was examined with the help of an analyzing framework of this study. It was built around the GRI –framework’s indicators, which include economic, environmental and social responsibility categories with several sub-categories or aspects for more detailed information. In the evaluation the reporting could receive one of the following grades: comprehensive, concise or -, if it was not mentioned at all or there very vague information provided. Comprehensive means in this study that there was some detailed or practical information with about the issue, like numerical information. Concise means that the issue is mentioned and there is something vague told about it, but not anything very concrete.

Overall the reporting in all categories was quite good. The category that was reported with the highest quality was the economic responsibility category, which is not surprising. The second best category was the social responsibility category. It seems like especially the sub-category “Society” with “Local communities” aspect affected significantly the overall quality of the reporting in the social responsibility category, since savings banks are active in their communities and supports them quite a lot. The weakest category was environmental responsibility. This could be because the banking sector is still not seen as very significant factor for the environment. The banks that reported about environmental responsibility did it well, but then there was several banks that didn’t report anything about which lowers the quality of the overall reporting of the category.

There was a clear connection with the use GRI –framework in the reports and higher quality of reporting. There were some exceptions but it could be said that the banks that used GRI –framework in their reports provided more, and more detailed information. This is understandable and expected since in this study the analyzing framework was built based on GRI –framework. The GRI frameworks were found usually in the reports of banks from e.g. France, Spain and Germany, where savings banks are quite popular and big.

The second sub research question was whether the banks emphasize the savings bank ideology in their CSR reports. Savings bank ideology basically means the way savings banks have traditionally been providing services for everyone, also people with lower income, and their active participation in supporting the community they operate in. This usually means things like charity work, educating people and sponsoring local organizations. Many of these things are visible in the CSR reports under the social responsibility category and the local communities aspect, but there was almost no mentions about the savings bank ideology or tradition in the CSR reports. Some banks mention it in other parts of the report or in their website in the history section or equivalent, not in the CSR or sustainability section of the website. This was surprising since the basic idea of savings banks and the tradition behind it is responsible and sustainable which could be a very good competitive advantage for banks.

5.2 Conclusions

Since the CSR reporting is mainly voluntary there are no coercive regulations that everyone must follow. This leads to the situation where every company can publish a report if they want in which form they want. This makes it a bit difficult to compare the reports if they differ significantly form each other. On the other hand, when a company chooses to report about responsibility voluntarily, it can be seen more meaningful than if it was coerced. Regulations have become stricter in the past years and it will probably continue this way. The results of the new EU directive for non-financial reporting will be visible next year and it will interesting to see whether it affects the CSR reporting in Europe significantly.

The CSR reports in this study varied largely in form and quality, because not many of them used the same reporting framework. Still, the same basic responsibility themes recur in the reports with some alterations. The quality was better in the reports that used GRI as a framework.

The reports provide valuable information for stakeholders. The stakeholders have expectation towards the banks and through reports stakeholders could get the information they need. There was connection with the size of the bank and the quality of the report. Smaller banks might not have as much resources to allocate on CSR reporting and they might not even face so many demands or expectation form their stakeholders than the bigger banks do.

The fact that the banks do not emphasize the savings bank ideology in their CSR reports as surprising, because the ideology is so responsible and sustainable, it would an easy way to strengthen a responsible corporate image. Maybe savings bank trust on the fact that people already know how responsible they are and what kind operations they run. Because the banks can be quite small and they are truly local operators, they might naturally have a good image in customers' eyes. Maybe because of that they might not face as much suspects about their reliability than commercial banks and that's why there is not a strong need for highlighting the responsibility of the savings bank tradition.

Overall the quality of the reports was good but there is room for improvement. In order to provide information that is easier to compare with other banks, more banks should move on to using GRI –framework as a guideline. By choosing GRI –framework, the quality of the reports would probably get more informative. With the help of GRI higher amount of categories and aspects could be reported with a higher quality and more details could be provided.

5.3 Limitations of the study and further research

Savings banks have not been a very popular subject of study so finding material for the theory part concerning especially savings banks was a bit difficult. Other than that, there weren't any bigger problems concerning the study material. The reports used in this study were quite easy to find from the Internet, but some of the reports were only published in other languages than English. This decreased the number of reports chosen to the analysis for the empirical part, which wasn't very high to begin with. The number of reports, 15, in this study is quite low so the results are not very well generalizable. Also the geographical limitation of studying only European banks affects the generalization.

The analysis was challenging because the reports differed quite significantly in scope and how detailed the information was. It was difficult to analyse whether one bank provided higher quality information than the other when the frameworks of the reports are totally different. Also the regulations and other policies in different countries can affect the reports and make them less comparable to another. Putting the information from different kinds of reports into the same table might not reflect the true situation the best way. In order to provide analysis and results of higher quality, the study should be done with a higher number of reports and the analysing frameworks should be built differently, if the reports are as different as they were in this study. In this study the reports with GRI –framework seemed to be of higher quality because the framework favoured them.

In the future it would be interesting to see how the new EU directive for non-financial reporting will affect the CSR reporting in this field. Another possible topic for study could be a comparison of CSR reports in savings banks all over the world.

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