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The evolution of CSR Reporting in the Banking Sector of Greece

An analysis of specific characteristics of CSR Reporting

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Abstract

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| <i>Title</i> | The evolution of CSR Reporting in the Banking Sector of Greece An analysis of specific characteristics of CSR Reporting. |
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| <i>Keywords</i> | Banks, CSR, Development, Reporting, Standardisation |
| <i>Purpose</i> | This thesis aims to examine the development of CSR reporting in the banking sector. The emphasis is set on a number of characteristics. Trends for standardization will be also examined |
| <i>Methodology</i> | The methodology undertaken is generally based on a qualitative research approach through a combination of content analysis with interviews. The research has a partly longitudinal, inductive and comparative character. |
| <i>Theoretical Perspectives</i> | The theoretical aspects that were used in the analysis were a combination of the theoretical framework of the Legitimacy, Stakeholder and Institutional theory with the reporting requirements from a number of standards, guidelines, initiatives and indices. |
| <i>Empirical Foundation</i> | The empirical material consists from Corporate Social Responsibilities reports that were available through banks websites. The sample contains three Greek banks. The primary focus was to include banks from one country in order to ensure that they operate under the same legal framework. |
| <i>Conclusions</i> | The thesis reaches into different conclusions. Firstly, the motivation to start CSR is competition driven. EU framework for CSR disclosure can expand CSR reporting more. Secondly, the structure and the methodology have been standardized. Regarding structure, there is an increased interest for assurance of CSR reporting and for reporting the financial information in CSR reports. Finally, the stakeholders' engagement is affected from external incidents at least in a minor degree. |

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Lund, 2014-08-12

Georgios Papakostopoulos

Declaration of Authenticity

I declare that all material presented to Lund University Seminary is my own work, or fully and specifically acknowledged wherever adapted from other sources. I understand that if at any time it is shown that I have significantly misrepresented material presented to Lund University Seminary, any degree or credits awarded to me on the basis of that material may be revoked.

Lund, 2014-07-31

Georgios Papakostopoulos

Declaration based on example of Columbia University

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Abbreviations and Terms

| | |
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| APS | Accounting Principle Standard |
| COP | Communication on Progress |
| CSR | Corporate Social Responsibility |
| DMA | Disclosures on Management Approach |
| DTT | Deloitte Touche Tohmatsu |
| ESG | Environmental, Social and Governance |
| EU | European Union |
| FIRST | Financial Institutions: Resources, Solutions and Tools |
| GRI | Global Reporting Initiative |
| ISAE | International Standard on Assurance Engagements |
| NYSE | New York Stock Exchange |
| OECD | Organisation for Economic Co-operation and Development |
| UK | United Kingdom |
| UN | United Nations |

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1. Introduction

Study of KPMG in 2011 showed that the interest for the concept of CSR reporting has been constantly increased in the business world, since more and more companies have acknowledged its benefits. The same study suggests that the economies of Eastern Europe have increased their awareness about CSR reporting as they become more integrated in the global economy. Greece, in the same line with this trend, makes its first steps in CSR reporting¹. One sector that has adopted CSR practices widely, having started reporting with international standards is the banking one.

Regarding CSR reporting in banking sector, two relevant studies can be identified in the Greek literature. Skouloudis et al. (2009) used the requirements of GRI guidelines as a basis to grade the reported information of several companies from different sectors including the banking one. The general conclusion was that GRI Guidelines are very demanding for Greek preparers. Concerning banking sector, every bank of the sample scored below the average score. Evangelions et al. (2009) based on the previous study, compared the information only from reports of financial institutions with the requirements of both GRI and DTT guidelines. They concluded that the reported information was “fragmentary in nature”. It is visible that there is a great theoretical gap for research around the topic since the studies cover only issues relevant to reported information. Furthermore, there is a need for more up to date studies, since both studies referred in the reports of 2005 that the banks had not started to report based on the international standards.

The author’s main motivation is to cover part of this gap, focusing of how topics such as the motivation for reporting or technical issues (e.g. structure and methodology) were evolved. Greece was chosen for the following reasons; firstly, since the country does not have a tradition in CSR reporting issues, the whole evolution of reporting could be examined. Secondly, the country due to economic crisis faced several social problems and it will be interested to investigate how these incidents affected the reporting. Finally, the nationality of author is Greek and this permits him to search in local literature and sources that discuss the topic.

¹ A figure related to the level of CSR reporting in Greece comparing to other countries is presentes in Appendix 1.

The choice of this industry was taken acknowledging a series of reasons. Firstly, the dynamic role of the banking sector in the economy. Banks act as financial intermediaries that appreciate and evaluate funds and companies, control borrowers and organise payment system worldwide. The role of banks has gained tremendous influence in society, as banks are in the centre of a network of households, businesses and states. Acting in this network, the banking system seems to play an important role in the global economic growth and hence to sustainable development (Scholtens, 2009). Furthermore, despite the fact that the main activity of a bank does not cause a direct impact in society and environment, the financial institutions have to deal with a series of CSR issues and risks. The author found interesting to investigate this aspect. Finally, the choice was influenced from the fact that aspects of banking sector such as financial risk are strictly regulated from different sources (EU, OECD, local regulation, Basel Accords). It was interesting to investigate how financial regulations affect CSR reporting.

1.1. Research Questions

As it was previously mentioned, the thesis scopes to cover various aspects of the CSR reporting process in the Greek banking sector. In particular, the purpose is fulfilled by answering the following research questions:

- 1) What is the main motivation for the banks to start CSR reporting, especially based on international standards?
- 2) How the structure of the report has been evolved and verified in the examined period? Is the financial information included in the CSR reports?
- 3) How the methodology of the report has been evolved in the examined period?
- 4) Is there a trend in the stakeholder engagement?

The author also reviewed other studies related to the above questions based on banks of other EU countries. In the analysis' part, it will be discussed how the results of the Greek case correlate with the other studies. The choice of these countries was based on the fact that these banks operate also under the framework of EU. The presentation of this literature will be presented in a following chapter.

1.2. Contribution

The author believes that this thesis can contribute in the growing research interest for the field of CSR reporting. First of all, by examining every year of a time period, it is

possible to help in the identification of the variables that affect reporting. Secondly, it can help to acknowledge whether there is standardization into the practice and the content of the report. Furthermore, as EU is going to publish a legal framework for mandatory disclosures, the results of this research can assist regulators into publishing a more adjusted to the current practice framework. It can also help the issuers of the report since it covers aspects that maybe they have not taken into consideration. Moreover, CSR reporting is an area that is expanded constantly, since reporting is increasing respectively to all industries. This thesis can motivate other students or researchers to investigate the topic in other industries or countries. Finally, the thesis can provide to stakeholder groups a deeper knowledge for CSR reports, since it covers some technical characteristics that the basic user is unfamiliar with.

1.3. Outline

The thesis is structured as it follows. Firstly, a chapter will present the background of Greek economy and Greek banking sector. The scope of this chapter is to inform the basic reader about the challenges that are derived by current situation. The next chapter analyses at first the concept of CSR and CSR reporting in general through literature review. Thereafter, the two concepts will be presented specifically for the bank sector with the presentation of relevant studies. The subsequent chapter will focus on more technical issues. Specifically, the sources that can affect the CSR reporting will be presented. The sources are separated into two categories; theories that explain voluntary reporting and regulations, standards and guidelines. This chapter will end with a section relevant to the value of the external assurance in CSR reporting. The next chapter will present the methodology of the research and in particular the research strategy, design, sampling, methods, ethics and limitations. Afterwards, the findings of the research results will be presented. Finally, the next two chapters will discuss and conclude the results in relation to presented theory. The latter chapter will also include suggestions for further research.

2. The Greek Economy and Greek Banking System Nowadays

This chapter aims at informing the reader who is unfamiliar with the topic, about the history of Greek banking system and the challenges in the social context that banks have to deal.

Until the mid-1980s, the Greek banking system was strictly regulated and banks operated under a complex system of credit rules with fixed rates. After the implementation of several EU Directives the banking system started to be deregulated. In particular, the law 1266/92 gave to Central Bank of Greece the responsibility to exercise monetary policy and under the Second European Banking Directive in 1992 the banks were required to make specific provisions. After 1992, the banking system had structural changes. These changes included the liberalization of the fixed interest rates, the abolishment of some strict credit rules, the free flow of capital and the introduction of banks from EU in the Greek market. Under these conditions, the Greek government stopped to interfere in the banking system. Furthermore, some banks with state ownership were privatized, while others were merged (e.g. Cretabank, Macedonia-Trace, Central Greece, Ionian). These major changes introduced a new reality in the banking system as they promote the creation of new banks. Indeed, by 1995 fifty two credit institutions were established, while in 2006, two year before the start of economic crisis, there were sixty-three in total (Evangelinos et al, 2009).

After 2007, the Greek banking system started to decline following the decline of whole Greek economy. Main reasons for the crisis in Greece were the problems in managing its high public debt and the political uncertainty. Furthermore, the Greek economy had a decline in economic activity for subsequent years. For example in 2011, GDP declined by 7,1%, domestic consumption, both private and public also decline and unemployment rate rapidly rise at 17,7% from 9,5%. In this difficult situation, the implementation of a new economic strategy brought the first positive results as the fiscal deficit reduced by six percentage compared to 2009, reaching 9,4 % of GDP (Hellenic Bank Association, 2013).

In this economic environment, the Greek banking system faced unprecedented challenges and intense uncertainty. The continuous downgrades ratings of Greek banks credibility, as a result of the downgrades of the country's credibility, the continuously exclusion from international capital markets, but also the reduced liquidity due to the strong outflow of

deposits in the Greek market during 2011 were offset primarily by the combined measures of liquidity support by the Greek government and the European Central Bank and the mechanism Emergency Liquidity Assistance of the Bank of Greece (Hellenic Bank Association, 2013).

In 2012 the Greek Economy and the banking system continued to face the same difficulties. While the global economic environment presents gradual recovery, Greece is in recession for the fifth consecutive year, with estimated reversal of the economic climate after 2014. Simultaneously, in the March 2012 the voluntary bond exchange program (PSI) was completed. Greek banks participated with bonds and bond loans of about € 50 billion, a figure which represented approximately 25% of the total exchange. Their support has helped decisively to the success of the PSI and to high participation of private investors (96.6%). However, that voluntary participation had a huge cost to the Greek banks. They had to record estimated losses of approximately €38 billion, both because of their participation in the PSI and because of (reduced) valuation of new government bonds on the basis of their current value (Hellenic Bank Association, 2013).

In December of 2012, the Greek banks participated in the bond re-purchase following the decisions of the Eurogroup. Greek banks participated with bonds amount about € 14 billion, a figure that represented about 45% in the total of project, contributing greatly to the approval of the disbursement of the second dose of 49,1 billion Euros under the second economic adjustment program for Greece (Hellenic Bank Association, 2013).

In 2013, it was the year of mergers in the Greek banking sector. The haircut of Greek bonds brought great capital needs and partnerships between banks were mandatory. A total of five banks consolidated, namely the Proton, Agricultural Bank of Greece, Hellenic Postbank, FBBank and Probank. At the same time, the three branches of Cypriot banks to Greece acquired by Piraeus Bank. In the end of the mergers processes, 15 banks merged or consolidated into five banks. The four of them (National Bank of Greece, Alpha Bank, Piraeus Bank and Eurobank) were supported by IMF and the last one Attica Bank had an increase of share capital by the major shareholder (Mariolis, 2013).

The support from IMF in Greek banking system was a subject of criticism. With unemployment being over 25% (Naftemporiki, 2014), the main criticism was that the money that was borrowed should have directed to stimulate market, households and

economy directly and not to the rescue of the banks. This criticism questioned the “social contract” between the banks and Greek society, since part of the society preferred to let the banks bankrupt instead of save them. Under the conditions of crisis, banks have to repair their legitimacy and make visible their participation in the support of economy. CSR reporting is a communicative tool that can be used from banks for this scope.

3. CSR and CSR reporting

This chapter aims at presenting concepts relevant to CSR and CSR reporting in general and in particular for banking sector. These concepts will be used throughout the thesis.

3.1. The concepts of CSR and CSR reporting

During the past fifty years, there are different opinions about the concept of CSR. Independently the perspective that each definition has, dominant concepts that underlie CSR, are the creation of “shared value” (Rangan et al., 2012) and the “sustainable development”. The former suggests that the relationship between the society and companies is bidirectional and interdependent and therefore, the private sector must recognize and accept its role and responsibility towards the society and the environment and correspondingly adjust its behaviour (Rangan et al., 2012). The latter suggests that today’s consumption habits should not harm the quality of life of future’s generation. Furthermore this concept prevails that the needs of every human need to be satisfy, eliminating phenomena like poverty and starvation (Deegan and Unerman p385, 2011).

Sethi (1975) categorised the social performance of business into three dimensions, namely “social obligation”, “social responsibility” and “social responsiveness”. He suggested that social obligation is the compliance with legal framework and market rules, social responsibility is the performance that correlates with the performance norms, values and expectations of society and finally social responsiveness is the adaptation of corporate behaviour towards social needs.

In line with this view, Carroll (1979) suggested that social responsibility of business comprise the economic, legal, ethical, and discretionary expectations of the society about organisations in a specific time. The first two perspectives present the mandatory responsibilities of a company, whereas the last two perspectives represent the voluntary ones. Later, Carroll changed the discretionary perspective into the philanthropic one that covers the concept of “corporate citizen”. He also depicted the four categories as a pyramid that in the base is the economic perspective and built upward through legal, ethical, and philanthropic ones (Carroll, 1999).

Corporate citizenship is a concept that relates closely to the CSR. Traditionally, citizenship has been approached as philanthropy and investment in social causes. But corporate citizenship is something broader. It includes the benefits of an organisation’s

operation to local society and the civic engagement that improves the community as a whole. Furthermore, corporate citizenship is also about rights, not only about obligations. It suggests the means that help the company prosper and simultaneously improve the environment it operates in. Competitive business cannot exist in unstable, corrupt and undemocratic environment (Center for International Private Enterprise, 2013).

These aspects are much closed to each other since they dichotomise the responsibilities of companies to society into two major categories; the mandatory responsibility and the voluntary one. In order banks to be perceived as legitimate, they have to cover both of these categories. Applying the previous dichotomy of the responsibility of the companies into CSR reporting, the disclosures of a company can be broadly categorized into mandatory and voluntary ones. Mandatory information is required by law to be reported, whereas voluntary disclosures are in the discretion of the company to be reported (Wadhwa and Pansari, 2011).

Sandell and Svensson (2012) suggested that financial report gives responses to external evaluations, questionings and critique that come as result of not meeting the expectations of experts and analysts. They categorized these responses in three categories; those that can be regulated by law, those that are institutionalised and those that are unique for each company. This categorisation is important since it acknowledge the existence of standardisation in financial reporting. Therefore, it is reasonable to assume that since companies follows a certain practice in financial reporting; they would tend to follow similar practices in CSR reporting as well.

Sustainability reporting is suggested that includes information to help report readers to evaluate the degree that a company is sustainable. That means that the company should operate in way that the economic security, the minimisation of negative impacts in environment and the compliance with the expectations of society are ensured (Deegan and Unerman p391, 2011). Douglas et al. (2004) notice that sustainability reporting is also termed as; CSR reporting, social accounting, social disclosure, social auditing, social review or social reporting.

Gray et al. (1987) has defined CSR reporting as “the process of providing information designed to discharge social accountability”. The information is distributed through the annual reports, special publications or even socially orientated advertising. By publishing

CSR reports, company aims at communicating with their stakeholders about its performance in order to establish a positive image among them (Kavitha and Anita, 2011). The level of disclosure differs between companies. It depends on their institutional environment and the impact of the company in society. Moreover, companies categorise their CSR discloses into: CSR Strategy the section that present the vision and/or the reporting guidelines and General CSR issues that cover fields such as human resource, society and environment (Waller and Lanis, 2009).

Nowadays, the CSR activities of the companies cover various sectors. Deegan and Unerman (2011) suggest that companies decide the aspects that they would report based on four issues. The first issue refers to why they have decided to report. The second issue refers to whom the report is going to be directed. The third issue is what need is going to be covered by the report. Finally the last issue is how the information would be structured. Bhattacharya and Sen (2004) in their research related to CSR initiatives applied the categorisation of SOCRATES a platform that evaluates the CSR records of over 600 companies. This database reduces the different CSR initiatives into six broad domains: community support, diversity, employee support, environment, non-U.S. (abroad) operations and product.

CSR reporting is not only to publicise the role of the company as corporate citizen. CSR reporting can promote innovation and learning, helping company to grow and increase its value. This can be crucial for the company; it helps company to keep up with competition, but also gives a deeper insight of how CSR practices can be beneficial for the company to reduce its costs and acknowledge business opportunities. The companies that do no report have great pressure to begin reporting (KPMG, 2011). This leded CSR reporting from a voluntary basis to an obligatory one, since more different stakeholder groups have increased demand from the governments to have a more active role in sustainability reporting framework (GRI, 2011a).

Inside EU, there are examples of countries that have published regulations about mandatory sustainability reporting in a country level. In Denmark, as of 2009, large companies are required to provide CSR disclosures in their annual reports or explicitly state that they do not have any CSR policies. In 2011, the Finland adopted a policy that demands from public companies to report their sustainability performance and ensure that their subcontractors also operate responsibly. Similar regulation is also in force in Spain.

In France, the 2010 Grenelle II Act makes corporate sustainability reporting mandatory for all listed companies. Finally, in United Kingdom, the 2008 Climate Change Act requires the inclusion of Green House Gas reporting in a Directors' Report (GRI, 2011a). These regulations result into increased numbers of published CSR reports in these countries (KPMG, 2011).

Finally, it should be mentioned that despite the ethical nature of the concept, CSR is also a subject of criticism from different ideological spectrums. Civil society critics focus on the motivation of CSR suggesting that CSR strategies are nothing more than marketing tactic from companies to promote their brand in order increase its profits. On the other side, right critics reject the concept of CSR. By them, if the CSR does not support the profitability of the company, it is just a waste of corporate resources (Rangan et al., 2012).

3.2. CSR and CSR reporting in the Banking Sector

Nowadays banks have to deal with different kind of risks. Basel Accords are defined three categories of risk; credit, market and operational. Credit risk emanates from the potential inability of borrower to meet its transaction obligations. Market risk is the potential risk of losses arising from movements in market prices of foreign exchange, bonds, equity and interest rates. Finally, operational risk emanates from the potential losses that result from “inadequate or failed internal processes or systems, errors, or external events” (GARP, 2009).

Due to financial crisis, it has been noticed an increase in regulation and supervision of the banks. As a result there are extra legal requirements regarding the disclosures of the banks. Some of the required disclosures are related to CSR issues. KPMG’s study (2014) refers a number of categories that include CSR issues:

- MIFID 2: the bank includes information regarding its products
- Recovery and Resolution Planning: thse bank analyses its recovery plan
- Market Disclosures
- Anti-money laundering and Tax: there is an increasing demand for information regarding bank’s customers
- CRR/CRD4 Reporting Requirements: Information regarding corporate governance.

It is visible that despite the lack of a mandatory legal framework, the banks have to report CSR issues, potentially as a result of their activities. Coupland (2004) suggested that the CSR activities of the banks is premised on; doing good, being good and funding good. Each of the examined banks describes their CSR activities under these pillars. “Doing good” refers to activities beyond the bank’s core business. These are generally termed community focused activities. “Being good” refers to activities that have an impact in the environment such as energy saving actions and to equal opportunities related to human resources issues. “Funding good” relate to the choice of the customers in the lending activities.

“Funding good” activities add supplementary to the previous referred risks. These are related to environmental and social issues. FIRST for Sustainability, a portal created by International Finance Corporation and funded by the governments of Finland and Sweden, suggests that the clients activities can pose risks for the banks. The type, quantity and severity of the environmental and social risk to a bank is depended on a variety of factors, including geographic context, industry sector, and the type of transaction e.g. corporate, housing, insurance, leasing etc. Moreover, it identifies five kinds of environmental and social risk (First for sustainability, 2012).

- **Liability risk:** Because the banks take possession of collateral assets, they have an increased liability risk deriving from a client’s legal obligations. Clients can be punished with fines or penalties, because during their operation failed to manage environmental and social risks. If a bank is the main shareholder of a client’s business, it is also exposed to the consequences associated with a client’s operations.
- **Financial risk:** A bank is exposed to financial risk deriving from potential discontinuation of client’s operations as a result of environmental and social consequences. This discontinuation can lead to make the client unable to meet its financial obligations to the bank or can affect the value of a client’s collateral assets. Furthermore, the bank can face liquidity risks associated with the collateral assets. For example, the bank will have to pay extra costs to meet legislation’s clean-up requirements or to clean the site up before it can be sold if collateral is contaminated.
- **Reputation risk:** A bank can face potential reputation risks due to negative publicity stemming from a client’s malpractice that causes environmental and

social issues. This harms the bank's brand name and its image to different stakeholders. For example, if a client faces strong public opposition against its operations, the bank's reputation may be harmed because the bank finances the client's operation.

- **Credit risk:** A bank can also face credit risk if a client does not want or is unable to accomplish its contractual obligations of a transaction because of environmental and social issues. For example, if the compliance with environmental and social standards demands increased capital or operating costs from the client or if operating and emission permissions are absent or expired resulting in fines or penalties from regulators, there is a risk that the client will be unable to fulfil its financial obligations to the bank.
- **Market risk:** Finally, a bank can be a subject of market risk deriving from the decrease in the value of transaction collaterals as a result of environmental and social consequences. For example, if a production unit pollutes, the value of the collateral associated with the unit will decrease.

The compliance with environmental and social regulations and standards can reduce the respectively risks. These risks have a dynamic character since regulations and standards can be modified. There are environmental and social risks that do not seem important or relevant at the time of approval of a loan, but may become so during execution, because of a stricter regulatory standards or increased levels of enforcement. Moreover, there are environmental and social risks, like oil spills or explosions that may be unlikely to occur, but when they happen their impacts can be extremely high. To reduce the potential risk, banks have to ensure that the clients' operations do not have an impact on the environment and surrounding communities. (FIRST for sustainability, 2012).

In the same line, Scholtens (2009) believes that socially responsible banking is becoming a very popular concept inside the financial services industry. He suggests that financial institutions have realised that there is something more to invest than just to check the numbers. He believes that banks take into account qualitative attributes of the project or the firm that are going to finance and use these data to check the viability of the project or the firm. Furthermore, they choose companies based on their CSR performance. The role of the financial intermediary has broadened from only to provide finance to involve in the design and implementation of the project.

In local level, a research on the Greek banking sector in 2006 revealed that despite of banks state that the sustainability issues have a great importance; their activities are limited to the promotion of internal environmental management, the publication of CSR reporting and the grant of green loans. These loans target households rather than to finance the green economy. Despite these facts, the bankers recognise that in the next years there will be environmental criteria in the choice of clients and investors (Baxedanidou, 2011).

In the previously referred study, Evangelinos et al. (2009) came into the conclusion that despite the social and environmental issues are important to gain the trust of their stakeholders, not many banks follow sustainability strategies. In the same research, it is suggested that the Greek banks do not cover accurately CSR issues and only one of two banks meets the international standards. Moreover, the application of CSR strategies becomes following the local needs rather than is programmed.

In a reporting level, there are a number of studies that focus on the reporting in financial sector. As it was referred before, the author will focus on the studies that are relevant to the scope of thesis and are based on banks from EU.

Regarding stakeholders' engagement, an earlier study from Tarna (1999) from KPMG Finland in 12 banks and insurance companies suggested that the main target group of CSR report were shareholders, customers and employees. Branco and Rodrigues (2006) compared under a legitimacy theory framework the content of CSR disclosures that the websites of Portuguese banks cover with the one from annual reports. They concluded that the usage of a certain mean for information is depended from the group that the information targets. They suggested that annual report disclose more information relevant to environmental and human resources topics, whereas websites focus more on the topics of products and consumers. Moreover, they explained this phenomenon by the fact that annual reports focus on investors and workforce, whereas websites directed at a broader number of groups. Finally, Gutierrez et al. (2013) analysed the CSR reports of Spanish banks in order to identify disclosure behaviour. They concluded that customers and employees are not in the main groups of stakeholders that the reports target.

In the content of disclose information, Tarna noticed that all reports included information about material and energy savings and for green products. Gutierrez et al. suggested that

due to the economic situation, social contents such as unemployment and corruption are reported more, whereas environmental topics are not in the main concern. The last study is very important since it reveals that external incidents can affect the reporting. Furthermore, since Spain faced similar economical issues as Greece, it is expected the analysis to reach in similar conclusion.

In the same line with Gutierrez et al, EY (2009) suggests that economic crisis had a number of effects in the reporting of banking sector. Firstly, regulators and investors now request granularity, flexibility, and speed. Due to the growing uncertainty, they demand new kinds of data and more frequent reporting for the potential risks. Secondly, internal decision makers also demand more and different reporting. For this reason, risk management divisions have increased the reporting for these issues. Finally, the demanding for more and different reporting implies that the bank has to spend resources to cover these demands.

4. Sources that affect Reporting Nowadays in Banking Sector

This chapter will present the sources that affect the report in Banking Sector. The combination of the different sources will create a theoretical basis to discuss and conclude the findings of the research.

Until recently, the disclosure of non-financial information in EU was legislated via the Accounting Directives 16 that requires from companies to report environmental and employee-related information in their annual report to the extent necessary for an understanding of the company's development, performance or position. Furthermore, the Accounting Directive requires listed companies to provide a corporate governance statement, which will include information on the composition and operation of the administrative, management and supervisory bodies and their committees (EU, 2013a).

At the global level, several initiatives provide generally accepted, but non-legally binding guidance for companies on CSR and sustainability aspects. These include the Ten Principles of the UN Global Compact, the OECD Guidelines for MNEs, the ILO Tripartite declaration of Principles on MNEs and Social Policy, the ISO 26000 standard on social responsibility and the UN Guiding Principles on Business and Human Rights. As far as reporting frameworks are concerned, the GRI appears at the moment to be the most widely adopted initiative (EU, 2013a).

In order to proceed to the analysis of the findings, it is essential to present the theories and the initiatives that can affect the reporting in the banking sector. The following parts will be the basis in order the findings from the content analysis and the interviews to be analysed. For this purpose, the author has split the sources into two categories: theories that affect voluntary reporting and regulations, standards and guidelines. Some of these sources are directed specifically to the banking sector. At the end of each category, there is a section that refers to how the sources will be used from the analysis. The chapter ends with a part for the topic of assurance in CSR reporting in order to present its meaning to unfamiliar readers.

4.1. Theories That Influence the Voluntary Reporting

As previous referred, CSR reporting is mainly voluntary. Recently, European Commission established a mandatory framework, but this framework is not mature yet and there is no information if it will cover all the aspects of CSR that voluntary reporting

does. Therefore, it is reasonable to refer the theories that explain the reasons why the management follows certain voluntary reporting practices.

Deegan and Unerman (2011) identify four theories that can explain the voluntary reporting namely positive accounting theory, legitimacy theory, stakeholder theory and institutional theory. Positive accounting theory will be excluded from the analysis, since it focuses on the manipulation of the accounting earnings; topic that is irrelevant to the CSR reporting. The other three theories have been used by a number of researchers recently and are commonly referred as systems-oriented or “open-systems” theories (Deegan and Unerman, 2011). The focus on “open-systems” perspective permits the examination of the role of disclosure in the relationship between the company and third parties. Deegan and Unerman (2011) exaggerate the role of accounting disclosure policies of a company as a strategy to influence the other parties which it interacts.

The analysis of the theories begins with the presentation of legitimacy theory, following by stakeholder theory and finally the institution one. In the end, their role in the analysis will be presented.

4.1.1. Legitimacy Theory

Campbell et al. (2003) suggested that legitimacy theory is probably the “most widely used theory to explain environmental and social disclosures”. Legitimacy theory is based on the concept that the organisations continually aim to ensure that their operations are perceived to be within the bounds and the norms of the society. The effort of being perceived as “legitimate” is dynamic, since the bounds and norms of a society are not fixed, but they tend to change (Deegan and Unerman, 2011). One of the main advantages of the theory is that the disclosing strategies that are used by the companies to legitimate their activities can be empirically tested (Gray et al., 1995).

The concept of “social contact” has a main role in the legitimacy theory. Shocker and Sethi (1973, p. 67) suggest that the survival and growth of any company are based on the production of desirable ends to society and the distribution of economic, social or political benefits to groups from which it takes its resources. Society has implicit and explicit requirements about how the organisation should operate. Implicit requirements are those that are defined by law, whereas explicit ones are come from non-legislated societal expectation (Gray et al., 1996). Requirements of society include the prevention of

damage of the environment, respect for customers and employees etc. If a company does not meet these requirements, it will be difficult to find the resources needed to continue its operation (Deegan and Unerman, 2011).

As mentioned before the norms and the bounds of the society can change. Even if the company has adjusted to them and has legitimated their operations, a change of them can lead to “legitimacy gap”. This term is used to describe the lack of correspondence that appears to be between how the society believes that a company should operate and how the company is perceived that operates. Legitimacy is not affected only from the company actions, but also through the disclosure of information that is provided. Other reason that cause “legitimacy gap” is the revelation of information that was previously unknown (Deegan and Unerman, 2011).

If managers acknowledge that the companies’ activities are not aligned with the social contract, then companies may react in order to become legitimate (Dowling and Pfeffer 1975). Literature has identified three categories of legitimation strategies that are used to gain, maintain or repair legitimacy. Tilling (2004) suggests that legitimacy has four phases, namely establishing, maintaining, extending and defending.

Because the theory is based on perceptions of third parties, the actions in order to be effective must be combined with publicised disclosure (Cormier and Gordon 2001). The company provides disclosure to handle negative publicity or reveals positive information that was unknown. The techniques that the company uses can be either symbolic, meaning that does not reflect any real change in operation or substantive, meaning that there is actually a change in operations (Deegan and Unerman, 2011).

4.1.2. Stakeholder Theory

Freeman (1984) defines stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Since both legitimacy and stakeholder theory see the organisation as a part of a broader social network, the two theories are very close to each other. The difference between them is that whereas the legitimacy theory refers to the expectation of society as a whole, the stakeholder theory refers to the expectations of each particular group, most commonly referred as stakeholder groups (Deegan and Unerman, 2011).

Cooper et al. (2001) suggests that whether stakeholder theory is used as managerial tool, there is examination of the importance of each stakeholder and this importance gains proportionally management attention. Literature provides a number of categorization of stakeholders. Clarkson (1995) dichotomises stakeholders into the primary ones, meaning the stakeholders that they are indispensable for the corporation to survive and the secondary ones, meaning the stakeholders that can influence the organisation, but they are not indispensable for survival. Mitchell et al. (1997) use three attributes, namely power, urgency and legitimacy to classify stakeholders. Definite stakeholder, the most powerful one, possesses the whole set of attributes. Less powerful stakeholder is the one who possess two attributes (expectant stakeholder) or one attribute (dormant stakeholder). Finally, Sachs et al. (2006) suggest four categories of stakeholders; benefit providers/receivers and/or risk providers/ bearers. Stakeholders may gain different degree of management attention depending on the categories into which they are.

There are two approaches relevant to the treatment of stakeholders' demands from companies; normative and managerial. The normative approach suggests that all stakeholders can have a fairly treatment from the company, independently of the stakeholder power of them. Under this perspective, all the stakeholders have the right to be informed about how are affected by the organisation and the disclosures of the company are regarded to be driven by responsibility. On the other hand, the managerial approach seeks to justify why a company will strive to satisfy the expectations of a particular group of stakeholders, who are important for its survival. The flow of information is depended on how powerful the stakeholder is perceived to be from organisation (Deegan and Unerman, 2011).

Assuming that accounting data are reliable, CSR reporting becomes a formal mean to inform both internal and external stakeholders about the status and progress of CSR activities of the company (Schaltegger et al., 2006). Furthermore, according to Roberts (1992), CSR reporting has relatively success as a negotiation mean with external parties.

4.1.3. Institutional Theory

According to Meyer and Rowan (1977), institutional theory suggests that the activities of the company can be in accord with the institutionalized expectations of the environment, instead of being rational from a business aspect. In a reporting level, the institutional theory describes the mechanisms through the company seeks to align how its actions are

perceived with the social and cultural values. Part of these mechanisms have also be proposed from both stakeholder and legitimacy theory. This is the reason that that the theories can be seen as complementary to each other (Deegan and Unerman, 2011).

Tolbert and Zucker (1999) define three main stages in the process of institutionalization: habituation, objectification and institutionalization. Habituation is the introduction of an innovation to solve a recurring problem that if it is successful gains some sort of habituated form. Objectification is the next stage, in which the innovation has gained social acceptance and is increasingly used. In the final step, institutionalization, the innovation has become a routine activity of the company. This scheme can be applied in the CSR reporting, since in the earlier years reporting was an innovative idea and nowadays has become a common practice for the companies.

Institutional theory has two dimensions, namely isomorphism and decoupling. Both of them can explain voluntary reporting. DiMaggio and Powell defined isomorphism as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions”, meaning that company that differs from the majority of companies in structures or processes, such as the reporting ones, may be criticised. There are three processes of isomorphism; coercive, mimetic and normative isomorphism. Coercive isomorphism comes as result of the changing of organisational practices due to the pressure of its stakeholders. Mimetic isomorphism relates to the copy of other organisational practices, often as a result of competition. Lastly, normative isomorphism relates to the change of organisation practice that comes from the norms of a group. The second dimension of institutional theory, decoupling, refers to the gap between publicly announced practices with the actual ones of the companies. In a reporting level, decoupling is linked to legitimacy theory, as the institute tries to create a different image from the real one (Deegan and Unerman, 2011).

4.1.4. How will these theories be used for analysis?

These theories can help in understanding the evolution of the reporting. Legitimacy theory is suitable to justify on one hand why specific information is reported by the company and on the other hand why a company has change a reporting practice. Through the stakeholder theory, the evolution of stakeholder engagement will be analysed. Finally, institutional theory can help explaining two phenomena; the reason that more and more

companies publish CSR reports and whether or not there is standardization in standards and guidelines that the financial institutions use for CSR and sustainability reporting.

4.1.5. Limitations of the theories

The open system theories can provide a very deep insight regarding the incentives that the banks regarding CSR reporting. But the scope of the thesis is broader than only to find the reasons that a bank reports or not an issue or data. The thesis scopes also to investigate technical issues such as the choice of methodology of the reports. When it comes to this topic, the characteristics of the standards rather the theories can provide information relevant to the targets that the bank want to achieve by using them. Furthermore, theories are based on the perceived external image that the bank has to its stakeholders or in society. The theories hardly can explain the internal processes with which the banks publish a report or the internal benefits of it.

4.2. Regulations, standards and guidelines

4.2.1. European Commission

As it is previously mentioned, there are examples of countries such as Denmark, Finland and France that have published regulations about mandatory sustainability reporting in a country level. European Commission did not have a mandatory framework about sustainability reporting until October of 2011, when it published the renewed EU strategy in order to promote CSR (COM(2011) 681). The new strategy suggested an agenda with desired actions for the timeline from 2011 to 2014. The agenda includes the targets of the Commission itself and suggestions to Member States, companies and other stakeholders (EU, 2011).

One of the actions is the improvement of company disclosures relevant to social and environmental information. The development of a legislative framework is suggested about the transparency of the information provided by companies in all sectors. It was also suggested to the companies to use the developing policy to measure and benchmark their environmental performance using a lifecycle based methodology that could also be used for disclosure purposes (EU, 2011).

On 16th of April 2013, the European Commission proposed an amendment (IP/13/330 16/04/2013) to existing accounting legislation in order to improve the transparency of

certain large companies on social and environmental matters (EU, 2013b). On 29th September of 2014, the European Parliament adopted the framework (EU, 2014a).

The new framework will require large EU companies to present every year a statement about environmental, social and human resource, respect for human rights, anti-corruption and bribery issues. By the term “large companies”, European Commission refers to the public interest entities that have over 500 employees. Public interest companies are listed companies, banks, insurance corporations and any other company that is of public interest because of its activity, size or corporate status. The statement must also include information about the policies, outcomes and risks related to these issues. If a company does not follow a policy on certain issues, it will have to justify the absence of the policy (GR2014EU, 2014). Under PE-CONS 47/14, the minimum requirement of reporting includes (EU, 2014b):

- a description of the company's business model;
- a description of the company's policy on the CSR matters;
- the outcome of the policy;
- the potential risks that comes from group's operation, including information about its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the group manages those risks;
- non-financial key performance indicators.

4.2.2. Basel Accords

The Basel Committee on Banking Supervision is an international committee established by the Bank for International Settlements to formulate policy on prudential standards and best practices among financial regulators (World Council of Credit Unions, 2014). In 1988 the Committee introduced a credit risk framework (Basel I) defining capital standards in order to reduce banks' business risks and to strengthen the financial system. In order to adjust on the constantly developing banking sector, the regulations were updated and in 2004 the new framework (Basel II) was issued (Erste Group Bank, 2014). Meanwhile, according to Erste Group Bank (2014), EU issued directives for the stability of the financial system, introducing “more risk-sensitive minimum capital requirements for exposures, explicit consideration of operational risks, reinforcement of the financial market supervision and increasing market transparency”.

The framework has three main pillars; the first pillar is about risk sensitive capital allocation (Pillar 1 – Minimum Capital Requirements), the second one is about the regulatory assessment of risks relate to credit exposure (Pillar 2 - Supervisory Review Process) and the third one is about the market transparency (Pillar 3 – Market Discipline). In June 2006, European Commission embodied the Basel II accord into EU law. Member states were required to apply the directives from January 1, 2007 (Erste Group Bank, 2014). In September 2011, the Basel Committee revised its capital standards publishing the new accord Basel III.

Connecting the Basel Accords with the previous theory, a bank as a corporate citizen, one of responsibilities is to ensure its survival in order to produce services and in general to support the society. Basel accords are a clear financial measure for capital adequacy, but since this topic is a matter of the survival for the bank, the financial scope of the accords is expanded. The issues of capital adequacy were very important after the haircut of Greek bonds. The equity of the most of Greek banks turned negative, because of the significant losses. This led to the acquisitions and mergers in the banking sector and to the recapitalization of the banks through increase of share capital. Therefore, it is reasonable to assume that this source will have an impact to the report.

4.2.3. OECD

OECD publishes guidelines relevant to the CSR issues for multinational companies. Since the financial institutions are mainly multinational, the guidelines are applied. The guidelines is a result of a jointly effort by governments and they have a form of recommendations. They suggest a series of principles and standards of good practice that are consistent with applicable laws and internationally recognised standards. The compliance with the guidelines is voluntary, but there are examples of partly aggregation of them in local or international law (OECD, 2011).

In reporting level, including sustainability one, the guidelines suggest that the companies should use high quality accounting standards. Furthermore, they suggest that the information should be clear and complete to the stakeholders. To improve the understandability of stakeholders, the company should be transparent and responsive to their demands for information. The concept of materiality is used to determine the minimum requirement of disclosure. Material information is defined as “information whose omission or misstatement could influence the economic decisions taken by users

of information”. Finally, the guidelines recommended the report to be assured annually by independent auditor OECD, 2011).

Disclosure recommendations are categorized into two sets. The first set suggests the timely and accurate disclosure of every material issue relates to the financial situation, performance, ownership and governance of the company. The second set of recommendations closely relates to CSR issues, as it encourages a set of disclosure and communication practices in areas where reporting has not evolved yet such as social, environmental and risk reporting. Finally, it is recommended the information to be easily accessible (OECD, 2011).

4.2.4. GRI Guidelines

Several bodies have attempted to publish reporting guidelines for social and environmental issues by codifying the best reporting practices over the topic. One of the dominant used reporting guidelines for social and environmental purposes is the GRI's Sustainability Reporting Guidelines, mostly referred as GRI Guidelines (Deegan and Unerman, 2011). The main scope of GRI Organisation is to make sustainability reporting as valuable as the financial reporting. For this purpose, the framework addresses the performance using economic, environmental and social criteria (GRI, 2013).

The first version of the guidelines was released in 2000 and the second one, which was named G2 in 2002. The third version (G3) was released in 2006 engaging a multi-stakeholder perspective. It provided 49 “core” indicators and 30 “additional” indicators. (Deegan and Unerman, 2011). On May 2013, the GRI released an updated version of the guidelines (Fellow, 2013). The new version introduces 27 new disclosures, a new structure for the guidance documents and two levels for reporting ‘in accordance’ with the Guidelines. The GRI organisation has set a two year period for transition to G4 reports, meaning that the reports after the 1st of January 2015 ought to follow G4 guidelines (KPMG, 2013).

There are two kinds of disclosures in G4; the General Standard Disclosures and the Specific Standard Disclosures (GRI, 2013). The latter are divided in two categories; the Management Approach and the Indicators.

The General Standard Disclosures are disclosures that structure the context for the report, describing the organization and its reporting process. They have application to all

organizations, independently of the materiality assessment. The General Standard Disclosures cover aspects regarding the strategy of a company on dealing with the sustainability issues, how stakeholders participate in this process and how key topics such as governance, ethics and integrity are approached (GRI, 2013a).

The DMA gives to the company the opportunity to explain its management around the “aspects”, meaning the material economic, environmental and social impacts of the company, and provide a revision of its approach to sustainability issues. The DMA focuses on three topics: the description of the reasons that an aspect is material, the management of its impacts and the evaluation of the approach that the aspect is managed (GRI, 2013a).

The indicators present and structure the information of the company into three categories relevant to economic, environmental and social performance. Much of this is in the form of quantitative data. The organisations are required to provide indicators under the criterion of materiality. The “core” indicators are intended to identify generally applicable indicators assuming that are material for the majority of the organisations. The “additional” ones represent practices or address topics that only some organisations recognise as material (Deegan and Unerman, 2011). Each section should also include the DMA in the end. Indicators of G4 cover a wide range of sustainability issues including water usage, health and safety, human rights or an organization’s impact on local communities (GRI, 2013a).

As the sustainability reporting is not mandatory, organisations can select what indicators would report. Until G3 version, guidelines included a grade system called “Application Levels” which measured the comprehension of the reporting in relation to the range of issues and indicators of the guidelines (Deegan and Unerman, 2011). The more indicators a company covers, the higher grade in a scale from A to C gets. The new update of guidelines removes this scale and introduces a new approach defined by two ‘In Accordance’ levels: ‘Core’ and ‘Comprehensive’. Organisations prepare a report that either meets one of the two ‘In Accordance’ levels (either in a ‘Core’ or ‘Comprehensive’ level) or use the Guidelines without meeting the ‘In Accordance’ criteria (KPMG, 2013).

Finally, GRI Guidelines suggest a number of principles to increase transparency in reporting. They are divided in two categories. The first category is term as “Principles for

Defining Report Content” and the second one as “Principles for Defining Report Quality”. The former describe the necessary processes to identify the contents that should be covered by the report in relation to its operations and the expectations of its stakeholders and include; inclusiveness, sustainability context, materiality and completeness. The latter seek to ensure the quality of information of the report and its proper presentation and include; comparability, accuracy, timeliness, clarity and reliability (GRI, 2013a).

4.2.5. GRI's Financial Services Sector Supplement

The GRI Organisation has also developed Sector Supplements that are designed to be applied to organisations in specific industries. These supplements are focused on addressing sustainability reporting issues that are unique in specific sectors. Each sector supplement has its own management approach and performance indicators. GRI has already published Supplements for the sectors of Electric Utilities, Financial Services, Food Processing, Mining and Metals and Non-Government Organizations. (Tiong and Anantharaman, 2011).

The development of the GRI Financial Services Sector Supplement was a solution against several problems including (GRI, 2011b):

- The high demand from stakeholders in financial sector for transparency in sustainability impacts of the sector;
- The increasing reporting in financial sector; and
- The inadequacy of covering some industry issues by the basic guidelines

The Supplement provides guidance to retail, corporate and commercial banking, insurance and asset management companies in order to report their environmental and social performance of their products and services. In particular, it covers main issues, relating to: product portfolio, audit to assess the implementation of environmental and social policies, active ownership, community investment strategies and programs, performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions), policies and practices on accessibility to financial services and finally design and sale of financial products. The indicators of the supplement have been built upon the G3 reporting framework of the GRI. The multistakeholder groups of basic guidelines have extended and include international financial institutions and readers of sustainability reports such as rating agencies and non-governmental organisations (GRI, 2011c).

The GRI has made it mandatory from 1st January 2010 for organisations in the financial services sector to report on all the performance indicators of the supplement in order to achieve the highest level of disclosure application (Tiong and Anantharaman, 2011). As mentioned before this grading has been abolished from G4 guidelines, but it is reasonable to assume that it will be also mandatory the application of all indicators of the supplement in order to gain the “in accordance” grade.

4.2.6. UN Global Compact

UN Global Compact is a strategic policy initiative that its effects in reporting are similar to the guidelines and standards ones. Global Compact supports a framework for the development, implementation, and disclosure of CSR policies and practices, providing to participants a variety of guidelines, management tools and resources in order to advance sustainable business models and markets. Global Compact is used today from over than 12.000 companies and other stakeholders from almost 150 countries. The UN Global Compact’s vision suggests a “sustainable and inclusive global economy” and is realised in two ways; by embodying initiative’s ten principles in the organisational strategy and by supporting the UN goals inside the business community (UN Global Compact, 2013a).

The principles of the initiative cover topics from the areas of human rights, labour, environment and anti-corruption. They have a universally accepted character since they are derived from: The Universal Declaration of Human Rights, The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and The United Nations Convention Against Corruption (UN Global Compact, 2013b).

Regarding reporting, the initiative requires from the companies to publish annually a report called Communication on Progress. COP is a public disclosure to stakeholders that present the degree of implementation of the ten principles and is the visible expression of a participant's commitment to the Global Compact and to the principles. Other requirements of initiative include that all participants have to send their COP to the Global Compact and they should spread it to stakeholders. If a participant violates COP policy, its status will downgrade into non-communicating and eventually the participant can be expelled (UN Global Compact, 2013c).

According to UN Global Compact, COP targets to promote transparency and accountability, to guide performance progress, to protect the integrity of the UN Global Compact and the United Nations and to help build a base of business practices to improve dialogue and learning. Finally, each COP must include three elements (UN Global Compact, 2013d):

- A statement by the CEO to express participant's support and its continuously commitment to the initiative;
- A presentation of activities that the participant has taken or will take in order to implement the Global Compact principles in every area. If an area is not covered by COP, the participant has to explain the reasons of the absence; and
- A measurement of outcomes meaning the degree of completion of the targets.

4.2.7. The AA1000 Standard Series

AA1000 standards are published by AccountAbility in order to assist organisations to be more accountable, responsible and sustainable. Their main characteristic is that they are principles-based standards. The standards cover topics as corporate governance, business models and organisational strategy and they provide operational guidance on sustainability assurance and stakeholder engagement as well. Finally, the standards are created for the sustainability thinking under the requirements of low carbon and green economy and support sustainability reporting and assurance. The standards use a multi-stakeholder perspective in the developing process, engaging both those they impact and those who may gain from them. The standards are used broadly from multinational corporations to small and medium companies (AccountAbility, 2012a).

The principles that are presented from AA1000 APS and govern the whole series of standards as well are; inclusivity, materiality and responsiveness. Inclusivity is the integration of stakeholder interests in the sustainability strategy. Materiality determines the impact that an issue has to the organisation and its stakeholder. Finally, responsiveness is the reaction of the company to stakeholder demands that can affect its sustainability performance and is detected via communication with stakeholders. The advantages of the principles are their comprehensive coverage and the flexibility when they are applied. Being principles rather than rules, they give the opportunity to companies to approach the materiality issues subjectively. Finally, the principles can be

combined with other sets of standards and guidelines, such as the UN Global Compact and GRI (AccountAbility, 2012b).

4.2.8 Discussion about the regulations, standards and guidelines

As it mentioned before, the disclosures are generally separated in two categories; the voluntary and the mandatory ones. Applying this dichotomy in the presented sources, the author reached the following table.

| Source | Category |
|--|--|
| European Commission | Mandatory |
| Basel Accords | Mandatory for financial reporting |
| OECD | Voluntary recommendations with great application |
| GRI Guidelines | Voluntary, but have great reputation |
| GRI's Financial Services Sector Supplement | Voluntary, as a supplementary to GRI Guidelines |
| UN Global Compact | Voluntary |
| The AA1000 Standard Series | Voluntary |

Table 1 - Categorization of the sources

4.2.9 How will the regulations, standards and guidelines will be used for analysis?

In this section of the chapter the regulations, standards and guidelines that are more probable to be found during research were analysed. Each of these sources will be used in the final sections of the thesis. European Commission framework will be used in order to compare the existing reporting practices with the future framework. Basel Accords will be used in order to identify disclosures relevant to financial risk. In particular, it will be investigated if there are disclosures that cover topics relevant to the topics that the pillars of accords cover. The standards and guidelines will be used in order to discuss the reasons that the examined banks follow a certain methodology to structure the report and the reasons that this methodology will have potential changes or has been standardized. Finally, the analysis will discuss if the examined banks fulfil the requirements of OECD.

4.3. CSR Reporting and Assurance

The increasing number of published sustainability reports has attracted increased interest and demand for the accuracy of the reporting. The main reason for this phenomenon is that the provided sustainability performance data in the reports are assessed with the overall performance of the company and its future prospects. External assurance can provide increased confidence to both internally and externally report users about the quality of sustainability performance data, verifying that the data will be reliable for decision making (GRI, 2013b).

The increasing demand for accuracy of CSR reporting is confirmed from a number of surveys. CorporateRegister.com survey (2008), analysing its comprehensive reports directory, which cover around 90 percent of all published CSR reports, revealed an annual growth in formal assurance of 20 per cent between 1997 and 2007. KPMG's (2011) survey revealed that G250 companies that published CSR report, 46 per cent of them included an assurance statement in 2011, compared with 40 per cent in 2008.

Maybe external assurance of sustainability reporting looks similar with external audit of financial reporting, but there are important differences. In financial reporting the topics of "what" and "how" to measure is quiet clear. In CSR reporting, there are diverse topics and issues that are needed to be managed differently in a sector level or even inside a company. CSR disclosures often have a mix of quantitative and qualitative information. Furthermore, quantitative sustainability disclosures are usually not measured in monetary units (GRI, 2013b). For example, the energy savings are measured in Kilowatt-hour or the recycled paper in Kilograms.

According to GRI Organisation (2013b), there are internal and external benefits from assurance:

- Increased recognition, trust and credibility. As previous referred assurance can provide to stakeholders more confidence about the reliability of disclosures. Furthermore, it increases the solemnity of reporting. The opinions of financial analysts can also be affected from the assurance.
- Reduced risk and increased value. Data quality is the key issue for reporters and report users. Actually, it has been noticed that large companies use to restate their sustainability reports. A study of KPMG in 2011 revealed that a third of the

largest 250 global companies had restated their non-financial disclosures. Other surveys have also showed that the data quality risks are reduced by assurance.

- Improved Board and CEO level engagement. The use of CSR disclosures as drivers to improve the organisational strategy, performance and reputation, moves sustainability issues up to the organisation's agenda. Credible disclosures and data are more likely to be used internally by organisations.
- Strengthened internal reporting and management systems. Internal reporting systems and controls have a key role in managing CSR performance. External assurance can be used in order to verify the adequacy of internal systems and controls and can suggest improvements.
- Improved stakeholder engagement. Assurance procedure can include the review of the stakeholder engagement processes. Companies use CSR reporting as a starting point in their communication with stakeholders. Both of these can improve communication and understanding.

The process to assure CSR reporting varies and there are different kinds of assurance such as internal assurance, external assurance, verification, and certification. Definitions and interpretations of independent reviews, the types and the scope of assuring information can also vary. Data quality or the determination of the process or both is mainly focused by assurance engagement process. The target in all cases is to increase the quality of final disclosures. The higher quality information has, the more useful the information is for the users (GRI, 2013b).

The external assurance is performed based on ISAE 3000. The standard recognises two kinds of assurance engagement; the reasonable and the limited one. The nature, timing, and extent of processes performed in the limited assurance engagement is restricted in comparison with the requirements of the reasonable one, but it is planned to result in a level of assurance that is meaningful for the auditor. To be meaningful, the level of assurance is likely to enhance the confidence of the report's users about the reported information (IFAC, 2013).

5. Methodology

In this chapter the methodology of the research will be presented. In particular, the research strategy, design, methods, sample will be analysed. Furthermore, the background of the interviews will be presented. Finally, criticisms about the methodology will be discussed.

5.1. Research Strategy and Design

There is a debate about whether quantitative or qualitative research is more suitable in social studies. Quantitative research use techniques to illustrate the human experience in numbers, commonly referred to as statistics. On the other hand, qualitative research allows the “detailed description and analysis of the quality, or the substance, of the human experience” (Marvasti, 2004). Quantitative research rarely considers how the data were generated. Qualitative research can fulfil this gap by examining how the data actually behave and by investigating how various phenomena affect the data (Smith, 2011). The research aims at giving a general insight of the factors that affect the development of CSR reporting in the financial sector and examining if these factors lead to standardization of reporting. When research scopes to identify the reasons that a company report an issue, quantitative data cannot be applied. For this reason, a qualitative research is adopted. Furthermore, since the data from the CSR report are expected to differ between them, there is need for flexibility in the interpretation of them. Quantitative research again seems to be less suitable.

The research has also prospective and partly longitudinal character. The longitudinal character comes from the fact that in order some of the research questions to be answered, the research will observe the changes of particular variables over a period of time. The research is also prospective since the data are collected from the same subjects – the examined banks (Hassett and Paavilainen-MŠntymŠki, 2013). The timeline that is covered by the research starts the period that the banks begun to publish separately CSR reports that were aligned with the international standards and practices. This fact is time located between 2006 and 2007. The end of timeline is time located in 2012, the last year that CSR reports were available by the time the thesis was written. Specifically the examined reports are present in the next table.

Finally, the research has inductive and comparative character. The inductive character is justified from the fact that specific observations ends into generalisations. The research

has also comparative character since the scope of the thesis is to find the reasons that a report can be affected, the comparison of the collected data is indispensable for reaching into conclusions. Furthermore, through comparison if there are repetitions of variable, tendencies of standardisation can be identified.

| Name of Bank | Analysed Reports |
|-------------------------|--|
| Alpha Bank | CSR Reports (2007-2012) Additional Information - Human Resources 2009 |
| Piraeus Bank | CSR Reports (2006-2012) Survey for Materiality (2012) |
| National Bank of Greece | CSR Reports (2007-2012) |

Table 2 - The list of examined reports

The term standardisation includes “the elimination of alternatives in accounting for economic transactions and other events” (Beke, 2011). For the purpose of this thesis, the author suggests that standardisation exists when a reporting practice is repeated for more than two years, meaning that the bank follows a certain practice eliminating other options.

5.2. Research Methods

In order to fulfil the purpose of the thesis, a content analysis in the CSR reports of three banks is used combined with interviews with experts in CSR reporting field. The main advantage of the method is that gives to the researchers the ability to go behind text and make conclusions for underlying meanings and interpretations. In the social sciences, content analysis is acknowledged as one very important research method as these meanings and interpretations are highly needed for social phenomena to be understood (Steenkamp and Northcott, 2007). On the other hand, interviews with the experts can add a human dimension to the data of content analysis, providing a deeper understanding and explain them (Evalued, 2006).

5.2.1. Content Analysis

The main approaches of content analysis are: “form oriented” analysis, which focuses on counting the words, concepts or themes; and “meaning oriented” analysis, which investigates the meanings that are underlied from the contexts (Steenkamp and Northcott, 2007). For the purpose of thesis the second approach will be followed. In particular, a

number of characteristics were chosen to be analysed. The characteristics were personally chosen by the author, having as criterion their suitability to provide data relevant to the research questions. Therefore, a list of six characteristics was made.

For the first research question the content analysis tries to identify for the reasons that the banks started reporting with international standards. For this purpose, the reports of the first year that the bank started to report with international standards are examined in order justifications for this change in reporting to be traced. Then, using the open system theories, the author expect to interpret the behaviour of the banks. Finally, using the requirements of the presented sources, the voluntary framework will be compared with the new mandatory one.

For the second research question the content analysis focused on the following characteristics;

- **The evolution of the structure:** In this aspect, general characteristics of the reports are examined. Firstly, the evolution of reporting sections is investigated, meaning the areas that the report covers. Moreover, it will be examined if throughout the years there is any trend of standardization in the structure. It will be also examined if the size of the report is affected from the evolution of the sections. Maybe the number of pages is given as variable, but the research holds the qualitative character, since these numbers are used only as indicators to characterise if the size increased, decrease or remain stable. Finally, it is examined if there is an extra report that covers specific CSR issues along with CSR report.
- **The effect of financial risk into the social reporting:** The financial risk is a concept that is referred frequently in the banking sector. Although, it is a topic that is met mostly in the financial reports, the author assumes that as it is a matter for survival for the bank, the CSR reports should make reference for this topic. The research focuses on whether relevant information is reported, the section of the report that the information is reported and the reasons that lead to its reporting.
- **The evolution of assurance:** Finally, the topic of assurance will be examined. In particular, it will be explored how the concept of assurance on CSR reports has evolved in the examined period. Furthermore, it will be examined if the given assurance is reasonable or limited.

In this case the three theories will be used again in order the changes in the structure to be interpreted. Furthermore, if there are references that are related to the financial issues, the legitimacy theory will be used in order to examine the reasons that lead to the report of the information. Finally, with the theory of assurance, it will be analysed the reasons that banks are potentially have an increased interest in getting assurance for their reports.

For the third research question the evolution of methodology was investigated. Specifically, the research will focus on the previously presented standards and guidelines and on whether or not were used in the examined period. If an additional standard was used, it will also be referred. Furthermore, it will be identify if the company used the assistance of any external advisors into the structuring of report. Finally, it will be investigated if there is standardisation in the methodology. Using the requirements and the principles of the standards, the quality of the reported information will be discussed.

In order to answer the final research question, the evolution of Stakeholder engagement by the board will be analysed. Based on his previous experience the author believes that almost all CSR reports have a segment that engages the stakeholders in a normative way. The author also believes that CEO expresses the strategy and the culture of the bank with its statements. Therefore, the stakeholder engagement will be analysed through the Chairman's notes that are existed in the reports of the examined period. Specifically, the engagement of each report will be characterised based on which stakeholders are referred, using the previously referred terms "Managerial" and "Normative". Through the subsequent observations, trends for more "Managerial" or "Normative" engagement will be identified. Furthermore, the factors that affect engagement will be analysed.

5.2.2. Sample of content analysis

After the mergers and acquisitions in the Greek banking system, the number of the bank was limited into five banks, excluding the cooperative banks and the subsidiaries of the foreign banks. The banks that still continue their operations are the following; Eurobank, Attica Bank, Piraeus Bank, Alpha Bank and National Bank of Greece. Acknowledging the small population, the primary thought was to include in the analysis the total number of banks, having "complete" sample. Nevertheless, as scope of the thesis is to analyse the development of CSR reporting, the amount of potential examined banks decreased. Attica Bank, which is the smallest of the five banks, does not publish CSR reports. Furthermore,

Eurobank has not published a CSR report since 2007. Since two of the banks cannot be used for the purpose of thesis, the sample was limited into three banks.

5.2.3. Bank Profiles

5.2.3.1. National Bank of Greece Profile

National Bank of Greece S.A. was founded in 1841 and has been listed on the Athens Stock Exchange since 1880. Since then, the bank becomes a diversified financial group, including services such as insurance and mortgage lending services. Since October 1999, NBG has been listed on the NYSE (National Bank of Greece, 2014). To accomplish its strategy, NBG has acquired many banks in South-eastern Europe, including Banca Romaneasca in Romania, Finansbank in Turkey and Vojvodjanska Banka in Serbia. During the mergers in the banking sector of 2012 in Greece, the bank acquired the listed bank ProBank S.A. Nowadays, the group totally operates in 15 countries and controls 10 banks and 60 companies providing financial and other services (National Bank of Greece, 2013).

5.2.3.2 Alpha Bank Profile

Alpha Bank was founded in 1879 and nowadays is one of the biggest Banks in Greece. The bank as a group offers a wide range of financial services to individuals and businesses in Greece and abroad, mostly in South-eastern Europe. It is also present in United Kingdom and New York through subsidiaries. Alpha Bank is one of the largest Greek banks in wholesale, corporate and retail banking. As a group, it provides integrated financial services, leasing services, investment, property management etc (Alpha Bank, 2010). On February of 2013, Alpha Bank came into agreement with Crédit Agricole S.A for the acquisition of Emporiki Bank.

5.2.3.3 Piraeus Bank Profile

Piraeus Bank was found in 1916 and was operating as credit institution for many decades, while it went through a state ownership from 1975 to 1991, when was privatized again. Since then it increases its size and activities with acquisitions of other banks such as Macedonia-Thrace Bank and Credit Lyonnais Hellas in 1998, Xiosbank in 1999 and Hellenic Industrial Development Bank in 2002. In 2005, the bank expanded abroad acquiring banks from Bulgaria, Egypt, Serbia, Ukraine and Egypt (Piraeus Bank, 2014). Due the restructuring of the Greek banking system, Piraeus Bank acquired part of Agricultural Bank and Geniki Bank in 2012 and the Greek banking operations of Bank of

Cyprus, Cyprus Popular Bank and Hellenic Bank and the Millennium Bank Greece, a subsidiary of Portuguese BCP. In June 2013, the Bank was recapitalized following PSI implementation (Piraeus Bank, 2014).

5.2.4 Interview with experts

The discussions following the presentation of content analysis' results consist an additional source of information, commonly referred as expert interview. The interviews considered as a supplement to get a deeper insight around the topic in order the research questions to be answered. The interviewees can provide aspects, which are not covered in the content analysis, such as the differences that are expected to happen after the adoption of a mandatory framework.

In order to get the information needed for the discussion part, four interviews were organised. One interview was personal and the other three were via email. Interviews in general at one extreme can be structured, with standard questionnaire, identically presented to each interviewee with strict order. At the other extreme, interviews can be completely unstructured like a free-flowing conversation (Hancock et al., 2008). The format of the personal interview was semi-structured around the topics of the thesis. The e-mail interviews were structured. A questionnaire was sent with the research questions that were presented in the introduction. If there was a need, an e-mail was sent back for clarifications.

The “value” of the findings is depended on the suitability of the interviewee, so the choice of the right candidate is an extremely important issue. As the main topic of the thesis is to examine the evolution of the reporting in the banking sector, the author's criteria in the choice of interviewee persons were; the related to the CSR reporting previous experience and/or the relevant educational background. Initial scope of the author was to examine the topic from the preparers' point of view, but the limited sample combined with the difficulties in contacting with the preparers led the author to examine the topic from a broader view. For this purpose the author took interviews from persons that are related differently with CSR reporting. In particular a preparer, two professionals from audit field and one CSR consultant were interviewed.

The semi-structured interview was with Mrs Sylvia Kourkouli, the supervisor of CSR reporting in Alpha Bank. Even though the choice of a person that works for one of

examined banks may raise questions about the objectivity of the interview, the author believes that the discussed topics have an objective nature and cannot be answered subjectively. Furthermore, the strong educational background of the interviewee and her relevant experience matched with author's criteria. More specifically, Mrs Kourkouli has a bachelor degree from the department of Management Science and Technology of Athens University of Economics and Business. Furthermore, she followed the Master of Social and Organisational Psychology in LSE. Mrs Kourkouli has been working in this position for more than six years, so she has a clear view about the evolution of the report, since the bank started to publish CSR report from 2007. The interview was performed on April 21st, 2014 in the headquarters of the company in Athens and it was recorded digitally. The discussion was around the research questions and its duration was about 27 minutes. Then, the author translated the recording from Greek to English.

For the three structured interviewees, a questionnaire in Greek was sent to the interviewees. The author tried to connect with more than ten professionals in the field of CSR reporting, but he did not get responses in his e-mails. The three questionnaires were replied by two auditors and one consultant. This sample combined with the preparer from the semi-structured interview satisfied the author's criterion for a multi-dimensional sample. The questionnaire consisted from the following six questions:

1. Why do you think companies have increased their interested in CSR reporting, especially when this happens on a voluntary basis?
2. Do you believe that there is standardisation in the methodology of CSR reporting? Why do the most companies use the GRI?
3. Why companies get assurance for their CSR reports? For what reason a company may choose a limited assurance?
4. Have you participated in a project of publishing/assuring a CSR report of a bank? Have the reports of bank any specific issues? Do you think that financial information should be disclosed in the CSR report?
5. Do you think that the framework of the EU is outdated? Are the companies one step ahead of EU regarding the CSR reporting?
6. Information related to the previous experience and educational background.

The questionnaire was sent to the interviewees via e-mail. When the answered questionnaires were received, clarifications were asked where it was needed. The author translated the answers into English.

From the auditing sector, two participants were interviewed. The first one is an experienced professional in the area of sustainability who works as an assistant manager in one of the biggest global firms in the area of Climate Change and Sustainability services, inclusive of sustainability assurance. He manages the CSR projects of the firm and he has a strong experience background since he has been working for the firm for more than fourteen years. Furthermore, he holds a bachelor degree in Manufacturing Engineering and Management from University of Dundee and a MBA from University of Stirling. The interview was performed on July 30th via email mainly because of interviewees' obligations.

The second one is a manager of the department of Climate Change and Sustainability Services in one of the Big4. She has more than ten years of experience in the topic of CSR reporting. Furthermore, she holds a bachelor degree in Business Administration from Deree College and a Master Degree in Business and Community from University of Bath. The interview was also performed email because of schedule conflicts of the interviewee on August 7th.

From consulting sector, Mrs. Georgios Iliopoulos was interviewed. Mr. Iliopoulos has a long experience as a CSR consultant, having involved with more than 25 CSR reports. Regarding banking sector, Mrs. Iliopoulos has been involved with the reports of a number of banks such as National Bank of Greece and Alpha Bank. He holds a Bachelor degree in Environmental Science from University of Aegean and a Master degree in Environmental Policy and Management from the same university. Furthermore, he was a part of the research team of the same university regarding Sustainability Reporting based on GRI in Greece. Nowadays, he works as a freelancer CSR consultant, GRI trainer and inspector of CSR reports. The interview was performed email because of schedule conflicts of the interviewee on August 8th.

5.3. Research ethics

The author acknowledges that the research ethics should be followed during the thesis. The research ethics includes that research results should not be presented in a misleading

manner. Furthermore, the research subjects (e.g. interviewees) should not be harmed by the publication of their interviews (NESH, 2006). For these reasons, the interviews were reviewed by the interviewees before the delivery of the thesis. Furthermore, if it was asked the name of the interviewee was not referred. Finally, it must be highlighted the fact that the interviews express the personal opinions of the professionals and in no case constitute a formal opinion of the organisation firm that they work.

5.4. Limitations

One of the concerns regarding the methodology part of this research may be located in the fact that the chosen sample is only consisted from three banks. The main concern is whether the results of the research can be generalised to make conclusions for the whole sector. Nonetheless, the author believes that the chosen sample is valid. After the recent mergers and acquisitions, since the examined banks cover a great percentage of the Greek market, the results can be generalised.

Another fact that can be criticised is the fact that the research covers a certain number of aspects, in comparison of other relevant studies such as the one from Scholtens (2009). Furthermore, some of examined aspects may be characterised as insignificant. In the first criticism, the author argues that the examined aspects might not fully cover the topic, but taking into account the limited time, he believes that these aspects can provide useful conclusions about the topic. Furthermore, he believes that these aspects are significant, since they covered important characteristics of the reports and issues that the company faces in its daily operations.

Finally, two questions are rising from the use of experts' interviews as a research method. The first one is about the suitability of the sample of the interviewees. As it is previously mentioned, the sample was not the original choice of the author. However, as the author broadened the targeted groups from only "preparers" to "professionals in CSR reporting field", he managed to take a sufficient number of interviews for the purpose of the thesis. Furthermore, all the participants fulfilled the two initial criteria of the author, namely relevant experience and educational background. Therefore, the sample can be characterised as valid. A second question can be raised about the suitability of the e-mail interview. The author acknowledges the fact that there is a potential leak of information that the more interactive forms of interviews can have. For this reason, the author asked for clarifications, where they were needed.

6. Research

In this section, the findings of the content analysis and the interview are presented. The results are also presented in the Appendices in table form (Appendix 2).

6.1. Findings from Content Analysis

6.1.1. Reasoning for start reporting with international standards

National Bank of Greece: As mentioned before, the CSR report of 2007 was the first that company published in accordance with the international standards. Mr. Arapoglou, the CEO of the bank, in the director note suggested that this new approach was introduced in order the bank to follow the international trends and changes.

Alpha Bank: In 2007 the company published its first Corporate Social Responsibility Report. Yiannis Costopoulos, CEO of the bank referred that this change was “in line with European Union and global practices”.

Piraeus Bank: The first report according to international standards was in 2006, but no special reference had been made for this change.

6.1.2. Evolution of Structure

National Bank of Greece: The bank published its first CSR report in 1996. The report was published in the form of an annual "Social Report". In 2008 (for the fiscal year of 2007), the company published the first CSR report in accordance with the international standards. The first report was divided in six sections of responsibility, namely Corporation, Economy, Market, Employees, Environment and Society. In 2008 the company's report expanded reaching 139 pages from the 77 pages of the previous year, covering with more details the CSR issues. The structure of the report had changed, since the part about responsibility in corporation that included information relevant to the company and its stakeholders merged with the introduction part. Next year the company's report also expanded reaching 148 pages. In 2010 the company expanded more its report reaching 180 but there were no changes in structure. In 2011, for first time there was a little decrease in the size of report. Finally, the report of 2012 is very identical to the previous year's one both in the size and the content.

Alpha Bank: The first time that the company include social indicators of performance was in 2001. The indicators were a part of the annual report under the name “Social

Report". The length of the Social Report was around ten pages and the company did not use any standards or guidelines to structure it. There were only references in the activities of the company relates to the topics of the personnel, cultural activity, social support initiatives, customers and environmental protection. The first report in 2007 structured in three main topics, namely Human Resources, Society and Environment and referred only to the activities of the bank in Greece. In 2008 the company's report expanded reaching 132 pages from the 71 pages of the previous year. The topics that were covered in the report were increased to five including now topics relate to Shareholders and Market. There were also now references to the social and environmental activities of the company abroad. In 2009 the company report shrank in the size of the first report without changing its structure. There was also a reference that due to stakeholders' requests for more information on the issues that affect their interests and decisions, the Bank presented on its website information and data on specific issues which mainly concern analysts and individual categories of stakeholders. The information presented as an extra report called Additional Information - Human Resources 2009. Since 2010 there were not any significant changes in the structure.

Piraeus Bank: The first CSR report of the bank that followed the international standards was in 2006, a year before the other banks. The report was 50 pages in extend and was structured in four main topics namely, Corporate Governance, Human Resources, Customers and Suppliers and Society, Environment and Culture. The bank focussed on reporting the activities in the internal of the bank and there was no reference in the abroad activities. The next three years there were fluctuations in the size of the report without a major difference in the contents. In 2011, the size feature of the report reached the highest number of pages reaching 93 pages. This can be justified from the fact that this year there was an extra interest in reporting its activities that scope to improve society. The last year the report got even bigger in size reaching the 106 pages. There was no difference in structure, but the report was framed with an extra survey for the materiality of various Corporate Responsibility Issues.

6.1.3. The effect of financial risk into the social reporting

National Bank of Greece: In 2010 it was the first time that there was a reference relevant to capital adequacy of the bank. There was reference both in the message from the chairman where he states that the bank maintained "adequate liquidity and sound capital

base” and in the sector of economy where there was presentation of TIER I ratio. This reference was a result of the economic crisis that obligated the bank to proceed into increase in share capital. In 2011, the bank made a smaller reference this year in relation to capital adequacy and referred that this issue is more discussed in the annual report. Finally in 2012, in the section of risk management the bank made a reference of how the bank compiles with the Basel Accords.

Alpha Bank: In 2010, it was the first time that the report presented topics relevant to the capital adequacy. There were two references about this topic in the report. The first one was in the chairman’s note that CEO referred to robust capital structure, to the portfolio of the bank and to the results of European stress tests. Secondly, in the section of “Economy” was added a new part that analysed these issues. Next year, except the part in the section of economy, there was a reference about capital in the major developments of the year. The bank reported that the results of stress test confirmed its capital adequacy. Finally, in 2012 the Bank referred that despite its participation in the PSI program, its capital remained positive. Furthermore, it made reference relevant to the acquisition of Emporiki Bank.

Piraeus Bank: There was only a reference in capital issue in the examined report of the bank. In particular, the report of 2011 made reference to capital strengthening of the bank after its increase of share capital in the beginning of 2011.

6.1.4. Assurance

National Bank of Greece: In the first two year, there was no assurance in the report. In 2009, the report had no assurance again, but the company admitted the need of external assurance of the report and mentioned its intention to have this report verified externally. In 2010 for the first time the report had assurance by an audit firm. Since then, the report had the report assured by the same auditor.

Alpha Bank: In the 2007, the same advisor that assisted in the structure of the report, it was also the advisor that verified the report’s contents. In particular, the advisor conducted a sample assessment of the Report with main focus on structure, procedures and results. For the next two years, there was not an external verification or assurance. In 2010, the report had a limited assurance, meaning an assurance for a limited part of the total report. In this case, the part of environment was assured by an audit firm. Finally

since 2011, the previous limited assurance has expanded to the whole report. The assurance was given from the same audit firm as the previous year.

Piraeus Bank: For the first two years, there was no assurance from an external advisor. In 2009 the Bank still had not received an external assurance, but the company suggested that was expected to occur in the near future. For the next two years the bank continued to make the same reference about the assurance. Finally, in 2011 for first time the company had the report been assured by external auditor, carrying out the target that set before three years. It had a limited assurance by an auditor that verified the data of the environmental section. The same assurance was given also the next year by the same audit firm.

6.1.5. Evolution of Stakeholder engagement by the board

National Bank of Greece: In 2007, Mr. Arapoglou referred to the role of the bank as a corporate citizen that invests for the well-being of Greek Society. In 2008, society was again the main receiver of the report. Since 2009 it was the first year of the economic crisis, it is notable that the Board emphasised the efforts of the Bank to satisfy its stakeholders and mostly to support the Greek economy. The concept of “recovery and return to economic growth” was also referred in 2010. In 2011, it was the first time that chairman’s note had a different approach in the stakeholder engagement. With the phrase “respecting our shareholders, our customers and the wider community” the board seems to target mainly to shareholders and customers. Finally, in 2012 the stakeholder engagement was extended since except of shareholders and customers, the board is now making a reference also to employees.

Alpha Bank: In the first report, CEO of the bank referred that the social and environmental policy targets to three groups of stakeholders; to the shareholders by creating value and reasonable returns for them, to the customers by improving the services and to the employees of the bank by promoting equal opportunity and personal development. Next year, again in the Chairman’s note only shareholders, customers and employees were referred as main stakeholders. In 2009, it was the first time that Chairman made at first a reference to all stakeholders and then highlighted the three categories of stakeholders that referred the previous years. In 2010, the CEO suggested again that social responsibility create value to Shareholders, Customers and Employees. In these groups, he also added “the Society in general” possibly as a reference to the rest

of stakeholders. In 2011, the chairman made reference to the role of the company as a corporate citizen, referring specifically the commitment of the company to its employees. The reference was made maybe to reassure employees about their job safety despite of the increasing unemployment in Greece. Finally, in 2012, the chairman again referred to the role of the company as a corporate citizen.

Piraeus Bank: In the first report, there was no a reference into a specific stakeholder in the report, but rather the report treat all stakeholders equally. In chairman's note, Michalis Sallas, CEO of the bank, made references to a number of stakeholders such as shareholders, customers, suppliers, employees and disadvantaged social groups. This view changed in 2007 as the CEO referred that the bank operates "Having as absolute priority shareholders' interests" showing the specific interest for the shareholders. Next year, he expanded the stakeholders' engagement to three groups, including also customers and employees in his note. In 2009, the CEO had broadened more his approach making references and engaging other groups of stakeholders as well. In 2010, due to the economic crisis of Greece, the Chairman made a specific reference about the duty of the Bank to participate in the reorganisation of Greek economy. This reference was restated by him in the next year as well. Finally in 2012, the CEO referred to a number of groups of stakeholders, namely shareholders, customers, employees and to the Greek economy in general.

6.1.6. Methodologies

National Bank of Greece: For the structure of the first report the bank used specific issues from GRI Guidelines combined with the assistance of an external advisor. Next year, the company started to fully apply the GRI Guidelines. The external advisor that was used was the same. The same methodology was applied also in 2009. In 2010, the company, except the GRI-G3 Guidelines, started to use the GRI's Financial Sector Services Supplement as well combined with the assistance of the same advisor. In 2011, for the first time the bank did not have the assistance of an external advisor to structure the report. Finally, in 2012 the company started to implement the AA1000 APS standard in order to analyse the expectation of stakeholders. This fact was mentioned twice in the report; firstly in the chairman's note and secondly in the methodology part. The report adopted all the principles of the standard, namely Inclusivity, Materiality and Responsiveness.

Alpha Bank: The first year of CSR the company used a variety of sources to structure the report. The sources include specific standards of the EFQM model and specific issues from GRI Guidelines combined with the assistance of an external advisor. In 2009, the development of the report was based on the fully application reporting guidelines of the GRI-G3 international standard with the assistance of a different external advisor. The standards of the EFQM model were abolished. The next year, except of the G3-GRI guidelines, for first time the GRI's Financial Sector Services Supplement had been utilised. Another standard that was utilised was the AA1000 APS standard, covering the principles of Inclusivity, Materiality and Responsiveness. Moreover, for the first time the report has been developed with the assistance of two external advisors that were again different from the previous years. The same exactly methodology was used again the next year. In 2011, there were some minor changes in the methodology. Firstly, the bank extended the only reference in the principles of the standard AA1000 APS. This year the principles were defined by the company. More specifically, Inclusivity was defined as the "inclusion of stakeholder interests in the decision making process", Materiality as the "identification of the most important issues for the Bank" and Responsiveness as the "Bank's responsiveness to stakeholder needs and expectations". These definitions are very close to the standard's definitions. Secondly, the company did not refer that it uses the assistance of some external advisor. The same practice was followed also in 2012.

Piraeus Bank: For the first report, the bank used the principles of UN Global Compact for the structure of the report. The next year, in the methodology part the company started reporting with the GRI-G3 Guidelines along with the UN Global Compact. It should be noticed that this year the chairman made the required statement about the commitment of the bank to the principles of UN Global Compact. This statement was missing the previous year. In 2009, the bank expanded the use of GRI, utilizing also the Financial Supplement. Since then, the bank uses the same methodology. It is also notable that there was no reference for the use of advisors in any report of the bank.

6.2. Findings from Interviews

6.2.1 Interview with the preparer

The first point of discussion was about the reasons that motivate the bank to start reporting. Mrs Kourkouli answered that "Main motivation for reporting is the competition. If your competitors have started reporting CSR issues, you have to align

with them and start reporting as well". She categorised the competition into two categories namely internal, meaning the other banks and external, meaning the competition in an industry level from other big companies that occupy with environmental issues.

In her opinion another reason for motivation is the increasing interest in CSR issues in general. She mentioned that "Companies are more and more occupied with this issues and when you give more resource for CSR activities, you need to report these actions, not only for marketing purpose, but also in order to justify the allocation of resources to CSR activities". In her opinion, this reason can explain the increasing number of published reports. Furthermore, stakeholders nowadays are more informed for these issues and they demand information for the companies for their CSR actions. Finally, she suggested that the economic crisis of the country put into the agenda many of these issues.

The conversation then turned into the forces that obligate the company to proceed to CSR reporting. She suggested that "Since the reporting is voluntary the main force is the ethical perspective of the topic. This perspective is closed related to the topics of marketing and benchmarking. Since the European Commission proposed a mandatory framework, there will be also a legal obligation".

The next question was relevant to how financial risk is reported in CSR report. The answer was that the financial issues were not reflected until recently in the report. However, due to the external conditions (haircut of Greek bonds, share capital increases) these topics will be analysed more in the next reports. Meanwhile, the issues that are covered adequately are mostly about the environmental and social risks that the products of the bank have. She suggested that "if you give a loan to company to build a unit that will affect the environment of the surroundings then you have to deal with that risk. The terms and conditions are set by the commission of operational risk before the approval of the loan".

The next question was about the power of the GRI Guidelines. She answered that GRI guidelines are the most popular guidelines. The main advantage of the guidelines is the structure of the report that is proposed. All the information of the report is structured according guidelines in a degree. She stated that "the publishers look first the demands of the guidelines and then they write the report" and she continue by saying that "The

reported information is affected from the grade that the company wants to achieve. For example the use of the financial supplement gives a higher grade. Despite this process seems to be grade-hunting, it has also an ethical perspective. In order to cover more indicators, you have to be more compliant in the CSR issues. Furthermore, the guidelines provide information about the best practice. Another advantage of the guidelines is that they have continuously updates for better application and flexibility. Finally, since GRI guidelines have also disadvantages, she suggested that other standards can also be used or combined with the GRI Guidelines”.

The effects in the report of the external assurance were the next topic of discussion. In her opinion, assurance is very important, since a third party verifies the validity of the report. It has not an effect in the report but it is evaluated from GRI Guidelines with a higher grade. The final question was about if the next year’s report will introduce something new. The answer was that because the bank acquired another bank, issues relevant to the acquisition such as Human Resources and Labor will be reported more.

The final question was about what more the obligatory framework can demand. The answer was that the regulation is “market driven”. The companies have already the importance of CSR and that the survival of the company is not depended only in the core business, but also from social and environmental criteria. Apart from the ethical perspective, there is also an economic one as being social responsible can make you more efficient company. For example, if you spent less electricity you reduce your operational cost. The companies know that the CSR issues are related to the financial performance. The new framework will be less developed from the current practice.

6.2.2 Interview with the professional

The first question to the professional was about what motivates the companies to start reporting, especially when this happens in a voluntary basis. The auditor named a variety of reasons including the better communication with the stakeholders, the usage of the report as marketing tool, the raising of companies’ awareness about their effect in both society and environment and the identification of areas that can be improved inside the company. For the last reason, he pointed out that reporting is the mean that helps companies to measure their performance and take improvement actions.

The next question was about the methodology of the reports. He believes that the GRI Guidelines have gained a great acceptance in the business world and the methodology tends to be standardised around these guidelines.

The concept of assurance was the next topic of discussion, which is the area of expertise of the interviewee. The auditor answered that “The interest for the concept has been increased for two reasons. Firstly, it increases the reliability and the validity of the reporting data. Secondly, it improves the CSR processes of the company, since an independent third party identifies potential weaknesses on the CSR systems”. Furthermore, he suggested that the choice of assurance is mainly based on the cost factor.

Regarding the CSR reporting in the financial sector, the auditor suggested that the specific requirements in the sector come from the usage of the GRI Financial Supplement. Moreover, regarding financial information, he suggested that the information about capital adequacy is a matter to be reported mainly in the financial report of the bank, as the “survival of the bank is a purely financial topic”. However, it is at the bank’s discretion to make a link with financial report or include a summary of this information in the CSR report. The communication strategy of the bank determines how these matters are handled.

Finally, regarding the EU framework, the auditor believes that the framework is in the right direction, but there is always space for modifications and improvements. He suggested that despite the voluntary character of the report, there are companies that have done a lot of innovations regarding reporting, combining many standards and guidelines.

6.2.3 Interview with the auditor

The auditor believes that the main motivation of companies to start reporting is that the companies use this practice as a self-commitment to their stakeholders. Under this “promise” the companies are obligated to be more active in CSR issues and this has a positive consequence in general, since they can be more effective internally and they can use their practice as a mean of marketing.

The next question was relevant to the decisions of the company about stakeholder engagement and the methodology of the report. For the stakeholder engagement, she believes that this is “bounded internally” and it is not affected from external factors. She argues that the engagement is primarily influenced by the willingness of the company to

integrate the views, expectations and needs of its stakeholders in decision-making. Regarding methodologies, she suggested that GRI are the guidelines that are used more in the business world and more and more companies adapt them.

About the assurance of the reports, the auditor suggests that the companies need to audit their report for both internal and external reasons. Based on her experience, the companies internally can improve their processes of gathering data and externally, the companies gain more credibility of their reports.

Regarding the banking sector, the auditor believes that the specific requirements of the sector stem from the main activity of the banks. She suggests that banks have to include social and environmental criteria when they decide what operations will finance in order to reduce the potential risks. Furthermore, regarding the financial information in CSR reporting, she believes that any information relevant to the survival of the bank has to be presented in the CSR report. Moreover, she suggested that the term “CSR reporting is quiet old” since nowadays this report covers not only the social and environmental aspects of the company, but also other issues that can be vital for the companies. Financial survival is one of these topics.

Finally, regarding the proposed EU framework, she argues that the framework has not been delayed to be published. Her main justification for this argument is that the companies that are mature in their CSR reporting practices are quiet fewer than the number of companies that the framework obligates to report. The legal responsibility can develop more the existing CSR reporting practices, since many companies that did not have a CSR reporting practice; now they will have to deal with this legal requirement.

6.2.4 Interview with the consultant

The first topic that was answered by the consultant was relevant to motivation of the companies to start reporting. The consultant characterised CSR as “a business religion that the companies start to follow and act in a responsible way”. CSR reporting is one of the actions that companies take. Afterwards, he named a number of reasons as motivations including; the response in the demands of customers and shareholders, the requirements from regulations, the marketing, the need to follow the competitors that have already started reporting, the operation under a more transparent way and the requirements from foreign stock exchanges.

The next question was about the methodology of the report. The consultant believes that the methodology has been standardised around the GRI guidelines. He believes that GRI guidelines is “the most complete and dynamic standard” and becomes better and better through the publication of newer versions and supplements. Furthermore, they have great acceptance since they are not published by a small group of professional or organisations, but they are a result of multi-stakeholder process.

Regarding the assurance of CSR reporting, the consultant believes that the main reason for auditing the reports is the increase of their credibility. Another reason in his opinion is that the auditing process secures that incorrect information will not be published. Finally, the consultant believes that the companies may choose to have limited assurance for two reasons; firstly to reduce the cost of the assurance or secondly because there are problems with some data.

The next question to the auditor was about the financial information in the CSR reporting. The consultant suggests that the financial should always be reported in the CSR report, since the theory of sustainability reporting and of the triple bottom line reporting include “the concept of economic survival”. Furthermore, he believes that the CSR report primarily examines the viability of the business and the financial risk is a major topic of sustainability in banking sector.

Finally, about the proposed framework from EU, the consultant believes that the framework will not be published with delay, but he thinks that its requirements regarding the topics that the companies have to report should be stricter. Furthermore, he believes that only a small percentage of the companies are innovative regarding their CSR reporting practices. The most big companies in Europe either they do not publish a CSR report or they do not follow international standards. EU tries to cover this gap by publishing this legal framework.

7. Discussion

The following chapter will discuss the results from content analysis and the findings from the interviews under the theoretical background that was previously presented in order to answer the research questions. This chapter also includes comparisons with the existing studies.

7.1. What was the main motivation for the banks to start CSR reporting, especially based on international standards?

The content analysis showed that the main reason that the banks started to report based on international standards is their willingness to align with the international practice. This result shows that there is mimetic isomorphism in adopting CSR reporting in the, since the Greek banks copy this organisational practice in order to stay competitive. This finding also agrees with Evangelinos et al. (2009) research that international competition pressured the development of CSR reporting. The competition is not only in industry level, but there is also a general competition about the CSR performance between companies.

The findings of the interviews revealed a series of other reasons as motivation including; the increasing interest in CSR issues in general, topics such as marketing and benchmarking, the better communication with the stakeholders, the internal improvement of companies, the operation under a more transparent way and the requirements from foreign stock exchanges. The last reason is based on a legal requirement. Besides the cost factor, the other reasons reveal the use of the concepts of legitimacy and stakeholder theories. Marketing and operating more transparently are tools that the companies use to make their activities being perceived as legitimate. On the other hand, with better communication, groups of stakeholders can be satisfied more easily. International standards can improve the relationships of the company with its stakeholders, since the principle of “Materiality” is dominant in every well recognised standard.

Finally, the EU’s framework seems to be published with no delay. Although, some companies have a great advance regarding CSR reporting, there is space for further development. The majority of the companies do not report or report without using the international standards. The EU’s framework will transit CSR reporting from a voluntary and ethical level to a legal and obligatory one, so the concept of CSR reporting will expand more into the business world.

7.2. How the structure of the report has been evolved and verified in the examined period? Is the financial information included in the CSR reports?

Regarding the evolution of the structure, it is noted that in the initial years of CSR reporting, there were some changes in the sections that the information were structured. Thereafter, banks kept the same reporting structure. The sections of Human Resources, Environment and Society are common in every bank. Other sections may cover similar topics, but they are under a section with different name or there are sections that are merged between them. The size of the reports also follows the same attitude. After some fluctuations in the first years, the reports of the bank started to have more or less the same number of pages. It is notable that the reports of each bank have a different number of pages. This fact agrees with the previous research of Waller and Lanis (2009) that the level of disclosure differs in different companies.

Regarding the reporting of financial risk in the CSR reporting, the content analysis concludes that is a topic that receives minor attention in the CSR reports of the banks. In particular, in the first years of the reporting, there was no reference about this topic. In the last years, due to economic crisis, the banks started to report some issues relate to the topic. This finding correlates with the studies of with Gutierrez et al (2013) and EY (2009) that suggest that the economic crisis had various effects in the reporting of banking sector.

Issues for this topic that are reported include; the capital adequacy, the share capital increase, the strengthening of capital due to an acquisition of another bank and the pass of stress tests. The interviews also correlated with that result; the general conclusion was that the company should at least make a summary or a reference to financial report, when there is a topic that affects the survival of the bank, since financial survival is a main concept of sustainability development.

The analysis of the financial information also revealed application of legitimacy theory. The banks want to make their activities be perceived as legitimate. For example after the PSI program, shareholders should have been very disappointed that a voluntary action of the bank cause big losses. With CSR reporting the banks took the opposite position and maintained the legitimacy of their action, promoting that it was an action for the good of Greek economy.

Finally, the research concludes that there is an increasing interest for external assurance. In the beginning of the examined period the reports were without assurance. In the end of the period, all the bank reports had at least limited assurance. It is notable that this issue is acknowledged as very important from the banks since before they started to get assurance, they made reference about its necessity. As banks are multinational companies, it can be assumed that the guidelines of OECD might have influenced the development of assurance. Furthermore, the main reason for assurance by the interviewees is the increase of creditability of reports. If this fact is combined with the harmed legitimacy of the banks due to the consequences of the economic crisis, it can be assumed that the assurance is used as a strong communicative tool. The evolution of assurance correlates with the evolution of CSR reporting in general and with the increased need for credibility of data. Other reasons include; the security that incorrect information will not be published, the higher grade that assurance gives in the GRI system and the improvement of internal processes of the company.

Content analysis has found three types of assurance; verification that seems to be an early form of assurance and was met only once, limited assurance that is the assurance that is given for a part of the report and reasonable assurance that is the assurance that is given for the whole report. Cost is the main factor that influences the choice between limited and reasonable assurance. Furthermore, in all cases, except in the case of verification, the assurance was given by an audit firm.

7.3. How the methodology of the report has been evolved in the examined period?

In the methodology part, the utilisation of GRI guidelines seems to be a standard procedure. All the banks of the sample started to use at first the basic GRI-G3 guidelines and then also their financial supplement. Furthermore, all the interviewees suggested that the methodology of CSR reporting has been standardised around these guidelines. This trend showed that institutional theory has an application in this topic and in particular GRI guidelines are in the stedimation phase, since they have become a routine practice and the banks have resembled around these, following the international practice.

GRI guidelines seem to be considered as the ones that give the best methodology for CSR reporting since they cover most of the CSR aspects, they are updated frequently and they are developed through a multi-stakeholder process. Furthermore, the discussion with the

preparer showed that the reporting of the banks is structured in order to achieve a better grade in the GRI's scale. For this reason, it is reasonable to assume that in order to stop this chasing for a better grade; the GRI organisation changed the A-C scale into the "in accordance" criterion.

Despite the superiority in its utilisation, GRI has also disadvantages. The banks of the sample do not follow only these guidelines but they are combined them with another standard. In the sample it is noticed the parallel usage of AA1000 APS and UN Global Compact. This fact is confirmed from interview with preparer as well. Finally, the research showed that the banks stopped to use external advisors to assist them to structure their report. It can be assumed that the banks nowadays have the necessary "know-how" to structure the report by their own. In general, the process of structuring seems to have been standardized since banks follow exact the same practices.

7.4. Is there a trend in the stakeholder engagement?

Regarding the engagement of stakeholders from the Chairman Note, the content analysis did not reach into a conclusion whether the banks tend to adopt a more normative or managerial approach. In the two banks (Alpha Bank and Piraeus Bank) seem to exist a trend to more normative approaches. The third bank, despite its initial reports showed a normative approach, the latter reports engages a managerial one. From the content analysis, it is also visible that external events influence the engagement. For example, due the economic crisis, the banks acknowledge their debt to support the Greek economy. On the other hand the results from interviews were contradictory. The auditor referred that the stakeholder engagement is influenced exclusively from how open is the bank to take into consideration the demands of its stakeholders, whereas the preparer mentioned that the next year's report will be influenced by an external incident (acquisition of another bank). In any case and taking into consideration also the study of Gutierrez et al. (2013), it is reasonable to assume that the banks adjust their stakeholder engagement in the external factors in order to be legitimate at least in the primary stakeholders.

8. Conclusions

In this section the results of the analysis of the research findings will be concluded. Furthermore, ideas for future research will be presented.

The purpose of this thesis was to examine some characteristics of the CSR reporting practice in the banking sector in Greece. For this purpose a list of research questions was created and a mixed research method was designed that consisted from content analysis and interviews with experts. For the analysis part, a theoretical framework was presented. This framework comprised the presentation of the main theories that explain the voluntary reporting and a list of regulations, guidelines and standards that affect reporting. Under this theoretical framework the results of the research were analysed.

The research led to various conclusions answering the research questions. Firstly regarding what motivates banks to start reporting with international standards, the research revealed that the main reason is the alignment with competitors. Other reasons for reporting both internal and external were recognised. Regarding the EU's framework, the author concludes that the framework will be is not out-dated at all, but it will obligate the big companies that had not published CSR report yet to start reporting. Regarding structure, the conclusion was that after some years, the structure of the reports has been standardised, meaning that the main pillars that the banks reports are the same. The author also concluded that the topic of financial information, due to the economic crisis, has an increasing interest in the CSR reports and that is critical to be reported. References about financial information include; the capital adequacy, the share capital increase, the strengthening of capital due an acquisition of another bank and the pass of stress tests. Increasing interest was noticed as well for the concept of assurance. The main reason for this increase was the need for increasing credibility of the reports. Every bank had at least a limited assurance in the report. Another characteristic of the report that has been standardised is the methodology. The usage of GRI guidelines seems to be a routine process. The interviews with experts named a series of reasons for GRI superiority including their wide applicability, their frequently updates and their multi-stakeholder development. The usage of these guidelines is always accompanied with other standards such as AA1000 APS and UN Global Compact. Finally, regarding stakeholder engagement, the research did not reach to a conclusion whether there is a trend for normative or managerial engagement and whether there is an influence in the stakeholder

engagement by external incidents. The results from both content analysis and interviews were contradictory. However, based on a part of findings and an older study, the author assumed that there is influence at least in a minor degree.

8.1. Suggestions for Future Research

The author believes that his research has some aspects that they investigated can give input for future research. The area that intrigued more his interest was the impact that external societal (such as the increase of unemployment) and economic (such as economic crisis) incidents can impact the report. The author has already noticed that these incidents had an impact in the engagement from board. This area can be expanded to the whole content of the report. Another field that can also be explored is the phenomenon of the standardization. The author has found signs of standardization in the examined characteristics. Surveys can occupy with this topic in particular and expanded to the whole report as well.

As CSR reporting continues to grow the researchers will have new material to investigate. For example, the introduction of the mandatory framework by EU can stimulate new research. After its enforcement several new issues about CSR reporting can be raised. Firstly, comparisons can be made in order to analyse the differences in the disclosure between the periods after and before the enforcement. Secondly, in order to measure the usefulness of new framework, a comparison with the pre-enforcement period can identify the advantages and disadvantages of the new framework. Finally, the enforcement of the framework can clearly separate the mandatory disclosures with the voluntary ones. Research can investigate if a disclosure should belong in the other category or is correctly categorized.

Finally, a new area of research can quantify the data given in the reports. Companies promote that have made a series of energy savings, but this give an unclear image if there is no comparison with some key financial issues such as the total expenses. Furthermore, a stronger connection with the financial accounting can be made that connect these savings with the potential difference in earnings that the company could have if it does not follow these practices.

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Appendices

Appendix 1



Source: KPMG (2011)

Appendix 2

Structure

| National Bank of Greece - Structure | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Pages | N/A | 77 | 139 | 148 | 180 | 161 | 173 |
| Extra Report | N/A | - | - | - | - | - | - |
| Contents Categories | | | | | | | |
| Human Resources | N/A | √ | √ | √ | √ | √ | √ |
| Society | N/A | √ | √ | √ | √ | √ | √ |
| Environment | N/A | √ | √ | √ | √ | √ | √ |
| Shareholders | N/A | - | - | - | - | - | - |
| Marketplace | N/A | √ | √ | √ | √ | √ | √ |
| Corporation | N/A | √ | - | - | - | - | - |
| Economy | N/A | √ | √ | √ | √ | √ | √ |
| Corporate Governance | N/A | - | - | - | - | - | - |
| Customers and Suppliers | N/A | - | - | - | - | - | - |
| Society, Environment & Culture | N/A | - | - | - | - | - | - |

| Alpha Bank - Structure | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------|-------------|-------------|-------------|---------------------|-------------|-------------|-------------|
| Pages | N/A | 71 | 132 | 68 | 82 | 82 | 74 |
| Extra Report | N/A | - | - | For Human Resources | - | - | - |
| Contents Categories | | | | | | | |
| Human Resources | N/A | √ | √ | √ | √ | √ | √ |
| Society | N/A | √ | √ | √ | √ | √ | √ |
| Environment | N/A | √ | √ | √ | √ | √ | √ |
| Shareholders | N/A | - | √ | √ | √ | √ | √ |
| Marketplace | N/A | - | √ | √ | √ | √ | √ |
| Corporation | N/A | - | - | - | - | - | - |
| Economy | N/A | - | - | - | - | - | - |
| Corporate Governance | N/A | - | - | - | - | - | - |
| Customers and Suppliers | N/A | - | - | - | - | - | - |
| Society, Environment & Culture | N/A | - | - | - | - | - | - |

| Pireaus Bank - Structure | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------|
| Pages | 50 | 60 | 81 | 60 | 75 | 93 | 106 |
| Extra Report | - | - | - | - | - | - | Survey for Materiality |
| Contents Categories | | | | | | | |
| Human Resources | √ | √ | √ | √ | √ | √ | √ |
| Society | - | - | - | - | - | - | - |
| Environment | - | - | - | - | - | - | - |
| Shareholders | - | - | - | - | - | - | - |
| Marketplace | - | - | - | - | - | - | - |
| Corporation | - | - | - | - | - | - | - |
| Economy | - | - | - | - | - | - | - |
| Corporate Governance | √ | √ | √ | √ | √ | √ | √ |
| Customers and Suppliers | √ | √ | √ | √ | √ | √ | √ |
| Society, Environment & Culture | √ | √ | √ | √ | √ | √ | √ |

Stakeholders Engagement for Board

| Stakeholder Engagement by Board | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------|-------------|-----------------|-----------------|-----------------|-------------|-----------------|
| National Bank of Greece | N/A | Normative | Normative | Normative | Normative | Managerial | Less Managerial |
| Alpha Bank | N/A | Managerial | Managerial | Less Managerial | Less Managerial | Normative | Normative |
| Piraeus Bank | Managerial | Managerial | Less Managerial | Less Managerial | Normative | Normative | Normative |

Methodology

| National Bank of Greece - Methodology | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------|----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------|-------------|
| GRI G3 | N/A | Reference - no application | √ | √ | √ | √ | √ |
| Financial Supplement | N/A | - | - | - | √ | √ | √ |
| AA1000 | N/A | - | - | - | - | - | √ |
| UN GlobalCompact | N/A | - | - | - | - | - | - |
| Other Standards | N/A | - | - | - | - | - | - |
| Use of Advisors | N/A | 1 advisor | 1 advisor - same with previous year | 1 advisor - same with previous year | 1 advisor - same with previous year | - | - |

| Alpha Bank - Methodology | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|-------------|----------------------------|--|---|-------------|-------------|-------------|
| GRI G3 | N/A | Reference - no application | √ | √ | √ | √ | √ |
| Financial Supplement | N/A | - | - | √ | √ | √ | √ |
| AA1000 | N/A | - | - | √ | √ | √ | √ |
| UN GlobalCompact | N/A | - | - | - | - | - | - |
| Other Standards | N/A | EFQM | - | - | - | - | - |
| Use of Advisors | N/A | 1 advisor | 1 advisor - different from previous year | 2 advisors - different from previous year | - | - | - |

| Piraeus Bank - Methodology | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GRI G3 | - | √ | √ | √ | √ | √ | √ |
| Financial Supplement | - | - | √ | √ | √ | √ | √ |
| AA1000 | - | - | - | - | - | - | - |
| UN GlobalCompact | √ | √ | √ | √ | √ | √ | √ |
| Other Standards | - | - | - | - | - | - | - |
| Use of Advisors | - | - | - | - | - | - | - |

Financial Risk in CSR reporting

| Information about capital adequacy | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| National Bank of Greece | N/A | - | - | - | √ | √ | √ |
| Alpha Bank | N/A | - | - | - | √ | √ | √ |
| Piraeus Bank | - | - | - | - | - | √ | - |

Assurance

| Assurance | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| National Bank of Greece | N/A | - | - | Expected | Reasonable | Reasonable | Reasonable |
| Alpha Bank | N/A | Verification | - | - | Limited | Reasonable | Reasonable |
| Piraeus Bank | - | - | Expected | Expected | Expected | Limited | Limited |