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EXPLORATORY STUDY ON SOCIAL AND ENVIRONMENTAL REPORTING OF EUROPEAN COMPANIES IN CRISES PERIOD

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ABSTRACT

The present study promotes arguments for reporting improvement to support stakeholders' confidence and proposes possible policies and strategies for social and environmental reporting, resulting from European companies' activity. We examined the information disclosed in annual reports and corporate social responsibility reports from a sample of the companies listed on the Euronext Stock Exchange over a three-year period. The purpose of the research is to support the idea that the quality of social and environmental information provided by companies is increasing as time passes and in relation to the present economic conditions. We conducted an exploratory study whose results are analysed and discussed in terms of financial and economic evolution within the present world crisis. They give us the possibility to design a new facet of the overall framework for reporting social and environmental information by combining theoretical requirements of the Global Reporting Initiative (GRI) standards with their implementation in the reporting practice of European companies.

social, environmental, reporting, corporate responsibility, companies' practice

INTRODUCTION

Concerns with the current state of knowledge in the area of corporate social and environmental reporting have moved beyond their initial stage in the research community and most certainly needs further encouragement (Milne & Gray, 2007). There are genuinely complex and difficult issues to be confronted in reporting on

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corporate actions in regard to the society and the environment (Hopwood, 2009). The challenges resulting from this, both financially and related to sustainability issues have been reported by an increasing number of businesses. Many companies have board committees that take responsibility for and oversee sustainability, supporting compliance with a voluntary social and environmental reporting framework and disclosing adequate adherence to sustainable development principles.

Corporate social responsibility (CSR) is gaining more importance in today's business life, and its different approaches emphasise its contribution to sustainability. The core idea sustains that the business sector should play a proactive role in society, in addition to its economic purpose of making profits. These issues have led the industry to engage in a sustainability debate and initiate strategies for responding to the challenges of sustainable development, in the spirit of Brundtland Commission Report (UN, 1987). More and more companies provide concise and focused sustainability information in their annual report, as proof of reliable disclosure, accompanied by full sustainability reports on their websites, reflecting a growing maturity on CSR disclosures (Lungu *et al.*, 2010).

The development of social and environmental accounting and reporting over the last 40 years has resulted in a wide range of actual and potential accounts of (typically) organisational interactions with society and the natural environment (Gray, 2010). Since the mid 1970s, a number of studies (most of them of qualitative in nature) have investigated the nature and frequency of social and environmental disclosures, their patterns and trends, and their general relationships to corporate size and profitability. Nevertheless, the voluntary nature of sustainability reporting explains the variations in content and the lack of expected assurance for the disclosed social and environmental information. This gap raises concerns regarding accuracy and reliability and has to be considered by companies for their future reports.

In this study we examine the Corporate Social Reports, but also Annual Reports in terms of social and environmental information disclosed by European companies. The main objective of this study is to determine the degree to which social and environmental reporting requirements included in Global Reporting Initiative (GRI) standards are considered for publication by European companies, as proof of reliable and high quality disclosure. The target period for our study is 2007-2009, as it is the most recent period for which companies have published information for stakeholders. It is also the period during which companies have struggled through the deepest global crisis. The study population in this article consists of European companies listed on Euronext Stock Exchange. We seek to design a pattern for reporting social and environmental information and for highlighting a trend in the evolution of the content of financial and non-financial published reports during the crisis period.

The central research proposition of the study is: *The quality of social and environmental information provided by companies is increasing in relation to the amount of time passing and the present economic conditions.* Based on our previous research, both theoretical and practical, we analyse the content of reports published by the companies in our sample, in terms of implementation of GRI requirements. As we argue in the following paragraph, GRI standards may be considered the most relevant because they are applied by a considerable number of companies interested in extending reporting for stakeholders. We support the idea that providing qualitative disclosures is increasingly necessary once the users upgrade from shareholder to stakeholders. Thus, information needs have become increasingly complex, and they now rank at a more complex level of analysis. In order to put up with the current economic context, entities must overcome the simple reporting of financial information and extend the reports to include integrated value and descriptive presentations to give confidence in their activity.

We conducted an exploratory study whose results are analysed and discussed in terms of financial and economic evolution within the context of the present world crisis. This analysis give us the possibility to design a new facet for the overall framework of reporting social and environmental information, by combining theoretical requirements with their implementation in the practices of European companies. Therefore, it will be an important contribution not only for interested companies, but also for national standard setters. The study's originality also rests on the conclusions and debates discussed, based on the obtained results that refer to connecting the disclosure patterns to policies and strategies for social and environmental reporting in time and space.

1. REPORTING SOCIAL AND ENVIRONMENTAL ISSUES IN EUROPEAN COMPANIES - RESEARCHERS' AND PRACTITIONERS' VIEWS

Integrating principles of sustainable development into general business accountability structures opens up new business opportunities and helps companies create value, not just avoid destroying it (WBCSD, 2006). At the company level, discussions of sustainability reporting (SR) are focused on the idea that environmental or social concerns may affect the ability to expand operations or may damage the reputation and brand value. New codes of corporate governance have increasingly begun to highlight the attention they must pay to risks associated with sustainability concerns on the management agenda. Thus, organisations must redefine their essential business objectives by aligning them with the sustainability strategy of the company. Additionally, they must be coherent with the changes in organisational culture implied by corporate responsibility.

Reporting is an important communication tool which can ensure greater corporate transparency and enable better engagement with stakeholders. Moreover, sustainability reporting is largely voluntary and appears to be driven by market pressures (Golob & Bartlett, 2007). Since the beginning of the 2000s, the demand for disclosure from the most important listed companies has dramatically increased. The failures of large companies listed on the most important stock exchanges have placed extra pressure on them and standards setters for the increase in the quality of corporate reporting (Beretta & Bozzolan, 2004). A study by Mammat *et al.* (2010) shows that as of 2008 there has been an increase in the quality and effectiveness of the social and environmental information reported. However, debates still continue on the quality of information presented, based on the fact that some companies report large volumes of data that is difficult for the reader to digest. Even more so, other companies report so little that it merely raises questions regarding their commitment to sustainability and stakeholder reporting overall.

The stakeholder approach to strategic management, first proposed by R. Edward Freeman in 1984, is used today in an extensive body of research, including social and environmental disclosure. Investors and stakeholders in continental Europe are becoming increasingly concerned about corporate social and environmental policies. As a result, many companies are voluntarily increasing the extent of social and environmental disclosures in their annual report. Cormier *et al.* (2005) identified determinants of corporate disclosure using multi-theoretical lenses that rely on economic incentives, public pressures and institutional theory. Results show that risk, ownership, fixed assets age, and company's size, as well as routine, determine the level of environmental disclosure by German companies for a given one year period. Although determinants have been identified, mixed findings are presented in prior studies for some commonly examined variables such as size, industry classification and ownership structure. Gray *et al.* (2001) suggest that larger, more profitable companies and those in more socially and environmentally sensitive industries can be expected to make greater use of the (typically voluntary) disclosure of information about their social and environmental. Lynn (1992) found no relationship between company size and the level of social and environmental disclosures, while Hackston and Milne (1996) show that there is no relationship between profit measures and social and environmental disclosures. Brammer and Pavelin (2006) found that larger, less indebted companies with dispersed ownership characteristics are significantly more likely to make voluntary environmental disclosures, and that the quality of disclosures is positively associated with company's size and corporate environmental impact. Some studies suggest that, in addition to company's size, proprietary costs, information costs and media visibility determine corporate environmental reporting (Cormier & Magnan, 2003).

Surveys of social and environmental reporting practice tend to show that both the quantity and the overall quality of reporting are increasing (WBCSD, 2003; Holland & Foo, 2003; Gray & Milne, 2002). We support the idea that, in areas such as scope of reporting, consistency of methodological approaches to recognition and measurement policies, and timeliness of reporting, improvements in quality are required. Similarly, we see the need for better focused stakeholder related reporting. Preparers of social and environmental reports, in particular, would like confirmation that their reports are effective. Additionally, users of such reports, especially the increasingly environmentally aware financial community, are demanding more consistency in the ways in which social and environmental issues are measured and reported.

The latest studies refer to the recent accounting scandals that appear differently when viewed from the perspectives of the political/regulatory process and of the market for corporate governance and financial reporting (Ball, 2009). For the most part, governments have maintained a distance from the reporting and CSR movements, considering them voluntary private initiatives (Brown *et al.,* 2009). There have recently been several professional associations and other initiatives that have responded to these concerns; therefore, a range of tools and guidelines for social and environmental reporting are available (see www.enviroreporting.com).

Corporate Social Responsibility is part of the Europe 2020 strategy for smart, sustainable and inclusive growth. In March 2010 the European Commission made a commitment to "renew the EU strategy to promote Corporate Social Responsibility (CSR) as a key element in ensuring long term employee and consumer trust". More and more issues concerning voluntary social and environmental standards as introduced by the Global Reporting Initiative are included in today's compulsory reporting. Thus, in addition to existing International Financial Reporting Standards (IFRS) regarding accounting and reporting of social and environmental aspects, the International Accounting Standards Board (IASB) has published a proposed non-mandatory framework to help entities prepare and present a narrative report. This publication is referred to as the Management Commentary (IASB, 2010) and helps users of the annual reports, among others, to understand how non-financial factors have influenced the information presented in the financial statements.

In EU countries there are government initiatives and requirements to enlarge the scope of conventional reporting to include non-financial information. Some actions are motivated by national environmental and social policy goals, others by external users' pressures to obtain a reliable view on companies' actions. All indications point to continuing expansion of governmental reporting initiatives to new countries and regions over the next few years. The European requirements on sustainability reporting, included in the EU Accounts Modernisation Directives, define and describe Key Performance Indicators (KPIs) that provide businesses with a tool for measurement. They are quantifiable metrics that reflect the environmental performance of a business in the context of achieving its wider goals and objectives. KPIs help businesses to implement strategies by linking various levels of an organisation (business units, departments and individuals) with clearly defined targets and benchmarks (DEFRA, 2006). The EU Accounts Modernisation Directives also introduce requirements for companies to include a balanced and comprehensive analysis of the development and performance of the business in their Directors' Report. The requirement for an expanded Directors' Report, which came into effect for EU companies in January 2005, is not a completely new idea. The concept of non-financial reporting and in particular, the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies, was recommended by the European Commission. The analysis should "include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters" (EU, 2003).

Complementary to European Union specific requirements, there is evidence that the majority of European companies use the Global Reporting Initiative Guidelines for reporting social, environmental and economic aspects of their activity. Social and environmental reports based on the GRI Reporting Framework, disclose outcomes and results that occurred within the reporting period in the context of the organisation's commitments, strategy and management approach. Its purpose is to communicate clearly and openly about sustainability and to be used by organisations of any size, sector, or location (GRI, 2006). GRI Framework defines the principles of preparing a sustainability report (materiality, stakeholder inclusiveness, sustainability context, and completeness) and underlines a number of principles for qualitative disclosure (balance, comparability, accuracy, timeliness, clarity, and reliability). Report makers choose the guidance and indicators contained in the various Framework components to suit their needs and their stakeholders' interests. GRI framework emphasises the importance of extensive interaction with stakeholders to determine appropriate reporting boundaries. Reporting organisations are encouraged to follow GRI structure in compiling their reports, however, other formats may be chosen. A content index is provided for entities reporting on GRI Framework in order to identify information by referring to page numbers the standard disclosure can be found.

According to Brown et al. (2009), GRI's major contribution to the field of reporting, and its own source of legitimacy, has been to popularise a multi-stakeholder process. This allows participants to articulate their principal concerns with regard to sustainability performance and incorporate emerging issues, facilitating a broadly based societal dialogue and indirectly contributes to the policy agenda. Lozano and Huisingh (2011), in their analysis on various sustainability reporting frameworks, concluded that GRI guidelines have the broadest scope, and it tends to be the most frequently used set of guidelines for SR reporting.

There are also critical approaches to social and environmental reporting, considered just an increment of corporate social responsibility, with limited amount of disclosures (Solomon & Lewis, 2002). The idea that some organisations label themselves as corporate social reporters but do not behave in a responsible way concerning sustainability matters is also discussed (Moneva *et al.*, 2006). At the same time there are organisations that often have good intentions in sustainability matters, but they cannot transform those intentions into actions and results. Reporting corporate social and environmental information has matured over the past decades, but there still remains a lack of adequate standardisation. Equally significant is the growing movement by the major accounting organisations to become involved in the development of standards for corporate social reporting, auditing and verification. Triggered by the financial crisis, issues of comprehensive risk management, long-term performance and ethics are rapidly gaining relevance and consideration. Restoring confidence and trust in markets will require a shift to long-term sustainable value creation, and corporate responsibility must be an instrument towards this end.

2. RESEARCH METHODOLOGY

2.1. Sample and data collection

Our focus on the reporting practices of European companies led us to construct our sample based on companies listed on the European stock exchange. There are the two pan-European stock exchanges: OMX Exchanges, which operates eight stock exchanges in the Nordic and Baltic countries, and Euronext, based in Amsterdam and with subsidiaries in Belgium, France, Netherlands, Portugal and the United Kingdom. For this study, the Euronext stock exchange is the most suited because it is highly representative for the practices of European companies, due to its declared objective: to take advantage of the harmonisation of the European Union financial markets. According to their website presentation, Euronext has successfully integrated local markets across Europe to provide users with a unified market that is broad, liquid and cost effective. Euronext is the largest central order book cash market in Europe and the second largest derivatives exchange in the world, by value of business traded. Following the initial three-way merger of the local exchanges of Amsterdam, Brussels and Paris, Euronext acquired the London-based derivatives market LIFFE and merged with the Portuguese exchange in 2002.

The evidence from prior studies (Hackston & Milne, 1996; Gray *et al.*, 2001) supports the argument that larger companies are subject to stronger pressure from stakeholders and consequently, they are expected to find more persuasive arguments to disclose social and environmental information. These assertions led us to determine our sample structure. Thus, we included companies from 16 different industries as follows: one company per industry having the highest market capitalisation on 31st of July 2010 and one company per industry having the smallest capitalisation, all extracted from compartment A (includes Issuers with a market capitalisation of which is superior to 1 billion Euro) of Euronext Stock Exchange. Thus, we arrived at a sample of 32 entities. For the companies included in our study, we searched their websites and analysed their annual reports and corporate social responsibility reports in accordance with the research objective, formerly described, over a period of three years, between 2007 and 2009.

We created a database containing information related to the importance attributed by each company to environmental and social aspects, measured by existence or absence of elements such as: distinctive corporate responsibility links disclosed on a company's website; existence of a published CSR report and its volume; compliance with GRI Guidelines; appliance of G3 requirements; key performance indicators (KPI) disclosure; social and environmental external certification supported by an assurance statement; existence of a CSR section on published annual reports and its volume; presentation of GRI compliance in annual reports; and disclosure of social and environmental elements in financial statements. The volume of CSR reports, CSR section in annual reports and of the annual reports are measured in number of pages. This information was gathered using the Euronext database. In order to achieve our objectives, the information included in the database was sorted and filtered using MS Excel and we created sub-databases with companies classified on size (large/small capitalisation) and according to European market affiliation established by the Euronext Stock Exchange (presently there are functional markets in Paris, Amsterdam, Brussels and Lisbon).

2.2. Research method: Content analysis and it's appliance for the study

In order to develop patterns of social and environmental disclosure, we carried out a thorough content analysis of the corporate social responsibility (CSR) reports published by the companies in our sample. Content analysis is defined as a method of codifying text into different groups depending on selected criteria (Weber, 1990). This research method has been used extensively to investigate CSR reporting, and is considered a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity (Abbot & Monsen, 1979). By definition, content analysis is both a qualitative and quantitative technique, employing qualitative data which are subsequently quantified, and concentration on either approach may lead researchers to overlook the challenges arising from the method's multifaceted nature (Gephart, 2004).

The extent of disclosure can be taken as an indication of the importance of a CSR topic to the reporting entity (Krippendorf, 1980). In content analysis, several alternatives have been proposed in order to measure the amount of CSR reporting (Unerman, 2000). Gray *et al.* (1995) suggest that the amount of disclosures (number of words, sentences or pages) provides richer data and automatically encompasses the number of disclosures. Generally, studies measure the number of words (Deegan & Gordon, 1996; Zéghal & Ahmed, 1990), sentences (Hackston & Milne, 1996) or pages (Gray *et al.*, 1995; Patten, 1992) used to address the different CSR topics. Advocates of the number of words, such as Deegan and Gordon (1996), have argued that this method can record the level of disclosure in greater detail, while, those of the number of sentences (Hackston & Milne, 1996; Milne & Adler, 1999) argue that these units, rather than words, convey meaning. It seems now widely accepted that the number of pages is the preferred method for computing the amount of disclosure. Because the number of pages reflects the total space given to corporate issues, the importance attached to that theme can be contingent.

Considering all this information and correlating them with our study objective, we established the research unit to be CSR and annual reports published by the European companies, listen on compartment A of Euronext Stock Exchange and the unit for measuring the extent of social and environmental disclosure to be the number of pages. Elements tracked in the content analysis of company reports are chosen in order to assess the quality of information presented and are expressed as research questions, such as:

- Does the company publish the social and environmental disclosure through distinguished corporate social reports, other than information offered on the company website?
- Does the company provide a web link to particular areas designed to inform the stakeholders of the company's corporate responsibility?
- Does the company report in either the CSR report or annual report the compliance with the GRI requirements in general, and with GRI G3 Guidelines, in particular?
- Does the company include special presentations on Key Performance Indicators (KPIs), which would increase the quality level of non-financial information?
- Is auditing of social and environmental information presented in corporate social reports, which provides presentations' assurance?
- What social and environmental information is presented within financial statements?

3. RESULTS AND DEBATES OF THE EXPLORATORY STUDY

This exploratory study based on the content analysis of reports published by European companies concerns the evolution of social and environmental information volume and quality provided by reference to GRI requirements, during the global crisis period of 2007-2009. For this research, we defined the quality of corporate information in compliance with GRI standards by inclusion of measurable information along with the descriptive one. This is illustrated by presenting the key indicators of global performance (KPIs) but also by ensuring external credibility, relevance and assurance of the information presented in corporate social and financial reporting. We also consider that using new tools available on a company's website is one aspect defining the increasing quality of information provided to the interested stakeholders.

3.1. Social and environmental information's evolution in time (three years) provided by category of market capitalisation

Through analysing the websites of the companies included in the sample, we noticed that all top European companies (classified by mid-2010 capitalisation level) provide information on corporate responsibility and on the effort to support the principles of sustainable development. This information is either classified by category, summarised in correlative tables, or detailed using descriptions of social and environmental issues overviewed throughout the business activity. Among companies with smaller capitalisation, 63% provide such information on their websites, a rather high percentage, in our opinion.

The awareness process of environmental and social responsibility by economic entities can be monitored by analysing corporate social reports published by these companies. The voluntary presentations in these reports provide identification of the degree of awareness that economic and financial society has now come to. The data resulting from the content analysis of reports of European companies in our sample show that publishing independent rather than compulsory reports is still a difficult process to implement at an extended level. Companies with a market capitalisation of less than 3,500 million Euros publish such reports in a very small proportion and with an insignificant extent and details. However, we find it encouraging that there is a significant percentage of the above mentioned companies which give a great importance to informing the stakeholders by using their websites and creating designated areas for social responsibility. These are companies that in the future may publish more and more complex corporate social reports.

The percentages of corporate social reports published, shown in Table 1 should be debated so as not to leave a false impression on the reader. It is true that at first sight the social and environmental information disclosure through CSR reports are characterised by decreasing during the period under review, but we did not jump to the conclusion that companies have lost their interest in such reporting. We detailed our analysis and noted that some companies, such as Faurecia, in the manufacture of automobiles, or Vinci, in the construction industry, went from ignoring social and environmental information in 2007 to providing the data in distinct sections in their annual reports or in their reference documents (as required by French law) by 2009. While others, like Air Liquide, in the chemical industry, Renault, in the vehicle constructions, or Societe Generale, in banking, waived the presentation of CSR reports, choosing to integrate them into the reference documents or presenting them interactively on their website. From the above discussion we see that large European companies show an important interest in providing complex information that includes environmental and social aspects, in addition to financial ones.

The current economic environment, determined by the global crisis that companies are now experiencing, led us to analyse and discuss the quality of information provided by companies, referred to in terms of GRI compliance, KPI disclosure and assurance statements. The data collected for our sample indicates that the GRI standards are a reference point for corporate social reporting especially for large companies, and the percentage of GRI reporting was 88% in 2009, up from 2007, after a decrease recorded in 2008.

Table 1. **Social and environmental information in CSR reports – size classification**

Grouped sampled companies	SEI* on web site	CSR Report				GRI Com-pliance	G3 Guide-lines	KPI	Assu-rance in CSR Report
		Existence	ANoP**	mNoP***	MNoP****				
High capitalisation companies 2009	100%	75%	91	26	229	88%	44%	50%	81%
High capitalisation companies 2008	100%	81%	64	26	116	69%	50%	44%	63%
High capitalisation companies 2007	100%	88%	68	34	94	75%	63%	56%	50%
Small capitalisation companies 2009	63%	13%	62	16	68	13%	13%	19%	13%
Small capitalisation companies 2008	63%	13%	44	28	57	13%	6%	6%	13%
Small capitalisation companies 2007	63%	19%	48	41	56	19%	19%	6%	13%

*SEI – social and environmental information
**ANoP – average number of pages
***mNoP – minimum number of pages
****MNoP – maximum number of pages

In 2009, Sodexo was the only company that declined to show compliance with GRI. In an attempt to find a plausible explanation, we also analysed the 2010 Corporate Citizenship Review Progress and noticed that the company specified the compliance with GRI guidelines, presenting social, environmental and economic indicators required by the standards. Also, the presentation of key indicators of global performance declined in 2008 (Societe Generale, Sodexo and AbInBev) and had a return in 2009. Although we have no other information, the decline of details presented in 2008 and the return to detailed presentation in 2009 may also be explained by the critical moment of the economic and financial crisis, believed to be in 2008. Companies had to face this period with a negative impact on financial results that affected the interest of companies in providing detailed information on social responsibility.

Contrary to the volume and details characterising the social and environmental issues reporting, external assurance by one of the Big Four was on an upward trend. In this case we consider that the economic and financial crisis had a strong impact. To find resources to overcome the negative effects of the crisis, European companies have turned to external assurance for corporate reports to increase stakeholders' confidence.

The companies whose capitalisation is less than 3,500 million Euros are not yet interested in reporting social and environmental information. In our view, they are in an intermediate stage of the implementation of integrated economic, social and environmental reporting as a response to stakeholders' requirements. These companies have a low interest in providing information to comply with certain reporting standards. By complying, they would have an impact on stakeholders by providing valuable data on global performance or external assurance of such information. However, the trend is still not exponentially increasing as we had expected.

We also analysed the trend of companies which incorporated social and environmental information in annual reports (results in Table 2).

Table 2. **Social and environmental information in annual reports – size classification**

Grouped sampled companies	Annual report (AR)	CSR section in AR	ANoP* in CSR section	GRI reference in AR	Environmental aspects in Financial Statements
High capitalisation companies 2009	100%	88%	12	13%	50%
High capitalisation companies 2008	100%	88%	10	13%	44%
High capitalisation companies 2007	100%	88%	9	13%	31%
Small capitalisation companies 2009	100%	88%	7	0%	19%
Small capitalisation companies 2008	100%	88%	7	6%	19%
Small capitalisation companies 2007	100%	88%	7	0%	13%

*ANoP – average number of pages

We noticed that an important percentage of companies developed a separate section in their annual reports, incorporating information on corporate social responsibility. While it is an important step in the direction of company responsibility to ensure a high quality of life, it is just the beginning. We are witnessing an increasing number of entities which agree to assume social responsibility and begin to act according to its principles. However, the information in the annual reports considered as reference documents for the company's relationship with the stakeholders is minimal.

The data included in Table 2 shows that the companies in our sample still offer a small space in annual reports to sections detailing social and environmental information. Thus, large capitalisation companies have an average of 10 pages describing social and environmental issues, from a total average of 215 pages of the annual report, (5% of all information provided). References to GRI reporting standards are very rare in the annual reports (13% of large companies, insignificant for small capitalisation companies). The most common details presented in the Notes to financial statements are related to environmental provisions, the references to environmental costs and social costs. Information on employee benefits, other than mandatory social contributions is presented in a descriptive form rather than as measurable indicator.

The volume of social and environmental information provided by European companies through annual reports differs according to their market capitalisation. Thus, whether corporate social reports for large capitalisation companies are comprehensive, including up to 229 pages, with an average of 91 pages in 2009, corporate social reports of companies with capitalisation up to 3,500 million Euros, do not exceed a volume of 68 pages. Analysing the evolution over three years, we identified an upward trend for both types of companies, supporting our research proposition that the quality of social and environmental information reported by European companies is increasing over time.

3.2. The evolution of social and environmental information presentation by financial market between 2007 and 2009

The second aspect of the content analysis of the reports included in our sample refers to the trend in social and environmental reporting that could be influenced by the financial markets within Euronext Stock Exchange. Results are presented in Table 3. Due to a highly different number of companies on each market covered by our sample (Paris 21, Brussels 4, Amsterdam 5, and Lisbon 2), we could not extrapolate proposals to improve social and environmental reporting for other countries in the European Union.

We limited our debate regarding the changes over time to each listed market. Companies listed on Euronext Paris and Amsterdam markets give the highest importance to providing social and environmental information through their website. On a large proportion, (about 60%) companies develop and publish reports on corporate social responsibility. If the number of companies publishing corporate social reports did not varied significantly during the period 2007-2009, representing the first part of the global crisis, in terms of average volume (measured in number of pages) of such reports we noticed interesting developments. Thus, European companies from all four Euronext markets have diminished interest in the qualitative social and environmental information reporting in 2008 compared to 2007, suddenly rethinking corporate reporting aspects in 2009. A more nuanced situation occurred for the companies listed on the Lisbon market: although they reported social and environmental issues in 2007, they completely abandoned them in 2008 and did not reconsider them in 2009.

Table 3. **Social and environmental information in CSR reports – Euronext market classification**

Financial markets of Euronext by year	SEI* on web site	CSR Report: Existence	ANoP**	mNoP***	MNoP****	GRI Com-pliance	G3 Guide-lines	KPI	Assu-rance in CSR Report
PARIS 2009	81%	57%	93	26	229	57%	29%	38%	57%
PARIS 2008	81%	52%	65	26	116	43%	29%	19%	48%
PARIS 2007	81%	57%	72	48	94	48%	38%	29%	43%
BRUSSELS 2009	75%	25%	99	99	99	25%	0%	0%	0%
BRUSSELS 2008	75%	25%	40	40	40	25%	25%	25%	0%
BRUSSELS 2007	75%	25%	40	40	40	25%	25%	25%	0%
AMSTERDAM 2009	100%	60%	57	50	68	60%	60%	60%	60%
AMSTERDAM 2008	100%	60%	47	44	50	60%	60%	60%	40%
AMSTERDAM 2007	100%	60%	49	34	71	60%	60%	60%	20%
LISBON 2009	50%	0%	0	0	0	0%	0%	0%	0%
LISBON 2008	50%	0%	0	0	0	0%	0%	0%	0%
LISBON 2007	50%	50%	47	47	47	50%	50%	0%	50%

*SEI – social and environmental information
**ANoP – average number of pages
***mNoP – minimum number of pages
****MNoP – maximum number of pages

Entities listed on the Lisbon market have dropped for the time, the presentation of social and environmental aspects and entities listed on the Amsterdam market maintained their high level of quality for social and environmental information. Moreover, the entities listed on the Brussels market registered a regression in presentation beginning with the financial year ending on December 31, 2008, while those listed on the Paris market followed the global economic and financial trend: a decline in 2008 and a return on an upward trend in 2009. The declarations of external assurance for social and environmental information provided by corporate social reports are still growing and becoming more prominent from 2007 to 2009. The number of companies addressing external assurance aspects increased by 5% in 2008, and by 10% in 2009, compared to the year 2007.

Formalising the presentation of expanded economic, social and environmental information in the annual report as the main credible and transparent instrument of economic entities' activity is gaining ground slowly but surely. Thus, the volume of CSR sections in the annual report increased from year to year, as well as the various presentations of social and environmental factors in the financial statements.

Table 4. **Social and environmental information in Annual Reports (AR) – Euronext markets**

Financial markets of Euronext by year	AR - ANoP*	CSR section				GRI reference in AR	Environ-mental aspects in Financial Statements
		in AR	ANoP*	mNoP**	MNoP***		
2009 PARIS	216	90%	12	1	38	10%	38%
2008 PARIS	221	90%	10	1	28	10%	33%
2007 PARIS	204	95%	10	1	32	10%	29%
2009 BRUSSELS	120	75%	10	2	23	0%	25%
2008 BRUSSELS	108	75%	11	2	22	0%	0%
2007 BRUSSELS	98	75%	9	2	14	0%	0%
2009 AMSTERDAM	131	80%	4	2	7	0%	40%
2008 AMSTERDAM	136	80%	6	2	10	0%	40%
2007 AMSTERDAM	133	60%	6	2	13	0%	20%
2009 LISBON	215	100%	10	5	14	0%	0%
2008 LISBON	172	100%	10	2	14	50%	50%
2007 LISBON	179	100%	8	1	15	0%	0%

*ANoP – average number of pages
**mNoP – minimum number of pages
***MNoP – maximum number of pages

The figures summarised in Table 4 demonstrate a poor representation of social and environmental information included in the annual reports and an even lower one in financial statements. These results correspond to the reality that we are presently facing today: climate changes, reaching the margin in natural resources, the ecological footprint of companies, waste management, human rights, improving labour relations, and ensuring reasonable social protection.

4. DISCUSSIONS AND RECOMMENDATIONS

Based on the exploratory study debated in this research, and also from our previous research experience, we support the implementation of corporate social reporting in a company through a series of steps:

- Provide additional social and environmental information for a competitive advantage;
- Redesign the company's website in order to present descriptive information on corporate responsibility;
- Redesign the company's organisational structure by creating a department or appoint a manager responsible for corporate social reporting;
- Prepare and publish corporate social reports complying to a set of standards;
- Obtain an external audit of social and environmental information presented in the corporate report;
- Include social and environmental information in separate sections of the annual report;
- Integrate social, environmental and economic indicators in the financial statements.

To develop their social and environmental reporting practices, European companies should consider focusing on key issues of the sustainable development agenda, demonstrating relevance and transparency in reporting. The increasing pressure from stakeholders in relation to the corporate accountability disclaimer offers incentives for understanding corporate responsibility as "the right thing to do". Additionally, this pressure guides companies to adopt strategic management and global information reporting collaboration in order to develop sustainable, healthy and stable products and services.

Issues that support our recommendations for increasing European companies' interests in the preparation of social and environmental reports complying with European and internationally applicable standards are: the global trends of moving from efficiency to cleaner and more sustainable activity; improving stakeholders' evaluation, risk management, engagement and research; the leadership among large companies in science and innovation; greater risks for those with a global footprint, that depend on natural resources; a better collaboration among industries for finding the best solutions to ensure sustainability; the transfer of power back to the hands of customers who ask for environmentally friendly products and services; and the need for governments to take action and not ignore social and environmental policies and taxes.

The financial and economic crisis of 2007 to the present contributed to the failure of key businesses, declines in consumer wealth, substantial financial commitments incurred by governments, and a significant decline in economic activity. Even if both market-based and regulatory solutions have been implemented or are under consideration, significant risks remain for the world economy over the next periods. The global financial crisis started to show its effects in the middle of 2007 and into 2008. Around the world, stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to restore their financial systems. During periods of crisis economics are rethinking.

The results and discussions presented in this study lead us to conclude that the impact of economic and financial crisis on reporting social and environmental information is extremely powerful, both in voluntary non-financial reports and annual reports. The use of corporate social reporting as a tool for providing social and environmental information is still limited. Even though, the references in the annual reports on the description and presentation of measurable social and environmental aspects gains more and more importance and a higher percentage of companies consider necessary to provide details on the social responsibility they assume and created special links on their web pages. The evolution of corporate social reporting has been modelled according to the development of the economic crisis, and signals an upward trend of pushing companies to provide comprehensive, integrated, and certified information on their activity.

CONCLUSIONS

The qualitative aspects of the information presented in our analysis, including the compliance with GRI Guidelines, the new generation of GRI G3 standards, key performance indicators of global performance and external assurance by publishing an assurance statement, are those that differentiate companies in European Union countries. The findings presented in our article give us hope that in the future the quality of information provided by entities will be presented in terms of the impact of their actions on the environment and society, and given an equal role in the financial impact. This approach will help companies to overcome the negative effects of the global crisis but also the disadvantages in the very near future: natural resources reaching the limit. Therefore, saving through recycling efforts, environmental protection, environmental-friendly products and the awareness of necessity for their presentation in the annual reports are mandatory actions for economic recovery on an upward trend.

Thus, we assert once more that a formal set of recognised reporting principles and a standardised reporting framework, not dissimilar in principle to those adopted in the EC 4th Directive on Company law or to IASB framework, should help overcome any perception that reporting of social and environmental information lacks credibility. All these issues lead us to the conclusion that a base for discussion on corporate economic, social and environmental reporting is necessary for European entities. In our future research we intend to enlarge the present study in order to propose guidelines for an integrated reporting.

Our research is aimed through its scope to encourage companies to expand their financial reporting on corporate social and environmental information. The findings of this paper will help formulate government policy decisions that promote corporate social and environmental reporting and thereby make entities more responsive to changes in the natural and social environments. We consider this a useful contribution in entities efforts to integrate quality information in their annual reports.

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