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# **A Comparative Study of CEO Letters in Corporate Social Responsibility Reports of European and Asian Automobile Companies**

by

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# Abstract

<b>Title</b>	A Comparative Study of CEO Letters in Corporate Social Responsibility Reports of European and Asian Automobile Companies
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The present study investigates transcontinental differences of CEO communication towards stakeholders in CSR disclosure. It is motivated by the research question: What differences in addressing stakeholders can be observed in the CEO communication within CSR reports of European and Asian companies? Literature on the field of CSR in management has focused almost exclusively on comparative studies that analyze the CSR report as a whole, and do not consider particularly Asia in the sample. Therefore, the study examines how companies from Europe and Asia use CEO letters within CSR reports to serve the information needs of multiple stakeholders. The authors conducted a qualitative content analysis study supplemented by interviews. The findings from the research illustrate less differences between the continents with respect to which stakeholders they address. In contrast, stronger differences in the amount and type of information provided by European and Asian companies could be observed. These findings support existing stakeholder theory in expressing a company's need for actively addressing and seeking to satisfy the interests of multiple stakeholders. Furthermore, the study contributes with a framework that can be applied as an analytical tool by other researchers to decipher CEO communication regarding CSR. Additionally, this study offers top managers a descriptive analysis about the current stakeholder focus of European and Asian companies which can be a starting point to revise and improve their own CEO communication. The authors suggest for further research to scale up the study by extending the sample to other continents. This would enrich the possibility for comparisons and provide a holistic overview about company's stakeholder focus in CEO communication.



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# 1 Introduction

In present time, companies are perceived as a major contributor to problems concerning social, environmental and economic issues (Porter & Kramer, 2011). The legitimacy of businesses recently reached an unprecedented low level, which expresses the increased lack of trust towards companies by the society (Porter & Kramer, 2011). Corporate critique, the emergence of a large amount of government regulations, and considerable competition have created even stronger pressure on top management to satisfy different stakeholders (Freeman, 2010). Thus, firms nowadays feel forced by external influences to be more transparent with their impacts on society (Lee, 2011). For that reason companies are making increasing use of the concept of corporate social responsibility (CSR) (McWilliams & Siegel, 2001). The concept of CSR can be described as encompassing “the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time” (Carroll & Buchholtz, 2000, p.35). To meet the aim of increased legitimacy from stakeholders, companies try to find possibilities for making their CSR initiatives visible and open to the public (Castello & Lozano, 2011; Maignan, Ferrell, & Hult, 1999). A widely accepted definition of stakeholders is the groups and individuals which affect, and are affected by, the company’s business (Freeman, 1984). According to this interrelation between companies and stakeholders, companies make use of CSR communication, a “process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to society at large” (Gray, Owen, & Maunders, 1987, n.p., cited in Gray, Owen, & Adams, 1996, p.3). Within the frame of CSR communication, companies use different kinds of communication channels, especially websites, advertising and reports (Birth, Illia, Lurati, & Zamparini, 2008).

Particularly, the use of CSR reports has become increasingly popular, which is indicated, for instance, by the 31% increase of published corporate reports from 2010 to 2013 (CorporateRegister, 2015). CSR reports are providing information to internal and external stakeholders about the achievements based on a company’s CSR concept (Habek & Wolniak, 2015). They are a part of company’s corporate reporting and evolved from the annual report over time (Fifka, 2013). In addition to the obligatory financial information, large companies in Western industries started in the 1970s to add information voluntarily to their annual reports, for instance regarding their product quality, employee benefits and regional impacts (Fifka, 2013). Further, resulting from an increasing demand for disclosure, Western European companies started to publish stand-alone reports that contained mostly of social topics (Fifka, 2013). For that reason, these non-financial reports were called “social reports or social balance sheets”(Fifka, 2013, p.2). In the 1990s, as sustainable development concepts became increasingly popular (Azzone & Bertele, 1994; Welford, 1995; Welford & Gouldson, 1993) the focus of reporting changed from social issues to environmental issues (Habek & Wolniak,

2015). A decade later, companies started to combine different topics and published a mix of social, environmental and economic disclosure in non-financial reports (Habek & Wolniak, 2015; Morhardt, 2010).

Nowadays, non-financial reports are published all over the world. The statistics of reports following the Global Reporting Initiative (GRI) guidelines reveal that the majority of these reports still come from Europe (45%), followed by Asia (20%) and North and South America (14% respectively) (GRI, 2011). Due to missing global requirements for non-financial reporting, different reporting initiatives, such as GRI, and national requirements evolved (Habek & Wolniak, 2015). Research also shows that there exists no universal terminology used for reporting and it differs between companies (KPMG, 2013). The most commonly used terms for reports regarding CSR are 'Sustainability' (43%), followed by 'Corporate social responsibility' (25%) and 'Corporate responsibility' (14%) (KPMG, 2013). Therefore, the authors of the current thesis accept these names as equivalent, and use the term CSR reports in the following text.

A new impact on company's corporate reporting is globalization which transforms national economies into a global economy (Beck, 1992). Accordingly, CSR communication has to address a broader audience. In this global economy various lifestyles and interests are co-existing, (Beck-Gernsheim & Beck, 2002; Maak, 2009; Palazzo & Scherer, 2006). Consequently stakeholder expectations differ. Thus, the top management of global companies needs to find the right strategy to address stakeholders of different cultural backgrounds and with differing stakes. A central role in the top management is given to the Chief Executive Officer (CEO) (Thomasson, 2009). He interacts with the company's stakeholders (Thomasson, 2009) and directly addresses them, for instance in the CEO letter of the CSR report. Top managements have already realized that they can use CSR as a strategic tool for the company (Porter & Kramer, 2006). It can attract new customers and even be a competitive advantage in the market (Porter & Kramer, 2006). Consequently, there is an existing relationship between management's perceptions of their stakeholders and company's current reporting strategy (Cormier, Gordon, & Magnan, 2004).

To investigate corporate reporting, stakeholder theory (Freeman, 1984) can be applied to the field of CSR as it focuses on how an organization relates to its surroundings in the aspect of maintaining relationships with both internal and external actors for a sustainable operational model (Carroll, 1991). By defining and grouping its stakeholders a company can gain better insights into which internal and external stakeholders to consider in their CSR communication (Carroll, 1991) and use appropriate tools for communication in order to legitimize their operations.

The review of previous research in the field of CSR that considers stakeholder theory reveals that comparative studies which describe CSR content and consider countries from more than one continent are rare. Furthermore, the studies lack to do an in depth exploration of the differences on the content level of corporate publications. Therefore, the authors perceive a study that describes transcontinental differences on the content level of CSR communication to be of interest.

## 1.1 Research Purpose

The purpose of this thesis is to investigate transcontinental differences of CEO communication towards stakeholders in CSR disclosure. The thesis contributes with insights into top management's focus on CSR while facing various stakeholder expectations. It provides information on which stakeholders are considered relevant and investigates whether there exists differences between companies of geographically distinct origin.

## 1.2 Research Question

The following research question will be addressed to accomplish the research purpose:

What differences in addressing stakeholders can be observed in the CEO communication within CSR reports of European and Asian companies?

Therefore, the authors conduct a qualitative study that investigates the research question by using content analysis as well as supplementary interviews.

## 1.3 Research Limitations

The given time limit, 10 weeks, restricts the research to one particular industry, namely the automobile industry. The comparison includes Europe and Asian companies, which operate on the global market, and excludes those companies operating in a single or two markets to increase the comparability. The study only considers the latest available global CSR report of each brand between 2012 and 2015, and only includes those brands with reports published online. Within the thematic analysis CSR reports published exclusively in English are analyzed. Furthermore, the qualitative nature of the study imposes some limitations on replicability as the subjective interpretation may influence the findings.

## 1.4 Outline of the Thesis

This thesis is divided into five main sections. In the second chapter, a review of applicable theories and previous research will be presented. The third chapter presents which method was used to conduct the study. The fourth chapter presents the analysis and discusses the findings. Finally, the fifth chapter concludes the thesis and presents aspects which could be further studied in future research.

## 2 Literature Review

*The ensuing literature review gives an overview of the existing research and theories in this field. Firstly, a definition of CSR will be given, followed by an introduction of relevant theories for this study. Furthermore, the chapter introduces a framework that will be applied in the content analysis of the current study.*

### 2.1 Defining the Term CSR

In the last 60 years a variety of research has been conducted in the field of CSR. One of the prominent researchers on CSR, Archie Carroll, determines that the roots of CSR in management research began in the 1950s (Carroll, 1999). He goes further to identify Bowen (1953) as giving the initial definition. Bowen (1953) defines social responsibility in the business context as:

The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen, 1953, p.6).

During the following decades, various definitions arose (Van der Ploeg & Vanclay, 2013) and emphasized different aspects. Dahlsrud (2006), who analyzed 37 CSR definitions from 1980 to 2003, identifies five dimensions to categorize CSR definitions: the environmental, social, economic, stakeholder and voluntariness dimension. One definition, which synthesizes these dimensions was released by the EU in 2001, it describes CSR “as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (EU, 2001, p.6). Despite many attempts to find a suitable definition, a general agreement about a universal definition for CSR is still missing (Van der Ploeg & Vanclay, 2013). The authors of this thesis choose the definition given by Carroll & Buchholtz (2000) as the underlying definition for their study, which states: “Corporate social responsibility encompasses the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time.” (Carroll & Buchholtz, 2000, p.35). This definition best fits the current study, because it describes the various stakeholder expectations to a company. Moreover, it indicates that society’s expectations can differ over time. Thus, companies today have to adapt and align their CSR initiatives to the context of globalization, where national economies transform into a global economy (Beck, 1992).

## 2.2 Different Perspectives on CSR

In theory, there exist different opinions regarding a company's social responsibility. These can be represented by the three CSR approaches by Friedman (1970), Freeman (1984), and The Committee for Economic Development (CED) (1971).

The first approach describes the classical view that "The Social Responsibility of Business Is to Increase Its Profits" (Friedman, 1970, n.p.). Friedman (1970) describes that an executive is an employee of the company's owner, and therefore just responsible to the owner. Moreover, an executive is not allowed to spend the owner's money for a general social interest.

According to Friedman (1970) that would mean that the executive charges tax and decides how to spend it, which is considered exclusively to be a government task. For that reason, Friedman (1970) considers the government to have a social responsibility in contrast to a business whose goal should be profit maximization.

The second approach, established by Freeman (1984), extends Friedman's (1970) perspective to other stakeholders and therefore can be named as the stakeholder perspective (Lauring & Thomsen, 2010). Freeman (1984) defines a stakeholder as "Any group or individual who can affect or is affected by the achievement of the firm's objectives" (p. 25). He categorizes stakeholders into primary stakeholders and secondary stakeholders. The former includes owners, employees, investors and customers, and to the latter belong for example competitors, interest groups and the society (Freeman, 1984).

The third approach is called the societal approach and has its origin in a publication by the Committee for Economic Development (CED) published 1971. It assumes companies to have a responsibility to society in general, which means it broadens the company's relevant stakeholders (Lauring & Thomsen, 2010). It describes that companies are rooted in the society and thus need society's legitimacy to perform (CED, 1971). Companies that take this approach into consideration, and encourage for instance human welfare and goodwill projects, are described as good corporate citizens (Lauring & Thomsen, 2010).

## 2.3 Carroll's CSR Pyramid

Developing further on the three CSR approaches, Carroll (1991), applies the basic elements by Friedman (1970), Freeman (1984), and CED (1971) to establish the pyramid of CSR (Lauring & Thomsen, 2010). The CSR pyramid visualizes his understanding of CSR and categorizes four different company responsibilities (Carroll, 1991). According to Carroll (1991) "The CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (p.43).

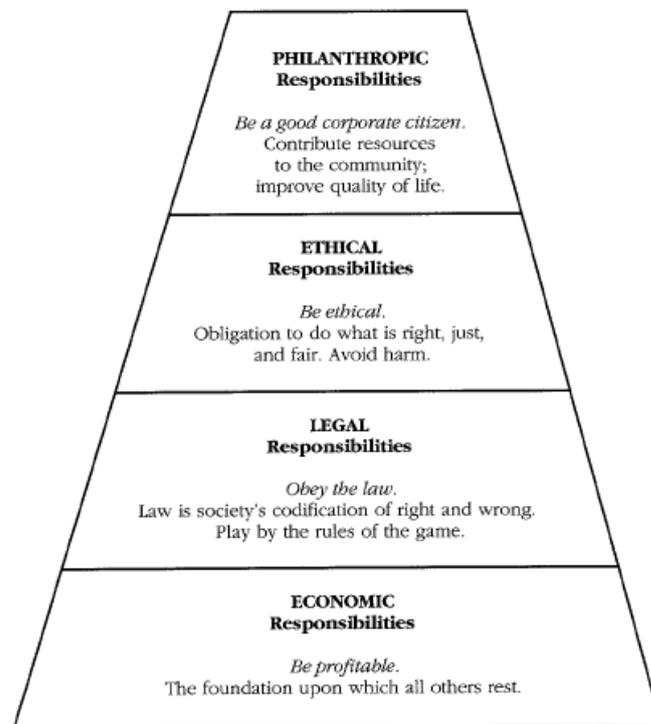


Figure 2.1 The Pyramid of Corporate Social Responsibility (Carroll, 1991, p.42)

Economic responsibilities form the foundation of the pyramid (see Figure 2.1). According to Carroll (1991) a business has to make profit, because this is the initial reason for entrepreneurs to found a company.

The next layer of the pyramid consists of legal responsibilities. That means that a company has to perform within the legal framework of its environment. Despite of its visualization in the pyramid, the legal responsibilities are equal important as the economic responsibilities (Carroll, 1991).

The third level of the pyramid is comprised of the ethical responsibilities, which include values and moral norms that are not formulated in legislation. These are expectations of different stakeholders such as consumers, employees or the society. It is often challenging for companies to fulfill these ethical responsibilities to the satisfaction of everybody, because stakeholder's expectations can change over time (Carroll, 1991).

On top of the CSR pyramid, Carroll (1991) describes a company's philanthropic responsibilities. These take into consideration that the society expects companies to be good corporate citizen. Companies can fulfill this expectation for example by supporting humanitarian projects with financial or non-financial resources. The philanthropic responsibilities are considered by Carroll to be more voluntary, because the society would not

regard a company as unethical if it does not meet their philanthropic expectations (Carroll, 1991).

Further, Carroll (1991) explains that the four responsibilities within the CSR pyramid are not exclusive, but have to be fulfilled simultaneously by a company. He is aware of the existing conflict to care about profit as well as about the society and describes this tension in a company as “organizational realities” (p.42). However, he argues that companies are used to deal with different stakeholder expectations and therefore should be able to fulfill all four responsibilities described by his pyramid (Carroll, 1991).

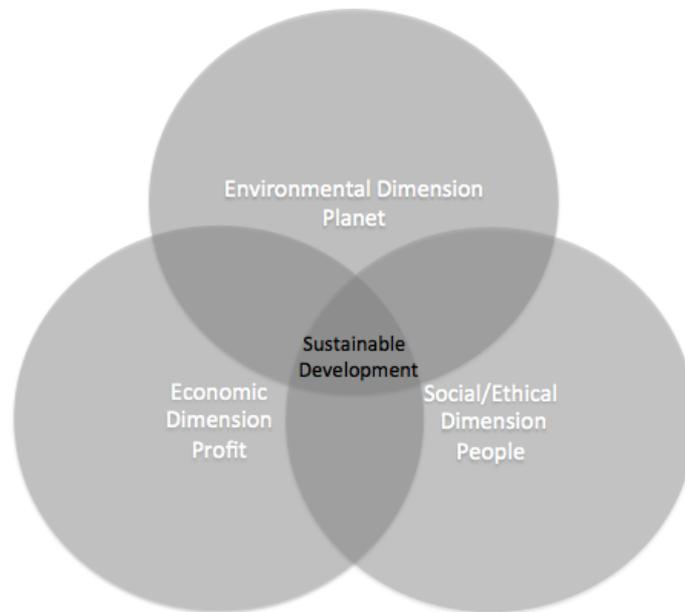
Besides these described controversies regarding a company’s social responsibility that all in a way support the concept of CSR, certain researchers also take a critical perspective to it. For instance, Mintzberg (1983) argues that CSR investments are just rewarded to a certain level by the stock market. Valor (2008) extends this argumentation to the consumer market by describing that CSR initiatives do not pay off for companies in the marketplace, because consumers may not be powerful enough to support these companies. Moreover, CSR is often criticized for being window-dressing, especially when used by companies from controversial industries such as tobacco or ammunition manufacturers whose products can harm for instance consumers (Henderson, 2001). Further, CSR is sometimes described as an activity which merely pretends to make contributions to society, but has underlying aims, such as to prevent governments to enact laws which might tighten for instance environmental standards (Henderson, 2001).

## 2.4 Triple Bottom Line

Companies that implement a CSR concept want to benefit from their efforts. Therefore, they need to inform their stakeholders about the company’s CSR activities. For reporting their achievements and to make comparisons with other companies possible, they try to find ways to measure these efforts (Norman & MacDonald, 2004).

Over the last few years the use of triple bottom line (3BL) as an accounting framework has become increasingly fashionable in management, consulting, and NGO circles. The 3BL approach suggests that there are more factors to a company’s success than just the financial results, which lead to a company’s sustainable development (Norman & MacDonald, 2004). Sustainable development is defined by the World Commission on Environment and Development (WCED) as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (UN, 1987, chap. 2). Companies are traditionally reporting their financial statements, however, the 3BL approach advocates including two more bottom lines, namely also measuring the social/ethical dimension and the environmental dimension (Norman & MacDonald, 2004). By measuring these three 3BL dimensions (see Figure 2.2), which are also commonly named the 3Ps:

people, planet and profits, a company provides a holistic view about its business impact on the world (Slaper & Hall, 2011).



*Figure 2.2 Dimensions of Triple Bottom Line*

However, some critique has been raised against the 3BL. For instance, Pava (2007) questions if 3BL should be held to higher standards than those accepted in the financial world. Meaning, that if a company's financial performance cannot be summarized in one single number, the bottom line, nor should we expect to be able to do it with the social and environmental measurements (Pava, 2007). Moreover, it can be difficult to find appropriate data and the 3Ps have not the same unit of measure which makes the accounting challenging (Slaper & Hall, 2011). Even if a solution for the latter problem could be using an index, a common sense for weighting the different dimension is required. In this context the fundamental questions if people are more important than the planet has to be answered (Slaper & Hall, 2011).

Nevertheless, by creating the 3BL accounting framework in the mid-1990s, John Elkington has put the issues of ethics and environment on the business agenda and sheds light on the importance of CSR (Pava, 2007; Slaper & Hall, 2011). Due to its broad dimensions, it is a flexible framework which can be used by different kind of companies and serve the information needs required by the company's stakeholders (Norman & MacDonald, 2004; Slaper & Hall, 2011).

## 2.5 Stakeholder Theory

The idea of 'stakeholder management' was articulated first during the 1980s, as a design for methodically considering the interests of those affected or those who can affect a company (Freeman & Liedtka, 1997). The stakeholder theory arose as a response to the one-sided focus on shareholders in previous research, and emerged to include other actors that are affected by, or can affect, the operations of a firm (Freeman & Reed, 1983).

Defining what exactly a stakeholder is has since the beginning of the development of stakeholder theory been an important element to consider, and the literature has through the years presented varying definitions. One definition presented by Alkhafaji (1989, p.36, cited in Mitchell, Agle, & Wood, 1997), defines stakeholders as "groups to whom the corporation is responsible". Thompson, Wartick and Smith (1991, p.209, cited in Mitchell et al. 1997) broaden the term and define stakeholders as groups "in relationship with an organization". In contrast, Clarkson (1994) presents a narrower definition. He defines the stakeholder as a voluntary or involuntary risk-bearer, and explains that a stakeholder is one who in some form assumes a risk or is subjected to risk by a firm's activities. Scholars have further tried to specify a concrete stakeholder definition, however with little advancement (Mitchell et al. 1997). What has now become a classic definition is Freeman's (1984), introduced previously, which states: "A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984, p.46). Certainly, it is one of the broadest definitions in the stakeholder literature since it leaves the possibility to include essentially anyone into the group of possible stakeholders (Mitchell et al. 1997). Nevertheless, for the purpose of this thesis the author's find Freeman's (1984) broadly accepted definition as best applicable since it takes into consideration a wider group of stakeholders, which is essential in understanding stakeholder prioritizations made by top management.

Stakeholder theory is composed of three distinctive aspects that are mutually supportive. It can be instrumental, normative or descriptive (Donaldson & Preston, 1995). The descriptive aspect of the theory can be used to characterize and explain specific corporate traits using empirical data where available. The instrumental aspect of the theory, in conjunction with empirical data, is used to identify connections between stakeholder management and the achievement of company goals. The normative aspect is used to identify and make sense of the moral and philosophical guidelines applied in the operation and management of the company (Donaldson & Preston, 1995). One of the challenges in the application of stakeholder theory, due to its nature, is that it can be used in different ways that are rather distinct.

Stakeholder theory applies a systems-based view of the company and its surroundings, and acknowledges the dynamic and complex nature of the interaction between them. According to Gray et al. (1996), using a systems-oriented view allows for the understanding of relationships between how an entity is influenced and how it influences the society in which it

operates. This theory suits the present thesis as it can be used to understand to what extent top management is trying to influence internal and external perceptions of their company.

The company stakeholders are identified based on the beliefs around how that particular stakeholder can influence the company's aims. The more important the stakeholder is for reaching the company goals, the more effort the company will spend on maintaining that particular relationship. This means that all forms of corporate social disclosure, in this context, can be seen as an important tool in the communication with stakeholders, with the purpose of obtaining their support and approval for company operations. (Gray et al. 1996).

According to Carroll (1991) there is a good fit between the theory of corporate social responsibility and the stakeholders of an organization. Stakeholder theory can be applied to the field of CSR as it focuses on how an organization relates to its surroundings to the aspect of maintaining relationships with both internal and external actors for a sustainable operational model. By defining and grouping its stakeholders, a company can gain better insights into which internal and external stakeholders to consider in their CSR direction. Therefore, the stakeholder mapping highlights which groups are most urgent to the company's business, and also depicts to whom the company needs to be responsive (Carroll, 1991). An example of a study combining stakeholder theory and CSR is by Freeman and Velamuri (2005). They looked at how corporations deal with CSR and a stakeholder approach and found that the approach should not only be applied to corporations but rather all forms of companies, and they also suggest ten principles that can help executives use the stakeholder approach in order to be more responsible. Another study (O'Riordan & Fairbrass, 2014) investigates CSR stakeholder engagement and suggests a new conceptual framework which assists managers in identifying optimal approaches to effective CSR stakeholder engagement. However, this study only focuses on two countries within Europe and does not investigate if there are any differences between countries of different continents, nor does the study include another industry to establish external validity for their findings.

Another useful aspect of thinking about stakeholders is that it aids managers by providing a useful framework that incorporates a normative perspective into decision-making, and helps them apply an ethical approach to strategic business decisions (Carroll & Näsi, 1997). For example studies have used stakeholder theory to investigate how companies manage relationships with stakeholder groups (Clarkson, 1995). Stakeholder theory has also been used to describe the demeanor and orientation of the firm (Brenner & Cochran, 1991), the way managers think about managing (Brenner & Molander, 1977), how the board of directors should consider stakeholders in corporate governance (Freeman & Reed, 1983), and whether there are distinct stakeholder groups perceived by directors (Wang & Dewhirst, 1992).

Furthermore, research has shown that in order to create trust with stakeholders, and in order to earn a good reputation on the market, a company needs to show continual commitment to long-term improvements both socially and environmentally (Brammer & Pavelin, 2004; Preston, 1981). This understanding suggests that it is beneficial for a company to be aware of its primary stakeholders and use appropriate tools for communication in order to legitimize their operations.

## 2.6 Legitimacy Theory

Certain developments, such as an increased lack of trust towards companies by the society, have created stronger pressure on managers to satisfy their stakeholder demands (Freeman, 2010; Porter & Kramer, 2011). The legitimacy theory implies that a company's space of action is set by the legitimacy which it receives from its stakeholders (Walter, 2014).

Lindblom (1994) defines legitimacy as:

a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy (Lindblom, 1994, p.2).

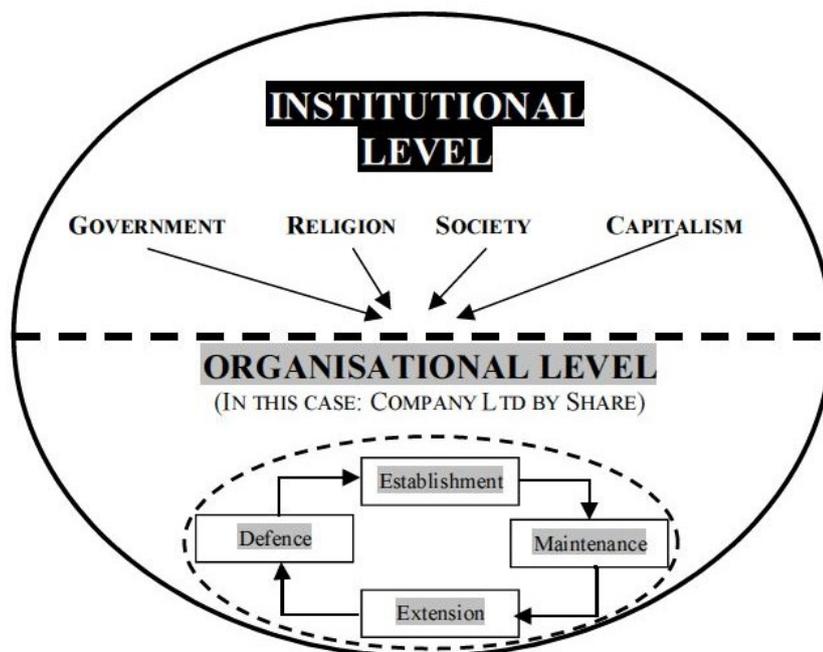


Figure 2.3 Layers of Legitimacy Theory (Tilling, 2004, n.p.)

The legitimacy theory consists of two layers (see Figure 2.3): the *institutional* level and the *organizational* level (Tilling, 2004). The former concerns how organizational structures such as the government or the religion have reached an agreement by society. The latter deals about legitimacy on an organizational level (Tilling, 2004). In organizational legitimacy the company can be identified as the entity and its survival is largely dependent on legitimacy as a resource (Dowling & Pfeffer, 1975). Thus, the legitimacy and stakeholder theory should not be seen as two competing theories but rather as two complementing perspectives (Gray et al. 1996). The perception which stakeholders are relevant for their business might differ from organization to organization. However, in theory Hybels (1995) describes *the state, the*

*public, the financial community and the media*, as critical organizational stakeholders because they control important resources.

According to Tilling (2004), depending on an organization's business situation, it operates in one of the four legitimacy phases (see Figure 2.3). New organizations with innovations have to *establish* legitimacy, while the majority of operating organizations have to *maintain* legitimacy. When established organizations penetrate new markets they have to *extend* legitimacy, whereas companies in dangerous industries such as Uranium mining have to *defend* legitimacy by the society (Tilling, 2004). In these four phases, company's managers can use strategies to secure the supply of legitimacy (Deegan, 2002). A number of strategies explained by Lindblom (1994), span from providing information to stakeholders to changing their expectations. All strategies are based on external disclosure (Lindblom, 1994) and can be applied to CSR communication.

Critics with regard to legitimacy theory are not concerning the theory itself, but the use of it in research (Tilling, 2004). On the one hand, critics point out that the term legitimacy is often used quite careless in the context of disclosures. On the other hand, they decry the fact that researchers fail to define the legitimacy theory when applying to their research (Suchman, 1995; Tilling, 2004).

## 2.7 Previous Research

The research field of CSR in management is extensive and can for instance be categorized into four areas, namely, business ethics, social responsibility, environmental responsibility, and stakeholder approaches (Lockett, Moon & Visser, 2006). Due to the purpose of the thesis the authors decide on giving an overview about CSR research which considers the stakeholder approach, and explores the field of CSR by using a comparative approach.

Comparative studies considering countries on more than one continent, defined by Fifka (2013) as "transcontinental studies" (p.23), have mainly investigated the determinants that influence CSR reporting (Fifka, 2013). Research revealed that company's geographical origin (Fifka, 2013), the industry of the company (Kolk, 2003; Kolk & Perego, 2010; Kolk, Walhain, & Van der Wateringen, 2001; Lober, Bynum, Campbell, & Jacques, 1997; Morhardt, 2010; Morhardt, Baird, & Freeman, 2002; Tsang, Welford, & Brown, 2009) as well as the company's size (Chen & Bouvain, 2009; Cormier et al. 2004) are important influences on corporate reporting. In contrast to the common findings are the results by Maignan and Ralston (2002) which do not support the influence of the industry. This might be grounded in the small sample of just 50 websites. Furthermore, Morhardt (2010) makes limitations regarding the influence of the size, because he just found the evidence for small companies.

A few transcontinental studies used the stakeholder approach to determine the attitudes of managers and stakeholders as an influencing factor of corporate reporting (Cormier, Gordon, & Magnan, 2004; Gray, Radebaugh, & Roberts, 1990; Van der Laan Smith, Adhikari, &

Tondkar, 2005). Gray, Radebaugh and Roberts (1990) had a financial focus by analyzing the cost/benefit perception of financial executives regarding voluntary information disclosure in UK and US. In contrast, Van der Laan Smith, Adhikari and Tondkar (2005) use stakeholder theory to explain the differences in extent and quality of disclosure in annual reports of Norwegian, Danish and US companies. The study conducted by Cormier, Gordon and Magnan (2004) quantitatively compared how the current reporting strategy of the company and management's perceptions of environmental reporting interrelate, in European and North American companies. While matching survey answers given by the managers and content analysis results found in the publications, they found evidence that management's perceptions influence the reporting content (Cormier, Gordon, & Magnan, 2004). Although the study uses content analysis to analyze publications, it lacks to describe the content findings in depth. Instead, it focuses on finding correlations between the results of the content analysis and the results of the survey.

One study of particular interest to the authors is Francesco Perrini's (2005) study named *Building a European Portrait of Corporate Social Responsibility Reporting*. He gives a descriptive portrait of CSR reporting by comparing 90 European companies using stakeholder-based CSR themes to explore the way in which the companies address their stakeholders. Perrini advises, in his further research suggestion, to extend the sample to geographically distinct samples and to compare underlying trends.

In line with Perrini's (2005) suggestion, the review of previous research in the field of CSR reveals that comparative studies that especially describe CSR content and consider countries from more than one continent are rare. Moreover, the existing transcontinental studies lack to do an in depth exploration of the differences on the content level of corporate publications. Due to the lack of previous studies that choose particularly this content focus, the authors find it of interest to explore how stakeholders are addressed in companies originating from different continents.

### 2.7.1 Perrini's Framework

Perrini (2005) presents in his comparative study of 90 European companies a framework named "Checklist of stakeholder-based CSR themes" (p.615) that he created in order to analyze CSR reports (see Table 2.1). The framework categorizes corporate social disclosure into a checklist that covers a wide range of CSR issues in agreement with the stakeholder theory and the triple bottom line approach (Perrini, 2005).

Stakeholder-based Categories								
	Human Resources	Shareholders	Customers	Suppliers	Financial Partners	Public Authorities	Community	Environment
CSR themes	Staff composition Turnover Equality of treatment Training Working hours Schemes of Wages Absence from Work Employees' benefits Industrial relations In-house communications Health and safety Personnel's satisfaction Workers rights Disciplinary measures and litigation	Capital stock formation Shareholders'/partners' pay Rating performance Corporate governance Benefits and services Investor relations	General characteristics Market development Customer satisfaction Customer loyalty Product/Services information and labeling Ethical & environmental product and services Promotional policies Privacy	Supplier management policies Contractual conditions	Relations with banks Relations with insurance companies Relations with financial institutions	Taxes and duties Relations with local authorities Codes of conducts and compliance with laws Contributions, benefits or easy-term financing	Corporate giving Direct contributions in the different intervention fields stakeholder engagement Relations with the media Virtual community Corruption prevention	Energy consumption Materials Emissions Environmental strategy and relations with the community

Table 2.1 Checklist of Stakeholder-based CSR Themes (Perrini, 2005, p.615)

The framework consists of eight stakeholder-based categories which contain in total 45 different themes (see Table 2.1):

1. *Human Resources*: contains of 14 themes which cover issues concerning company's employees.
2. *Shareholders*: with in total six themes, covers mainly themes concerning stock exchange information.
3. *Customers*: includes eight themes which relate to products and sales.
4. *Suppliers*: covers with two themes the Company-Supplier relationship.
5. *Financial Partners*: consists of three themes about a company's relationship with banks, insurance companies and financial institutions.
6. *Public Authorities* : with in total four themes, covers issues about regulations and laws.
7. *Community*: contains of six themes such as company's contributions, stakeholder engagement as well as the media.
8. *Environment*: consists of two themes which cover a company's environmental strategy and projects.

Perrini (2005) developed this framework for his comparative study which proved to be suitable in analyzing whole CSR reports. Nevertheless, the authors of the current study want to point out that Perrini fails to define the categories and themes within his checklist. For that reason the framework leaves researchers, who want to use Perrini's framework as an analytical tool, a large amount of freedom for interpretation.

## 3 Methodology

*This chapter presents the methodological approaches that our study is based on. The authors will begin by presenting the research approach, followed by the design of the study. Moreover, the approach used to collect the data, research ethics, and which steps and procedures were taken to perform the analysis will be described. The chapter will end with a section on validity and reliability. Also, a discussion of the different theoretical approaches used to explain corporate social disclosures will be covered.*

### 3.1 Research Approach

The present study is characterized by an interpretative perspective with the starting point that there is no absolute truth around how a CEO letter in the CSR report should be written, and that differing interpretations can be made of subjective texts (Bryman, 2012). This, so called, hermeneutic perspective leads to subjective interpretations of the collected data. In order to achieve a valid explanation of the findings the authors have chosen to apply existing theory within the field of stakeholder management.

The authors chose a qualitative research approach in the current study. A qualitative study is characterized by an interpretivist approach, where the focus is on understanding the social world through analysis of how individuals interpret their world. This method allows for an in-depth study of the material at hand (Bryman, 2012). The authors believe that this approach will be relevant for acquiring an understanding of trends, thematic correlations and providing the opportunity to analyze how stakeholders are prioritized and addressed. On the other hand, it is important to remember that objective analysis is difficult since the researcher is always part of the process (Krippendorff, 2004).

### 3.2 Research Design

The inspiration for the current thesis drew upon Perrini's (2005) research, described in the Literature Review (see Chap 2.2). He provides a descriptive portrait of CSR reporting by comparing 90 European companies regarding stakeholder-based CSR themes. The authors of this thesis intend to extend Perrini's research by investigating companies from different geographic regions, and in a particular industry. The authors decided to focus on an industry of significance and where CSR is currently on the agenda. The authors found the automotive

industry to be particularly suitable. The automotive industry has been the backbone to economic activity and constitute one of the largest segments of economic growth throughout the industrialized world (KPMG, 2012). Furthermore, the automotive industry and its products unquestionably have vast and multidimensional impact on the environment (Dierkes & Preston, 1977), and together with an ever more informed and socially conscious customer base it is important that automobile brands show thought leadership in the field of CSR (KPMG, 2012).

For the study sample, the European and Asian companies of the top 20 vehicle manufacturing groups by volume in 2013 are identified and the latest available global CSR reports of the belonging brands selected. Due to the purpose of this thesis the authors rely on qualitative content analysis. Content analysis is a research technique for making an objective and systematic analysis of the characteristics of a message (Bryman, 2012; Krippendorff, 2004). In the context of content analysis, where communication in the form of texts is analyzed, data is quantified and statistically treated for analysis. In the social research practice it is not uncommon to find that the qualitative and quantitative approaches interact (Kvale, 1996). The authors have taken this aspect into account when conducting the research, and use a standardized categorization and occurrence identification of themes in their analysis. This process is further explained in *Data Analysis*, see Chap. 3.4.

In the present study the authors rely on a specific type of content analysis, namely thematic analysis (Bryman, 2012). The thematic analysis approach is one of the most commonly used in qualitative data analysis. The method emphasizes organizing, and identifying trends and patterns in written text. This form of analysis does not merely count the amount of phrases or words in a text, it moves on to identify explicit as well as implicit ideas within the text (Guest, MacQueen, & Namey, 2012).

The primary process for categorizing the text into themes is through coding. Where the researcher tries to for example categorize the data, find out what it represents, understand if the data belongs to any specific topic or theme, and sort it after what the data is trying to suggest (Bryman, 2012; Weber, 1990). The objective is to construct an indexation of the themes and sub-themes to allow for an overview. Thereafter, the researcher can gain a sense of trends and linkages between the coding in order to be able to interpret and theorize the data (Bryman, 2012). Many researchers consider thematic analysis to be useful when aiming to capture the meaning of certain data or texts (for instance Guest, MacQueen, & Namey, 2012; Weber, 1990).

The present study is comparative in design, meaning it sets out to find explanations for similarities or differences between objects that have similarities yet differ in some respects. By choosing meaningful contrast relationships between variables and different patterns can be portrayed (Bryman, 2012). Furthermore, in order to establish the degree of variation between the samples a systematic and standardized method was used, which will be explained further in this chapter. As Bryman (2012) suggests one of the important advantages of quantifying the content, which is to be qualitatively analyzed, is that it provides the researchers with a consistent criterion that can be used to detect relationships between variables.

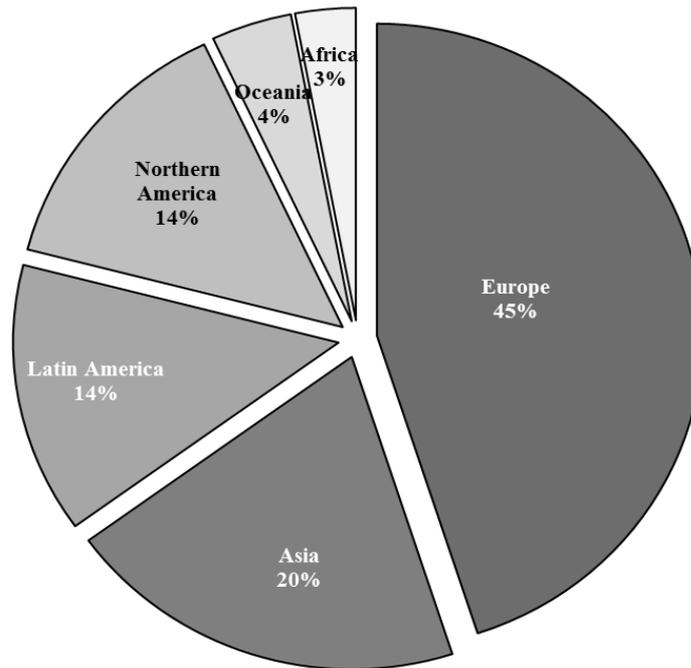
In order to gain additional information that could prove useful in the analysis of the findings supplementary interviews were also conducted. The authors chose to conduct supplementary interviews, in a semi-structured manner (Kvale, 1996), with persons working in the field in order to enrich our findings and bring in additional perspectives on the research question. In this context the authors are, however, aware that two interviews are not enough to provide a significant answer. Nevertheless, it can give an indication of the companies' perspective on the matter. By supplementing the data (CSR reports) with interviews, also provides the opportunity to have a more comprehensive data set for the qualitative analysis.

### 3.3 Data Collection Method

Our main data consisted of publicly available CEO letters that lie as the foundation of the study. Habek and Wolniak (2015) define CSR reports as “a communication tool that it is intended to provide information, both internally and externally, about the company’s approach and its maturity in the implementation of the CSR concept.”(n.p.). The CEO letters were found in downloadable CSR reports (pdf) from each company’s global homepage (ending in .com). One of the reports was in the form of a website (Rolls-Royce, 2015). Additionally, two interviews were conducted with employees working within the CSR department of two of the European automobile companies of the selected sample.

#### 3.3.1 CEO Letters

The present study deals with a sample of automobile companies found within the top 20 of the largest automobile manufacturers defined by production volumes (OICA, 2013). The sample has been chosen purposively rather than randomly in order to ensure variety and typicality (Stake, 1994). The top 20 automobile companies by production volume were identified (OICA, 2013) and the authors set out to gather the latest published CSR report between the years 2012 and 2015. The time frame was set to ensure that the selected reports were equally comparable and to focus on the latest available material from each company. The first criterion was that the company had to originate from either Europe or Asia. The authors chose to conduct the study on the mentioned continents because Europe and Asia are the largest contributors of corporate reports based on the GRI standard (see Figure 3.1). Europe stands for 45% of all the corporate reports based on the GRI standard, and Asia for 20% (GRI, 2011).



*Figure 3.1 Regional Distribution of GRI Reports in 2010 (GRI, 2011, p.3)*

The second criterion was that the automobile brand needed to be a global player, and operate on the global market and not just within one or two specific markets. The reason for this is that the authors intend to compare reports which address the same audience. This resulted in the selection of eight Asian (SAIC removed at this stage) and nine European automobile manufacturers. Thereafter, the sub-brands of each manufacturer in Europe and Asia were identified in order to see if they conformed to the second criterion.

The next step was to identify which companies had a publicly available CSR report on their website (third criterion), and which did not. Since the terminology used to label the corporate social reports does differ between companies the authors chose to follow KPMG's (2013) written advice, which suggests that the most commonly used terms globally can be used interchangeably. Consequently, the sample of this study consists of reports where the most common globally used terms for CSR were used (KPMG, 2013) and where it was evident that the topics in the table of content reflect social and environmental efforts undertaken by the automobile brand. At this stage those companies that lacked the above specified CSR reporting were removed from the sample. This resulted in the selection of six Asian (Suzuki and Mitsubishi removed at this stage) and nine European automobile companies (Renault removed at this stage).

Pivotal for this study was the existence of a CEO letter written in English (fourth criterion). The authors have chosen to rely on the CEO letter (also known as CEO statement) as the basis for their study (see Appendix A). This is grounded on the argument that the CEO letter can be

considered one of the most representative parts of reports, which clearly defines the strategic lines of the company (Abrahamson & Amir, 1996). Furthermore, CEO rhetoric is an important tool in influencing stakeholders and can be used in driving change in the CSR field (Marais, 2012). Therefore, it was natural to conduct the study with the CEO letter as a point of departure. Secondly, the authors deemed it better to study a larger sample of reports, to include all of the automobile companies that fit the criterion, which lead to scoping out everything that was not part of the CEO letter. During this stage of the data collection it became evident that companies use different titles on what is commonly known as the CEO letter. Some CSR reports use instead of the CEO letter a *Message from the Chairman*, or *CEO message*, or a *Message from the Chairman of the Board of Directors*. Because these letters are all from the top management, they were included in our analysis. For ease of reference, all letters will from here on be referred to as CEO letters. At this stage of data collection those companies that did not include a CEO letter in their CSR report were removed.

The authors defined specific characteristics for the CEO letter that had to be fulfilled in order to be considered applicable to the study. This was done to reduce the risk of deviation and to ensure a comparable sample. Firstly, the letter had to have a clearly stated sender from top management, either a CEO or a member of the board of directors. If there were more letters included in a company's CSR report, the authors choose the letter of the CEO, due to its executive role in the top management. Secondly, the language had to be in the writing style of a letter, rather than merely descriptive in general terms. It had to include the use of words, such as *our* and *we* to be considered a letter. This was done in order to insure that the various corporate disclosure reports were as equal as possible so as to be comparable. To compare material that is not equivalent could risk exposing the study to hazard and thereby reducing the validity of the study. The result of the data collection process was a sample of 15 CEO letters of nine European and six Asian automobile companies (see Appendix B).

Using similar CSR reports as the main focus of our empirical material allows for comparisons between European and Asian automobile brands. Furthermore, the choice of selecting this particular data enabled us to provide the best possible conditions to give a representative picture of the problem area we set out to analyze (Ekström & Larsson, 2012).

### 3.3.2 Interviews

As mentioned previously the study also included supplementary interviews in order to gain additional information that could prove useful in the analysis of the findings.

The authors contacted all of the automobile companies which had a representative or a CSR department mentioned in their report (total of 13). Reminders were sent to all companies in order to raise the chances of getting more participants. Out of the 13 contacted companies two accepted an interview, whilst the others either referred to the CSR report, declined due to time constraints, or did not reply to the request. Phone interviews were conducted with those individuals who accepted.

The interviews were conducted with high-ranking employees responsible for the CSR reports, and CSR activities, of two of the selected European automobile companies. Since the authors did not know prior to the interview how the interview would develop, or if the interviewees possessed information unknown to the authors, a semi-structured approach was chosen. This is an appropriate interview method when the study is of an exploratory nature (Kvale, 1996). To reduce the risk of subjective interpretations affecting the interview findings both authors were present, and the interview was recorded. This also allowed the authors to revisit the material and pick up on items that might have been missed otherwise during the interview occasion. However, recording the interview might cause the interviewee to feel uncomfortable and to withhold information that is negative to the company (Kvale, 1996). To avoid this the authors assured the interviewee complete anonymity, and tried to create an amicable and comfortable interview environment. Furthermore, the interviews were conducted in accordance with the ethical guidelines in social science research (Kvale, 1996). The interviewees were informed about the purpose of the research, confidentiality that the interviews were strictly for research purpose, and the interviewee had the right to end the interview at any time (see Appendix C).

The phone interviews lasted 30 minutes in average. The interview outline consisted of three parts. Firstly, questions regarding the aim of the company's CEO letter and their intended stakeholder focus were asked. Secondly, it included questions around Perrini's (2005) eight stakeholder categories. Lastly, the interviewees were asked how they perceive the stakeholder focus of Asian companies. As previously mentioned, the interviews were semi-structured which allowed the authors to ask additional questions in the specific interview situation (see Appendix D).

## 3.4 Data Analysis

The method for analyzing the CEO letters will be described in this section. Also, the method used for the analysis of the supplementary interviews will be presented.

### 3.4.1 Analysis of the CEO Letters

The authors chose to conduct a thematic analysis due to the nature and purpose of the study. There are differing opinions on what and how thematic analysis is used (Neuendorf, 2002), for the purpose of this study the authors rely on Bryman's (2012) and Krippendorff's (2004) definition. They state that the choice of a thematic analysis should be made when researchers seek to categorize the phenomena of theme occurrence and to shed light on existing differences or trends within the selected sample. Also, it is one of the most common approaches to qualitative data analysis (Bryman, 2012). The authors found this approach to be best suited for revealing how the companies were addressing different stakeholders in the

CEO letters, as well as providing a useful tool for methodically and reliably categorizing the large sample of sentences in the sample.

The analysis of the sample was conducted in four steps. Firstly, the CEO letters were categorized according to the origin of the company, either Asia or Europe. Secondly, all of the categories from Perrini's (2005) checklist were given a letter code (A to H) and the themes were coded with particular numeric values. Thirdly, the authors analyzed and coded each sentence of the CEO letters using Perrini's (2005) checklist. The authors began the coding of the CEO letters with a pre-test. In the pre-test two CEO letters, one from each continent, were selected and coded by each author. The authors then compared and discussed their findings to achieve a shared opinion of Perrini's (2005) checklist, as well as the coding process itself. The remaining CEO letters were all analyzed by each author, and then the results were compared and discussed in order to reach a homogenous understanding and higher quality of coding.

Consistent with previous studies (Adams, 2002; Epstein, Flamholtz, & McDonough, 1976; Perrini, 2005; Preston, 1981) the unit of analysis were the sentences. Each sentence of the CEO letter was coded with one of the particular numeric values and set into a specific category. Lastly, the authors analyzed the findings and trying pin-point which themes were used in the CEO discourse. The authors were looking for patterns across the data set that were important in the aim of answering the research question.

### 3.4.2 Analysis of the Interviews

For the analysis of the two qualitative interviews the authors used the Ad Hoc Meaning Generation which uses a mix of diverse approaches and techniques for receiving results (Kvale, 1996). For that reason the interviews were read for an overall impression and a closer look was given to specific text parts. Furthermore, the authors compared specific answers given by the interviewees, for instance regarding their stakeholder prioritization in form of rankings. These procedures of meaning generation helped the authors to find out connections and structures which are important to the study (Kvale, 1996). In this context the authors focused on analyzing the meaning instead of analyzing the language (Kvale, 2007).

## 3.5 Validity and Reliability

Reliability and validity describe that a subject is investigated in a correct way (Ekengren & Hinnfors, 2012). The research is valid if the study is thought to measure what it is purposed to measure (face validity), the findings are publicly acknowledged (social validity), and empirical findings and theory support the research (empirical validity) (Krippendorff, 2004).

When dealing with content analysis Krippendorff (2004) defines three types of reliability: stability, reproducibility and accuracy. If a research is accurately performed the same results

will be obtained when the research is repeated (Krippendorff, 2004). Using reliable data is especially important in content analysis (Bryder, 1985). Furthermore, reliability is also the degree to which a community agrees to the interpretations and text, responds to it and chooses to use it (Krippendorff, 2004)

By restricting our analysis to a specific type of document and selecting a part which is considered highly relevant for stakeholders (Abrahamsson & Amir, 1996) namely the CEO letter, we increased the reliability of the comparative steps. Obviously, we could have chosen to conduct interviews directly with the CEOs and/or those writing the letters, or analyzed the whole CSR report, but this was ruled out due to the time frame (10 weeks) of our research.

To increase the reliability of the study both authors individually coded all of the data. They aligned their text interpretation in order to minimize the discrepancies in the coding. The authors used a pilot sample for the coding and worked on that until an acceptable level of similar interpretation and coding pattern was reached. Another aspect is the coding instrument used, Perrini's (2005) Checklist, which ensured predetermined categories and themes. However, a deficiency was that the coding instrument lacked well-specified description of the categories and themes. Moreover, there is the subjective understanding which affects reliability when interpreting the material in qualitative studies.

Validity means that the appropriate and the most important concepts are used in the study, and applies to both theoretical and empirical studies (Ekengren & Hinnfors, 2012). The concepts used in the study must be representative and logically leading towards finding the answers to research questions (Bryder, 1985). In this context, relevant theories relating to the study purpose were explored and connected to the findings. Also, all of the companies within the top 20 of European and Asian brands, which fulfilled the author's requirements, were included in the study sample that improves the validity of this study.

## 4 Analysis and Discussion

*The following chapter contains a presentation as well as comparison of the findings for the European and Asian automobile companies based on the conducted content analysis and interviews. Furthermore, the findings are discussed related to the theory presented in the Literature Review (see Chap. 2).*

### 4.1 Analytical Tool

As described in the methodology (see Chap. 3) the authors used Perrini's (2005) checklist of stakeholder-based CSR themes as an analytical tool for the thematic analysis. The checklist proved to be useful for the analysis of CEO letters in CSR reports, although it was originally created by Perrini (2005) to analyze whole CSR reports. The decision to choose just a small extract of a whole CSR report might be the reason why the authors did not find sentences for all themes listed in the checklist. 13 out of the 45 themes were not used at all since no sentences could be categorized to these themes. These 13 themes are from every stakeholder-category, excluding the stakeholder-category *Environment*. From the least addressed themes five of them are found in the *Human Resources* stakeholder-category. The *Human Resources* category includes the most themes in Perrini's (2005) checklist and thus makes a very detailed coding possible. This detailed appearance might explain why some of the themes within this category were not used in the current analysis, because in contrast to the whole CSR report, the CEO letters are mainly used to provide an overview of, or an introduction to the CSR report (Interview 1 & 2). The CEO letter mainly contents of a description of the company's strategy by giving a review as well as a forecast of the business (Interview 1 & 2). This difference might be the reason why very detailed themes were not encountered and thus could not be coded during the thematic analysis of this thesis. Nevertheless, the authors advise to keep the outstanding themes in the checklist. These themes might become important in the future, because top management focus may change over time and choose different themes to talk about in a future CEO letter.

Although Perrini's (2005) checklist contains of eight stakeholder-based categories and 45 stakeholder-based CSR themes, it was not possible for the authors to categorize all sentences of the sample with the given tool. This problem occurs in 22.37% of the European CEO letters as well as in 21.54% of the Asian CEO letters. For that reason the authors analyzed the uncodable text material again, and tried to develop new themes and topics to categorize the addressed stakeholders. With the use of six newly developed themes (see Table 4.1) the authors were able to categorize the remaining European and Asian text. Leaving only a small

amount of 6.58% of the European CEO letters and 2.56% of the Asian CEO letters uncategorized (see Figure 4.1). In the author's opinion, this remaining amount of text does not address a specific stakeholder and thereby should not distort the overall results of the thematic analysis.

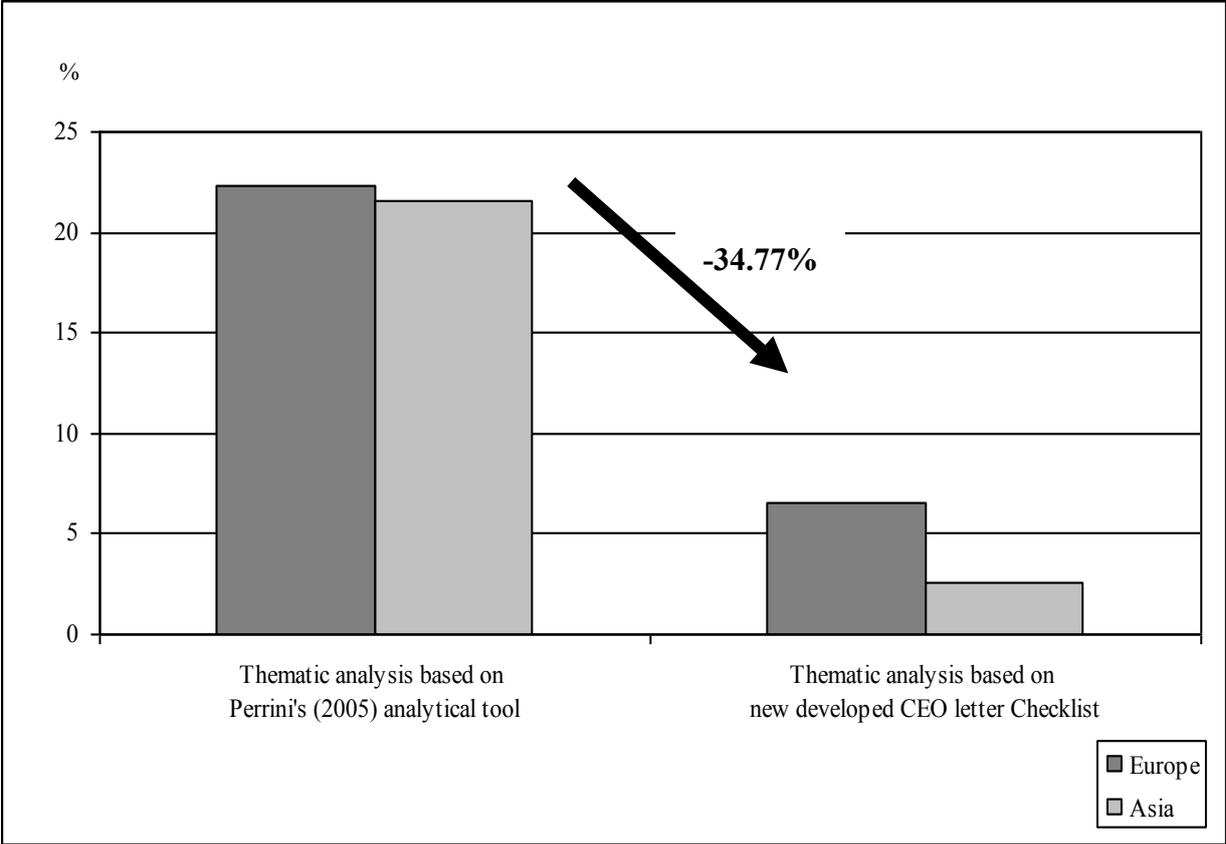


Figure 4.1 Reduction of Uncategorized Text (in %)

The result of the iterative process is a newly developed analytical framework by the authors (see Table 4.1) that is named *CEO Letter Checklist* and is based on Perrini's (2005) framework. The new framework is an analytical tool especially developed for the analysis of CEO letters in CSR reports.

	Stakeholder-based Categories							
	Human Resources	Shareholders	Customers	Suppliers	Financial Partners	Public Authorities	Community	Environment
C S R - T h e m e s	<ul style="list-style-type: none"> <li>• Staff Composition</li> <li>• Turnover</li> <li>• Training</li> <li>• Working Hours</li> <li>• Employees' Benefits</li> <li>• Industrial Relations</li> <li>• In-house Communications</li> <li>• Health and Safety</li> <li>• Personnel's Satisfaction</li> <li>• Workers Rights</li> <li>• Disciplinary Measures and Litigation</li> <li>• <b>Employee Engagement</b></li> <li>• <b>Corporate Culture</b></li> </ul>	<ul style="list-style-type: none"> <li>• Capital Stock</li> <li>• Shareholders' / partners' pay</li> <li>• Rating</li> <li>• Performance</li> <li>• Corporate Government</li> <li>• Benefits and Services</li> <li>• Investor Relations</li> <li>• <b>Company's Strategy and Vision</b></li> <li>• <b>Company's Financial Performance</b></li> <li>• <b>Company's Operations Performance</b></li> </ul>	<ul style="list-style-type: none"> <li>• General Characteristics</li> <li>• Market Development</li> <li>• Customer Satisfaction</li> <li>• Customer Loyalty</li> <li>• Product/ Services</li> <li>• Information &amp; Labeling</li> <li>• Ethical &amp; Environmental</li> <li>• Product and Services</li> <li>• Promotional Policies</li> <li>• Privacy</li> <li>• <b>Company's Heritage and Tradition</b></li> </ul>	<ul style="list-style-type: none"> <li>• Supplier Management Policies</li> <li>• Contractual Conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Relations with Banks</li> <li>• Relations with Insurance Companies</li> <li>• Relations with Financial Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Taxes and Duties</li> <li>• Relations with Local Authorities</li> <li>• Codes of Conducts and Compliance with Laws</li> <li>• Contributions, Benefits or Easy-term Financing</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Giving</li> <li>• Direct Contributions in the different Intervention Fields</li> <li>• Stakeholder Engagement</li> <li>• Relations with the Media</li> <li>• Virtual Community</li> <li>• Corruption Prevention</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Consumption, Materials, Emissions</li> <li>• Environmental Strategy &amp; Relations with the Community</li> </ul>

Table 4.1 CEO Letter Checklist

The *CEO Letter Checklist* contains of six new themes, marked in bold in Table 4.1, which supplement the stakeholder-categories *Human Resources*, *Shareholders* and *Customers*. The new themes cover weaknesses of Perrini's (2005) checklist. The necessity of adjustments might be grounded in the evolving of new topics in the last ten years. As well as the need for general purpose categories since the CEO letters include sections that discuss matters in broad terms.

The six added themes are specified as follows:

### *1. Employee Engagement:*

Freeman (1984) describes the employees of a company as primary stakeholder, because they are crucial for a company's success. Because of the employees' direct influence on a company's performance and a visible demand in the analyzed sample, the authors decided to establish a theme describing the employees' engagement within the company. Therefore, the theme *Employee Engagement* involves all information in the CEO letters about the involvement of employees in the company to achieve the company's aims. The analyzed automobile companies in our sample often emphasize the importance of the employees for the company's successful performance. Moreover, they describe the company's support for employees to collaborate best, like Mazda (2014) does in the following sentence:

Going forward, we will remain committed to implementing the PDCA cycle to ensure continuous improvement, through establishing challenging targets and encouraging each individual employee to work toward achieving these goals (Mazda, 2014, p.4).

### *2. Corporate Culture:*

Sentences describing company's values, guiding principles and philosophies (Schein, 1990), are categorized in this theme. An exemplary sentence is given by Fiat (2014):

Even more importantly, we have created an organization that is unique and rich with potential at the technical, professional and human level – 300,000 people around the world driven by the spirit and values of an organization intent on distinguishing itself not only in terms of the excellence of its products, but also for the commitment, integrity and transparency with which it conducts its activities (Fiat, 2014, p.10).

And by VW (2014) where the Chairman of the Board expresses: “This all-embracing view of sustainability is shared by all twelve brands, our companies and all our employees across the Group” (p.2).

### *3. Company's Strategy and Vision:*

Due to the aim of the CEO letter to describe the company's strategy (Interview 1), the authors experienced a high demand for this theme while coding with Perrini's (2005) checklist. An exemplary sentence categorized in this theme is the following: “It is the Group's declared aim to become the world's leading, most sustainable automobile manufacturer by 2018” (Skoda, 2013, p. 4).

#### 4. *Company's Financial Performance:*

This theme includes sentences providing information about a company's financial situation. For the reason that this information is particularly relevant for the shareholders, the authors added the theme to the *Shareholders* category in Perrini's (2005) checklist. A sentence revealing this kind of information is: "The Company's operating income amounted to ¥182.1 billion, an increase of ¥128.2 billion year-on year, with net income reaching ¥135.7 billion, an increase of ¥101.4 billion" (Mazda, 2014, p. 3). This information describes the company's situation regarding their economic responsibilities, which is one of the basic responsibilities according Carroll's (1991) CSR pyramid.

#### 5. *Company's Operations Performance:*

This theme includes all information about plants, production performance and other operations which are needed to produce cars to sell. Although it does not include financial information it is relevant for the shareholders, because a good operations performance is crucial to fulfill a company's responsibility to make profit (Friedman, 1970). The following sentence by Kia (2014) is exemplary for sentences categorized into this theme:

The construction of our third plant in China with an annual production capacity of 300,000 vehicles was completed in 2014, providing the foundation for an annual global production output of 3 million vehicles (Kia, 2014, p. 5).

#### 6. *Company's Heritage and Tradition:*

Sentences revealing information about a company's founding, its development over long periods of time, and tradition are categorized in this theme. An example of such a sentence is: "It is with these strong ambitions that Soichiro Honda founded the company in 1948." (Honda, 2014, p. 2). The authors added this theme to the stakeholder category *Customers*, because a company's tradition might be a competitive advantage and can sometimes be the reason why customers may prefer a specific brand (Herbrand & Röhrig, 2006).

The newly developed *CEO Letter Checklist* (see Table 4.1) provides a theoretical contribution to the research field of corporate reporting. Due to its development within the current study, it is appropriate for analyzing corporate disclosure, especially CEO letters in CSR reports.

## 4.2 Comparison of Europe and Asia

Based on the analytical tool *CEO Letter Checklist*, the authors set out to explore differences in the European and Asian CEO letters. The results of the different stakeholder-based CSR themes within the eight stakeholder-based categories of the Asian and European automobile companies will be introduced and analyzed in the following paragraphs.

Perrini’s (2005) findings can be used as a reference point but due to the large difference in focus, one on whole report and other on CEO letter, a comparison in detail is not possible. Furthermore, a comparison between Perrini and our study is not part of the purpose of this study.

To begin with, the data sample revealed a difference in sheer amount of sentences. The European sample contained a total of 228 sentences, with an average amount of 25.3 sentences per letter. In contrast, the Asian sample amounted to 195 sentences in total, and had an average amount of 32.5 sentences per letter. These results seem to indicate, that the Asian automobile companies, in our sample, use more space for addressing their stakeholders in their CEO letters than the European automobile companies. The authors will now present the results and analysis of each stakeholder-based category.

### 4.2.1 Human Resources

The results of the thematic analysis indicate that the Asian, as well as the European, automobile companies value the stakeholder category *Human Resources*. In both the Asian and the European CEO letters this stakeholder category is ranked as the fifth important. Despite of this similarity, the percentage of coverage does differ between the continents. While the category has an incidence rate of 11.40% in the European letters, the incidence rate for Asia is just 7.18%.

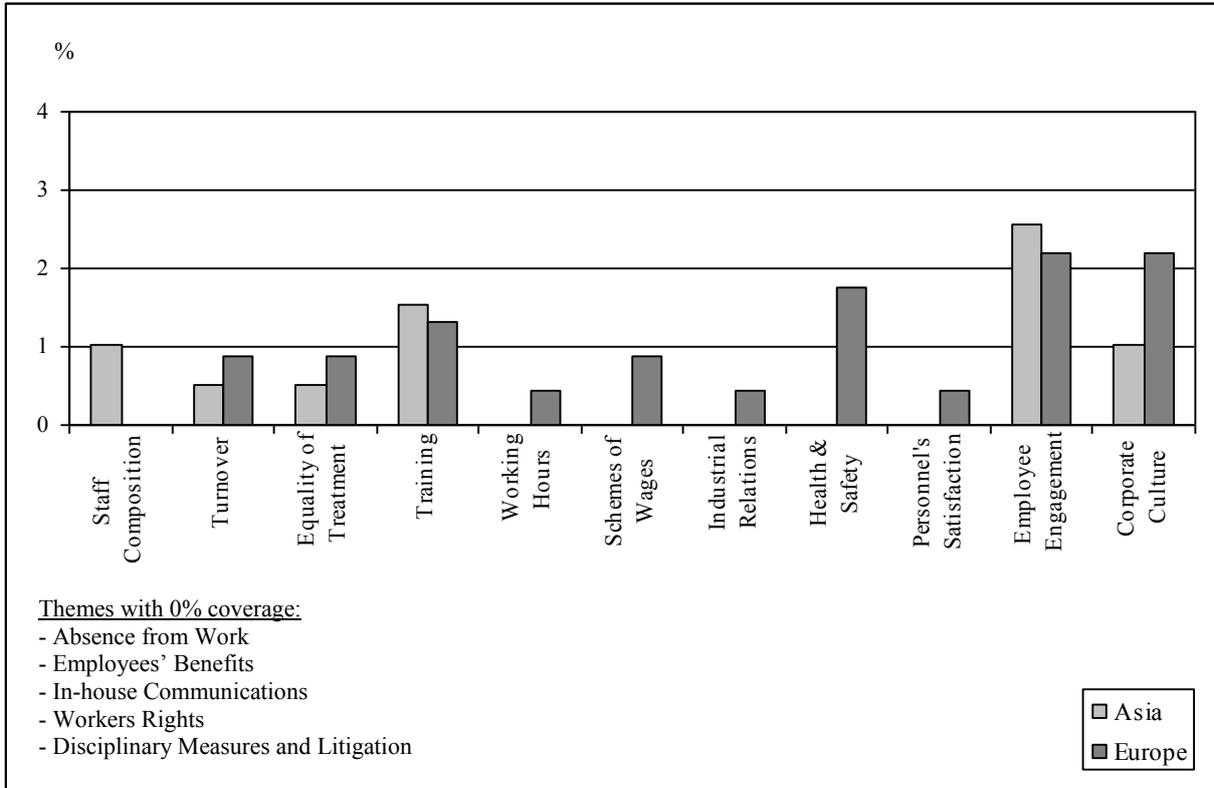


Figure 4.2 European and Asian Human Resource-based CSR Themes (in %)

The category *Human Resources* is further broken down into themes. The category includes 16 themes, however just 11 could be found by the authors in the European and Asian sample (see Figure 4.2) The comparison of the Asian and the European results reveal similar tendencies for the most covered theme in this category: *Employee Engagement*. This theme involves descriptions of the involvement and importance of the company's staff, for instance:

To ensure the Mazda Group's continuation and growth, it is important that all the people involved should work in cooperation with each other, sharing the same objectives and processes of achieving these objectives (Mazda, 2014, p.5).

Asian letters cover this theme with 2.56% slightly more than the European letters with 2.19%.

In the remaining themes, the priorities of Asia and Europe are different. The theme *Corporate Culture* is the second important theme for Europe with an incidence rate of 2.19%, while the theme appears in Asian CEO letters just with 1.03%. European automobile companies describe in the context of corporate culture how the variety of their employees regarding skills and cultural backgrounds enriches the company's culture. In contrast, Asian letters refer to underlying concepts of the corporate culture such as guiding principles and the company's philosophy.

More important for Asian automobile companies seem to be the theme *Training*, which includes topics such as employee training projects and information about apprenticeships. Asian automobile companies reach 1.54% in this theme and European automobile companies 1.32%. The authors question if this could have to do with Asia's growing economy where more emphasis is put on training to further develop the employees of companies to provide a competitive advantage. In contrast, for European companies employee's educational development might be already an integral part within the Human Resources department and therefore is not perceived as a theme to emphasize on in the CEO letter.

The themes *Turnover* and *Equality of Treatment* are covered with less intensity by both continents. The former includes for instance the termination of contracts and the latter includes for example a company's diversity strategies. Both themes are covered respectively by Europe with 0.88% and by Asia with 0.51%. The remaining six themes are just covered by either Europe or Asia.

The theme *Staff Composition* appears with 1.03% exclusively in Asian CEO letters. *Staff Composition* contents topics such as Geographical Origin, Age and Educational Qualification of employees. All remaining five themes could just be found in the European CEO letters. Specifically, these are: *Health and Safety* (1.75%), *Schemes of Wages* (0.88%), *Working Hours* (0.44%), *Personnel's Satisfaction* (0.44%) and *Industrial Relations* (0.44%).

The results indicate that the category *Human Resources* is not just covered larger by the European automobile companies, but also with a larger variety of themes addressed. The author's findings for the European automobile companies fit quite well to Perrini's (2005) findings. Although, his results rank the *Human Resources* category slightly more important on

the fourth, he confirms the high relevance of the theme *Health and Safety*. This theme has the highest coverage in the *Human Resources* category of this study, besides of the new added themes which were missing in Perrini's (2005) checklist. The findings for the theme *Health and Safety* indicate that the European automobile companies still consider the information needs of the European stakeholders, fitting to Knox (2007) findings who analyzed that Germans describe a company as social responsible when it offers secure employment.

### 4.2.2 Shareholders

The *Shareholders* category is largely covered by the Asian as well as the European automobile companies. Within the European CEO letters this category is the most prominent (19.30%), while ranking third for the Asian automobile companies (16.92%). It seems that automobile companies consider this stakeholder relevant for their CEO letter in the CSR report, although these companies do also publish more specialized publications such as the annual report, which specifically covers the company's financial information. An alternative reason for the high coverage of the *Shareholders* category might be the adaptation of the CEO letter published in the annual report for the CSR report. One interview partner mentioned that this adaptation is regular practice in his company (Interview 1), so it is possible that this adaptation might be used in other companies as well.

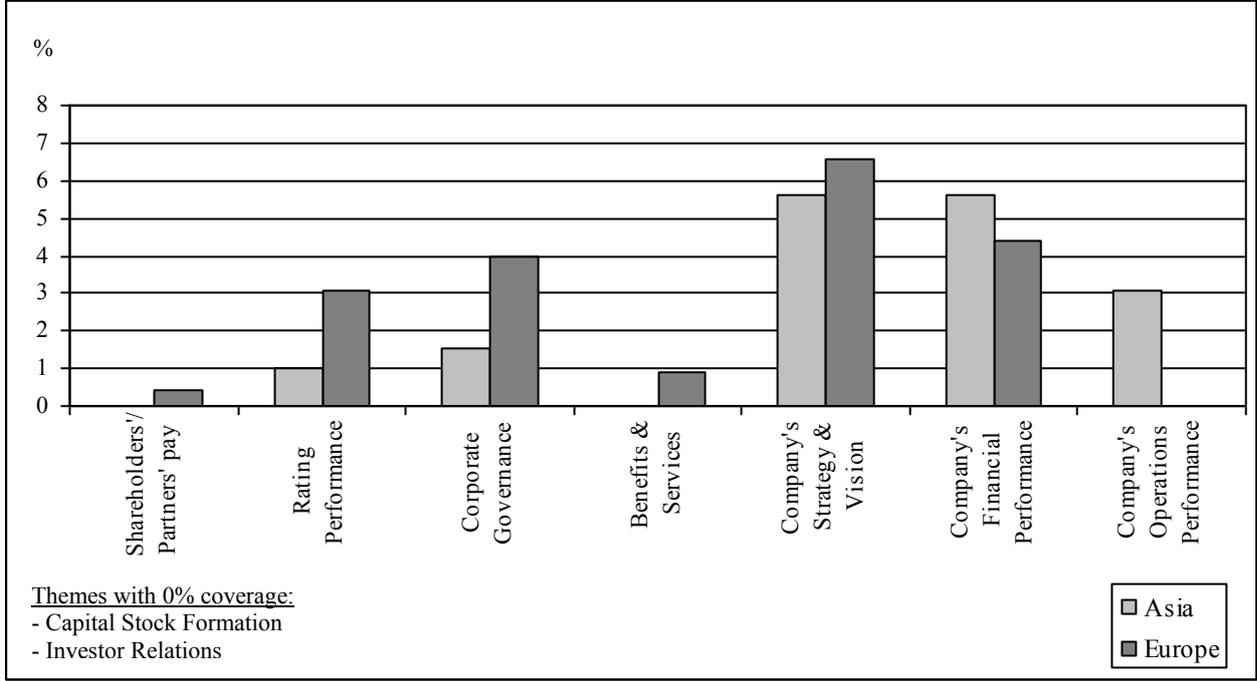


Figure 4.3 European and Asian Shareholder-based CSR Themes (in %)

The *Shareholders* category consists of nine themes that extend from *Shareholder's pay* to *Corporate Governance* to *Companies Financial* and *Operational Performance*. Besides of two themes, all others could be filled with sentences during the coding of the Asian and European CEO letters. In this category, both Europe and Asia cover greatly the themes *Company's Strategy and Vision* and *Company's Financial Performance* (see Figure 4.3). While the European automobile companies focus more on describing their strategy and vision (6.58%), the Asian automobile companies cover both themes equally with an incidence rate of 5.64% in their CEO letters. Moreover, the theme *Corporate Governance* is covered by Asia and Europe. The results reveal an incidence rate of 3.95% in the European letters and for Asia 1.54%. Less coverage is given by both the Asian and the European automobile companies to the theme *Rating Performance*. In this theme, Europe receives 3.07% and Asia strongly less with 1.03%. *Rating Performance* contains all sentences classified as revealing information about evaluations of rating agencies and the company's scoring in certain indices. An important theme for the Asian letters is *Company's Operations Performance*, which labels sentences revealing information about production performances. The Asian letters cover this theme with an incidence rate of 3.08% whereas the theme could not be found in the European CEO letters. In contrast, the themes *Shareholders' pay* and *Benefits and Services* could just be found in the European letters, with an coverage of 0.44% for the former and 0.88% for the latter.

Similar to the *Human Resources* category, the wider range of addressed topics in the European CEO letters is also visible in the *Shareholder's category*. Nevertheless, especially the findings for the new theme *Company's Operational Performance* in the Asian CEO letters, might reflect the Chinese understanding of social responsibility. Referring to Knox (2007), Chinese connect a company's social responsibility with the production of safe and high-quality products, which could be a possible explanation why the Asian CEO letters focus on giving information about their production in contrast to the European CEO letters.

### 4.2.3 Customers

The prioritization of the stakeholder category *Customers* varies greatly between Asia and Europe in our sample. While the stakeholder category *Customers* is, with an incidence rate of 26.67%, the most important category in the Asian CEO letters, it is only ranked fourth by the Europeans (16.23%).

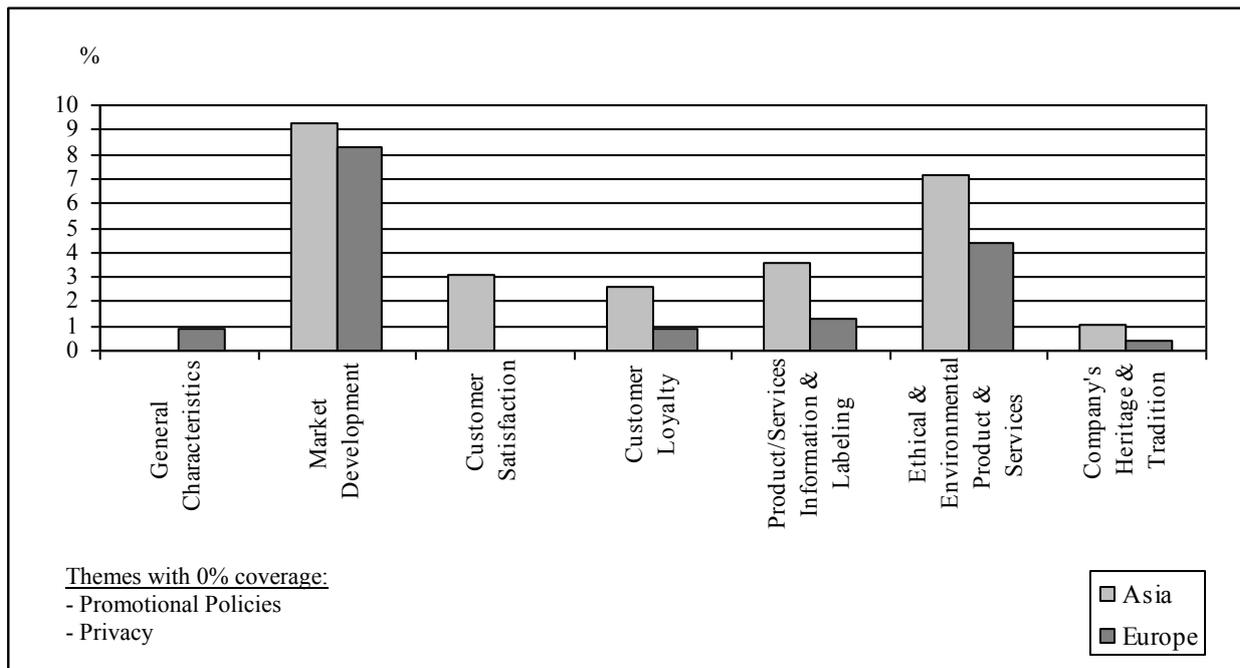


Figure 4.4 European and Asian Customer-based CSR Themes (in %)

Based on the sample of CSR letters, the authors could categorize sentences into seven out of nine themes in the category *Customers*. The results show that the theme *Market Development* occurs with the largest incidence rate in the Asian (9.23%) and European (8.33%) CEO letters (see Figure 4.4). This prominent theme contains topics like new products and new customers as well as changes in the market and industry. Additionally, the theme *Ethical & Environmental Products and Services* appears to be the second largest for both Asian and European automobile companies in the stakeholder category *Customers*. The incidence rate of 7.18% for Asia is again larger than the European one (4.39%). The results show that products concerning ethical and environmental aspects are in particular focus of Asian and European automobile companies. Fewer appeared the themes *Product/Services Information and Labeling* (A 3.59% / EU 1.32%), *Customer Loyalty* (A 2.56% / EU 0.88%) and *Company's Heritage and Tradition* (A 1.03 % / EU 0.44%) in the sample. Differences are visible between Asia and Europe regarding the themes *General Characteristics* of consumers and *Customer Satisfaction*. While the former just appears in European CEO letter (0.88%), the latter could only be found in the Asian CEO letters (3.08%). This coverage of the theme *Customer Satisfaction* exclusively in the Asian CEO letters, seems to confirm the overall result of high priority of the stakeholder category *Customers* for the Asian automobile companies.

This great difference of prioritization between Asia and Europe regarding the stakeholder category *Customers* is quite surprising. *Customers* are essential for the automobile company's business (Interview 1), and thus should be in focus of all top management strategies. Nevertheless, the authors' findings for the European CEO letters confirm Perrini's (2005) results, which ranked the *Customers* category on third. The authors assume it could be a conscious decision of the European automobile companies not to focus on customers to avoid an overly promotional style within the CEO letter.

#### 4.2.4 Suppliers

The stakeholder category *Suppliers* seems to have a low priority in general for the European as well as the Asian automobile companies. While this stakeholder category appears with an incidence rate of 2.63% in the European CEO letters, no sentences of the Asian CEO letters could be categorized into the category.

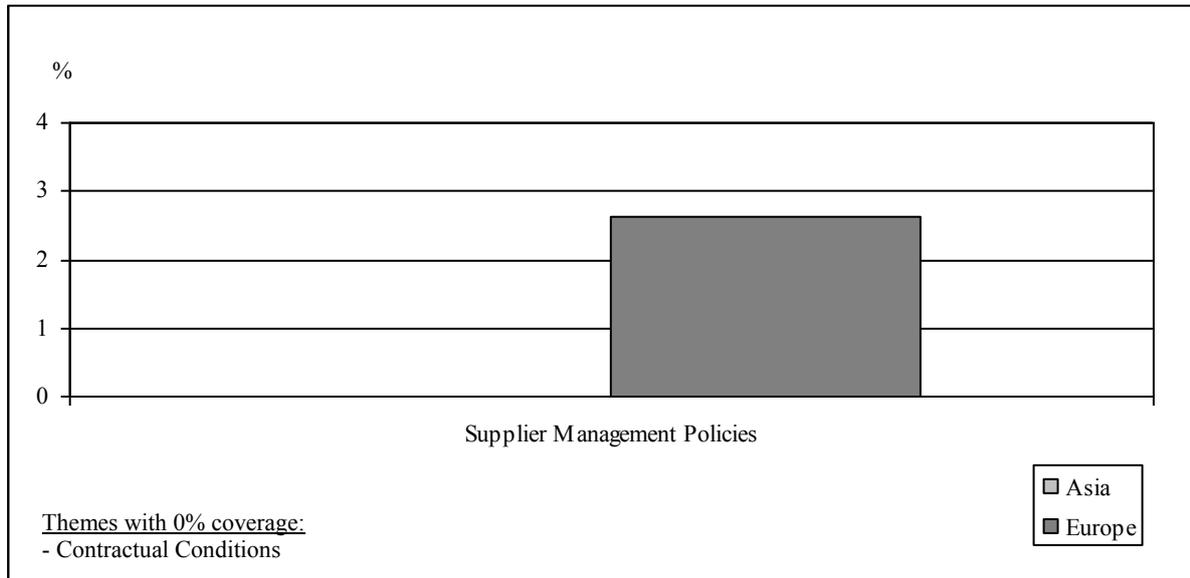


Figure 4.5 European and Asian Supplier-based CSR Themes (in %)

In total six sentences of the European CEO letters fit into this stakeholder category. They are all focusing on the theme *Supplier Management Policies* (2.63%) (see Figure 4.5). The themes' topics describe the relationship between the company and its partners for instance regarding communication. The little attention of this theme as well as for the whole stakeholder category *Suppliers* indicates that the European and especially the Asian automobile companies do not imply to address its suppliers with the CEO letter in the CSR report.

As Birth et al. (2008) describe, CSR communication consists of various communication channels. Thus, there might be other communication channels which are prioritized by the automobile companies to address this particular stakeholder group of *Suppliers*. One has to keep in mind that suppliers naturally influence the quality of the product by delivering components in the automobile industry, but they could be very strongly interrelated and often specialized for a particular automobile company. Therefore, there might be a one-sided dependency between the suppliers and the automobile companies, where the suppliers are the most dependent party in this relation. This could explain why some automobile companies do not focus on suppliers in the CEO letter.

## 4.2.5 Financial Partners

The findings of the thematic analysis show that the *Financial Partners* stakeholder-based category was rarely addressed in both the European and the Asian automobile companies. The category is the second least addressed of the eight, in all the analyzed reports. The incidence rates for Asia (1.54%) and Europe (1.75%) are both considered very low.

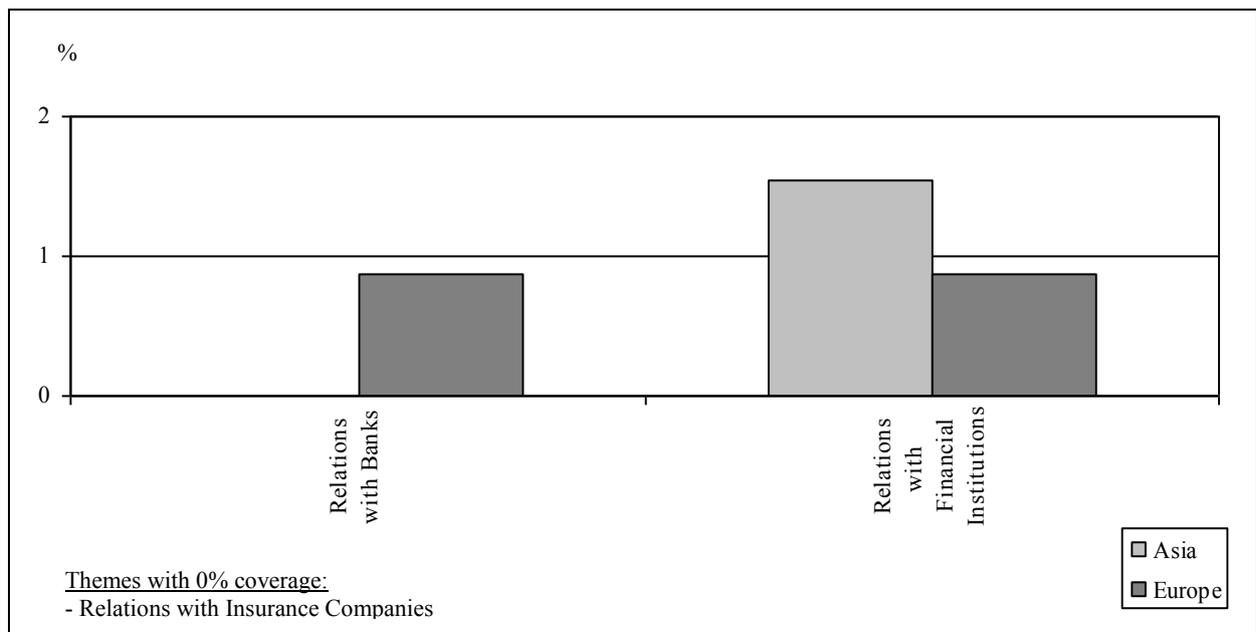


Figure 4.6 European and Asian Financial Partner-based CSR Themes (in %)

However, there is a difference in the distribution of themes within the category, where the European companies address both their *Relations to Banks* as well as *Relations with Financial Institutions*. While the Asian companies focus solely on *Relations with Financial Institutions* (see Figure 4.6). The findings also reveal that *Relations with Financial Institutions* was more predominant in Asian companies, of which 33% addressed this stakeholder-based theme in the CEO letter. Compared to only one company (11%) in the European sample. When included in the European letter, the emphasis on financial partners was aimed at demonstrating efforts towards an already created alliance and strengthening the mutual support between partners. While in Asian letters the message was much more general and referred to future possibilities and win-win opportunities. This could be explained by differences in corporate governance between the companies, and might have to do with European companies being more dependent on the banking system for their businesses.

#### 4.2.6 Public Authorities

Addressing the stakeholder category *Public authorities* in the CEO letter is noticeably higher than addressing the category *Financial Partners* for both continents. There is a slightly higher focus on this category amongst the Asian companies compared to the European.

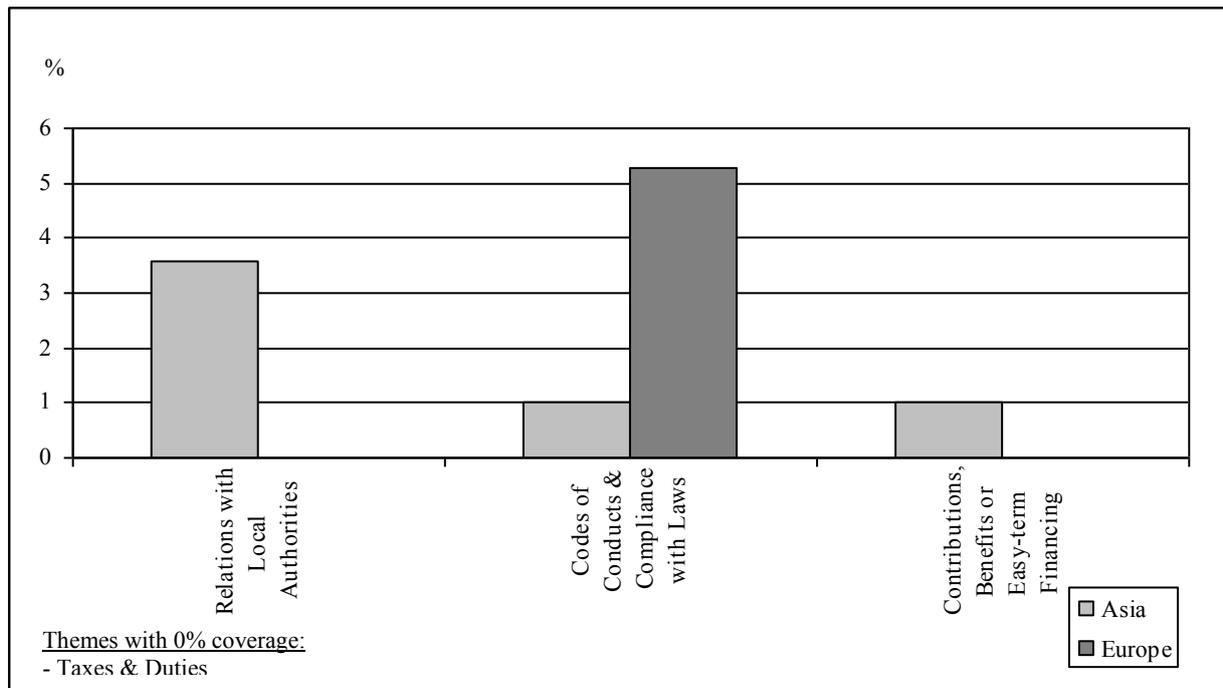


Figure 4.7 European and Asian Public Authorities-based CSR Themes (in %)

Three out of four themes in this category are covered by the CEO letters (see Figure 4.7). Interestingly, Asian companies also focused on a wider array of themes within the category, such as *Relations with Local Authorities* (3.59%), *Codes of Conduct & Compliance with Laws* (1.03%), and *Contributions, Benefits or Easy-term Financing* (1.03%). Whilst the European companies solely addressed *Codes of Conduct & Compliance with Laws* (5.26%), which can indicate that the main concern within the European companies is to demonstrate their commitment in following established codes of conduct as well as legitimizing their work in regards of working within the frames of the law. This relates to Gatti and Seele (2014) and Matten and Moon (2008) who suggests that European and U.S. companies face more pressures from the community and public authorities to be transparent and motivate their actions. Furthermore, countries where legal obligations were set on social reporting by the public authorities demonstrated a positive effect on the quality of the CSR reports (Habek & Wolniak, 2015). This could explain why European reports solely address *Codes of Conduct & Compliance with Laws* since it is of importance for them to highlight their compliance with the regulations in place and to be transparent with their activities.

The focus on creating legitimacy with stakeholders is further exemplified by European companies mentioning their engagement and membership in the United Nations Global Compact. Global Compact is a strategic policy initiative for companies committed to aligning their operations to established principles regarding human rights, labor, environment and anti-corruption (UN, 2015). Audi (2013) addresses this topic by clearly stating their recent membership to the initiative and that they have “signed up to its ten principles in the areas of environmental protection, human rights, labor rights and anti-corruption” (p. 4).

### 4.2.7 Community

The analyzed sample provides indication that the *Community* is a highly valued stakeholder-based category and plays a significant role in the CEO letter. Ranking on the second place for both Asia (23.08%) and Europe (18.86%). When investigating these numbers the authors note that the Asian automobile companies have a higher focus on the *Community* category. This could have its explanations in cultural differences, and in differences of how businesses operate in relation to their surroundings in various cultures (Fifka, 2012; Fifka & Drabble, 2012; Habisch, Patelli, Pedrini, & Schwarz, 2010).

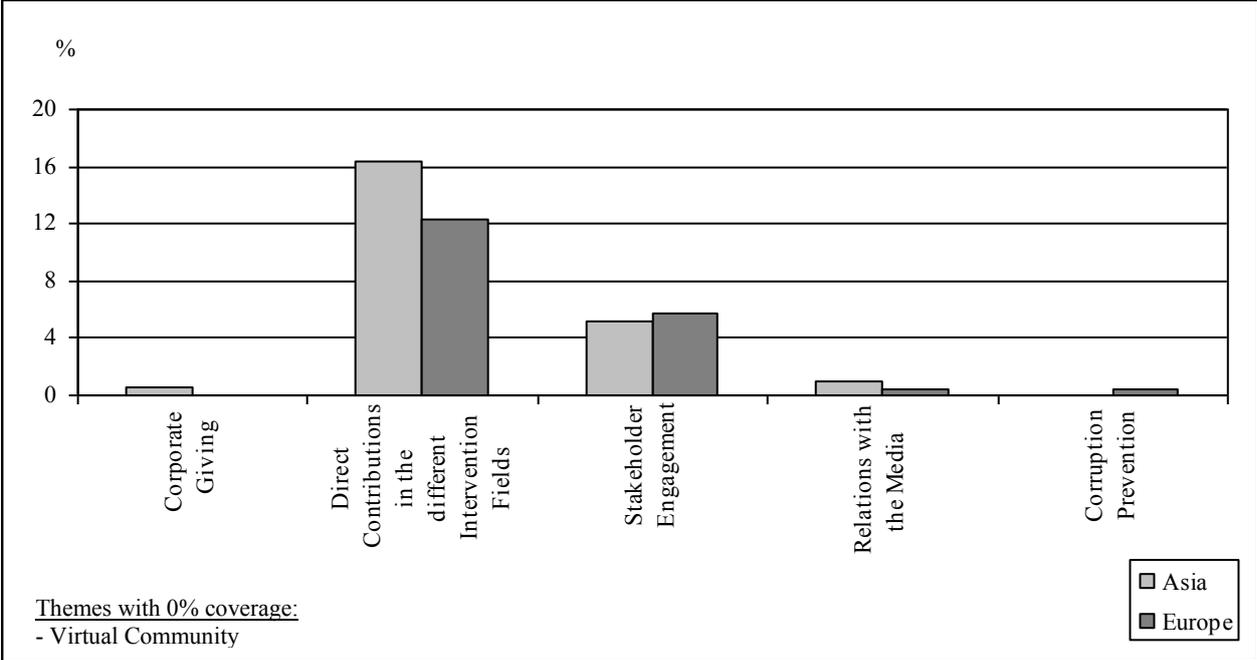


Figure 4.8 European and Asian Community-based CSR Themes (in %)

Out of the six themes that make up this category the *Direct Contributions in the different Intervention Fields* dominated for both continents, Asia (incidence rate 16.41%) and Europe (incidence rate 12.12%) (see Figure 4.8). The theme *Direct Contributions in the different Intervention Fields* is split into several topics, and out of these particularly the Research and Development topic was primarily addressed in the CEO letters of both Europe and Asia.

Followed by the topic of Improving traffic flow and safety, and Social Solidarity, in the Asian companies. In the European companies the research and development topic was followed by statements around direct contributions to Society in general, as well as Social Solidarity.

A great difference between the European and Asian CEO letters is the increased focus on *Improving traffic flow and safety* within Asian companies. This suggests Asian automobile companies are trying to gain the trust of the community in the work to improve current topics of concern. For example Toyota (2014) mentions they are “implementing measures tailored to local conditions to alleviate the extreme traffic congestion that occurs in the urban areas of emerging nations” (p. 6). Or Mazda (2014) who aims to “achieve a safe and accident-free automobile society” (p. 4). The other topics within this theme were similar across the board with no considerable discrepancies. The authors conclude that the main reason for *Community* ranking high in the prioritization of stakeholder-based categories is that in order to create trust with stakeholders a company needs to show continual commitment to long-term improvements to the society and community in which they operate (Brammer & Pavelin, 2004; Preston, 1981). This belief is further confirmed by the interviews that support the belief that a CEO letter is meant to legitimize and provide authority to the actions the firm intends to take (Interview 1).

The theme of *Stakeholder Engagement* was the second most addressed with a coverage of 5.70% by Europe and 5.13% by Asia. The authors question whether this may have to do with the purpose of the CEO letter meant to instill confidence and trust in various stakeholders. By initiating dialogue and creating rapport with the reader the company is laying a foundation for a better relation with its stakeholders, and it is able to legitimize its existence as well as its future objectives. As Dowling and Pfeffer (1975) suggest, the survival of an organization largely depends on legitimacy that it manages to create with the community in which it operates.

#### 4.2.8 Environment

When analyzing the CEO letters the stakeholder-based categories such as *Customers*, *Shareholders* and *Community* were identified more often than that of *Environment*. Important to note is that the current study analyzed CEO letters while Perrini (2005) analyzed the entire CSR report. It could be argued that if one analyzed the whole report the environmental issues would come to dominate. Additionally, another possibility for the lower prioritization of the *Environmental* category is that several CEO letters might draw upon the CEO letter from the annual report, which focuses on the company’s financial performance (Interview 1). This could explain why *Environment* does not rank in the top two categories for Asia nor Europe. Nevertheless, the findings suggest that *Environment* is an important category and receives moderate coverage by Asian automobile companies, and high coverage by the European automobile companies.

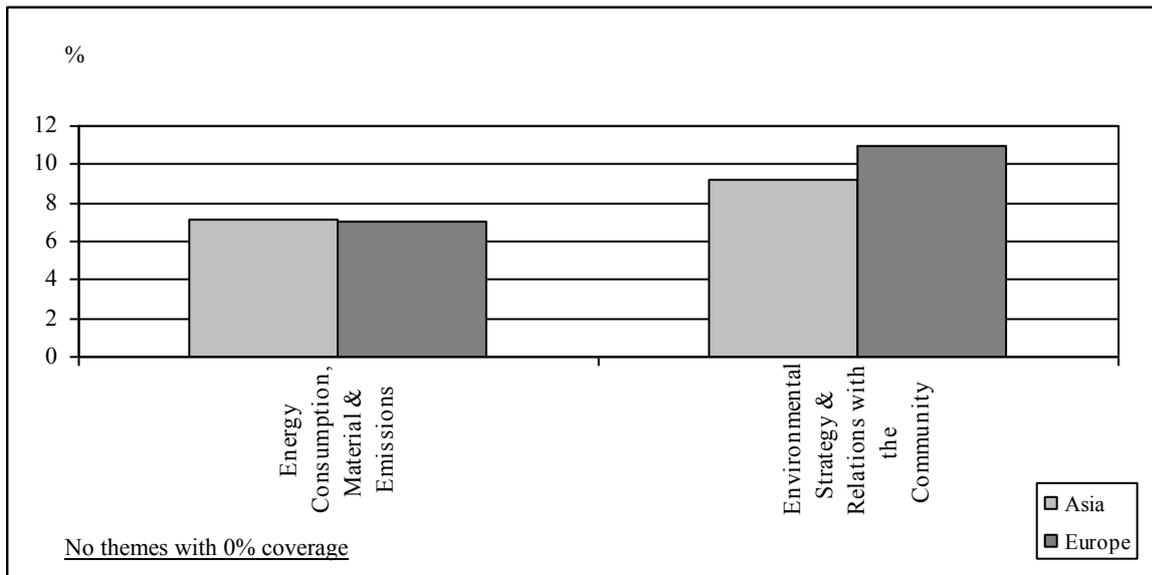


Figure 4.9 European and Asian Environment-based CSR Themes (in %)

The theme of *Environmental strategy and Relations with the Community* was addressed to a large extent (incidence rate 10.96%) and somewhat lower for Asia (incidence rate 9.23%) (see Figure 4.9). The second theme *Energy, Consumption and Emissions* was on second place within this category, where Asia had only a marginally higher incidence. The order of importance of these two themes can be explained by the purpose of the CEO letter which is to present a broad overview of the firm's operations and strategy (Abrahamson & Amir, 1996). Thus, the finding that *Environmental strategy and Relations with the Community* is the dominant theme of the two is in line with what was expected by the authors.

Summing up, the findings suggest that the *Environment* category is not the most frequently addressed category as in Perrini's (2005) study. However, even though the findings suggest *Customers* and *Community* are prioritized in the CEO letters the authors consider it likely that the *Environmental* category would end up ranking higher if the whole CSR report were to be analyzed. Especially CSR reports in the automobile industry where the focus on reducing car emissions and the carbon footprint of production has been on the agenda for the past years (KPMG, 2010).

### 4.3 Discussion

As the findings suggest the CEO communication advocates what actions the organization wishes to take and is clear about informing the society about it. This reflects the legitimacy theory (Dowling & Pfeffer, 1975) and can further be coupled with stakeholder theory (Freeman, 1984), as firms try to legitimize their actions towards multiple stakeholders. The authors acknowledge that the aim of the CEO letter is to strengthen and validate the message of the whole CSR report, at the same time as it addresses the primary stakeholders. It can be

observed that multiple stakeholders are addressed in the CEO letter, which is prominent in both continents. This is not surprising as stakeholder theory suggests that firms need to maintain relationships with several stakeholders, both internal and external, in order to be successful in their business (Carroll, 1991). The present study reveals which groups are most urgent to the company’s business, and also depicts to whom the company needs to be responsive. As Freeman (2010) explains, the pressures on management are higher than before and they are facing more scrutiny and pressure from different stakeholders. The study reveals that companies behave according to stakeholder theory by addressing multiple stakeholders. Consequently, it is important for the top management to understand which of their stakeholders bear the greatest impact on their business, and in which relations they should invest the most. Therefore, stakeholders addressed in the CEO letter can be seen as the primary audience (Abrahamson & Amir, 1996) for the company’s CSR efforts.

### 4.3.1 Differences between Europe and Asia

The findings of this study reveal that, on a general level, there are differences between which stakeholders European companies prioritize compared to those prioritized by Asian companies. To summarize the main findings the two diagrams (see Appendix E) provide an overview of the top down stakeholder categories and its main CSR themes of the Asian and European CEO letters. The findings can be categorized on two levels, the first being the stakeholder-based categories, and the second level being the stakeholder-based themes. Both levels address specific stakeholders. Where the former is more general and the latter more specific.

<b>Europe</b>		<b>Asia</b>	
1. Shareholders	(19.30%)	1. Customers	(26.67%)
2. Community	(18.86%)	2. Community	(23.08%)
3. Environment	(17.98%)	3. Shareholders	(16.92%)
4. Customers	(16.23%)	4. Environment	(16.41%)
5. Human Resources	(11.40%)	5. Human Resources	(7.18%)
6. Public Authorities	(5.26%)	6. Public Authorities	(5.64%)
7. Suppliers	(2.63%)	7. Financial Partners	(1.54%)
8. Financial Partners	(1.75%)	8. Suppliers	(0.00%)

Table 4.2 Ranking Order of Stakeholder-based Categories with Incidence Rates (in %)

When looking on the first level, at the categories, the authors identified some similarities between the two continents (see Table 4.2). Foremost the similarity is observed when dividing the ranking list in half and looking at the top four and the last four positions. This reveals that both continents have the same categories in each half. In the first half, *Customer*, *Community*, *Environment* and *Shareholders* are found. In the second half, *Financial Partners*, *Human Resources*, *Public Authorities*, and *Suppliers* are found. This conformity could be explained

by the broad division of the categories. A second reason for this high level conformity might be the use of certain reporting standards, such as GRI, by automobile companies for the publication of their CSR reports. Because, the GRI standard specifies what parts should be covered in the CEO letter as well as in the CSR report in general. The authors could recognize that the majority of the companies in the study sample use GRI as their reporting standard (see Appendix B). Looking into the particular ranking order of the categories, beginning with the first four, the authors discovered only one similarity between the continents. Only the *Community* category is ranked on the same position in both Europe and Asia.

On the bottom half of the ranking list, two coinciding rankings are observed, *Human Resources* and *Public Authorities*. This shows that only three out of eight categories have the same ranking between the continents. This implies that only three of the eight stakeholder-based categories have similar focus in the CEO letter. Moreover, the authors could even observe differences in the specific incidence rates when comparing these three categories.

For example, despite the similar prioritization of the *Community* category in Europe and Asia, the incidence rate in Asia is well over twenty percent (23.08%) whereas Europe does not even reach twenty percent (18.86%). This difference in the incidence rates suggests that the Asian companies have a greater amount of text covered within the category. This could either be because the Asian companies use more sentences to describe their engagements in this particular category, or it might suggest that the Asian companies actually have a higher prioritization of this subject. The authors are inclined to support the latter, which also goes hand in hand with previous research that suggest differences in CSR reports from different regions and cultures (Fifka, 2012; Fifka & Drabble, 2012; Habisch et al. 2010).

The largest difference on the category level can be observed when comparing how CEOs address shareholders. The category *Shareholders* differs with two ranking positions when comparing the two continents. This suggests that European companies are more inclined to address shareholders than the Asian companies. The authors question whether this might be explained by a larger dependence on shareholders within the European automobile companies.

Specifically, *how* shareholders are addressed in the CEO letters is a difference that the authors noted. In European companies more broad sweeping sentences were used while in Asia it was much more to the point. This could also be noted in the prominence of the theme, *Company's Strategy and Vision*, in the European companies. European companies focused on explaining future actions and visions whereas Asian companies focused on explaining what they had achieved and used more concrete descriptions of future plans. It would be interesting to understand why European companies choose a sweeping and vague type of language when addressing their shareholders. Does this have a significant correlation to the stakeholder engagement, and will it convince shareholders that the business is in line with sustainable development? Or is it rather that these expressions, used particularly in the Triple bottom line approach, are used to portray a fancy facade and merely promote the company's own interests as Pava (2007) has suggested. Further studies should investigate these language aspects to discern if there is truth to this.

A further difference is that European companies address their suppliers while none of the Asian do (see Appendix E). The authors question if this could be explained by a heightened focus in Europe on the whole supply chain as being responsible for the final product. There have been many scandals in Europe where companies that employ suppliers with unethical standards have themselves been subjected to criticism (Kinzey, 2013). One example of such a case is the scandal in 2012 around H&M whose suppliers employed low-wage workers in Bangladesh (Kalla Fakta, 2015). The way suppliers run their business seems to be a more prominent topic in Europe where the whole supply chain is scrutinized. This might be the reason behind why top management in Europe addresses their suppliers to a larger extent in order to align them to the company's practices and visions. An example of such a statement from the study sample is: "In line with our operating philosophy, the Group also promotes the application of its sustainability principles along the entire value chain" (Fiat, 2014, p. 11). This statement represents the European engagement to maintain good relations with their suppliers, which was prominent in the study sample.

When looking at the second level, the themes present an even more evident differentiation regarding the focus on various stakeholders in the CEO letters of Europe and Asia (see Appendix E). Particularly interesting is that European companies display a higher focus on *Health and Safety* whereas none of the Asian CEO letters addresses the theme. This indicates that the European automobile companies to a larger extent seem to consider their employees and offering them secure employment environment compared to the Asian companies. This is similar to Knox (2007) findings, who found that Germans describe a company as social responsible when it offers secure employment.

A further observation can be made when comparing the European and Asian results of the theme *Company's Operational Performance*. It indicates that the Asian automobile companies focus on providing information about their production in contrast to the European automobile companies, which include no information about this theme. This emphasis might be reasoned by a higher interest on this topic by stakeholders from Asia. Supportive findings are provided by Knox (2007), who describes that Chinese relate to a company's social responsibility the production of safe and high-quality products. Based on this understanding of social responsibility Asian companies might feel forced to offer information about this topic in their CEO letter.

The results, furthermore, provide indication of differences in how financial partners are addressed. There is a notable difference in the distribution of themes within the category, where the European companies address both their *Relations to Banks* as well as *Relations with Financial Institutions*. While the Asian companies focus solely on *Relations with Financial Institutions*, and the authors found that none of the CEO letters address banks. The authors question whether European automobile companies, to a larger extent, are more dependent on banks and financial institutions than their counterparts in Asia. Moreover, could the inexistent focus on banks in Asian automobile companies have to do with differences in the corporate governance structures? As it has been suggested that differences in corporate governance lie

as the cause for contrasting types of stakeholder involvement in corporate decision-making (Aguilera & Jackson, 2003).

The findings for the category *Public Authorities* indicate that the appearance of this stakeholder group differs between Asia and Europe. Although the incidence rates for the category are quite similar for both continents, the coverage of the themes varies. While the CEO letters of European automobile companies focus on providing information about *Codes of Conducts & Compliance with Laws*, Asian CEO letters address three themes in this category and especially focus on providing information regarding *Relations with Local Authorities*. These differences in focus might reflect the different systems of governments existing on both continents. For that reason local authorities could have a considerable impact on Asian businesses and Asian automobile companies want to serve their information need in the CEO letter to strengthen the relationship. The European focus on providing information about their law conformity, confirms previous research, which describe a higher demand for transparency in Europe by public authorities (Gatti & Seele, 2013; Matten & Moon, 2008).

As previously discussed, the analysis reveals specific characteristics for both Europe and Asia. The findings revealing the ranking of categories (see Appendix E) indicate that the automobile companies firstly focus on Carroll's (1991) economic responsibilities, while providing much information addressing their shareholders and customers. As Carroll (1991) describes making profit as the initial reason for founding a business, this focus is reasonable. A bit lower attention is given to the two pyramid layers company's ethical responsibilities and philanthropic responsibilities (Carroll, 1991), which could be described by addressing stakeholder categories such as the *Community*, the *Environment* and *Human Resources*. Less attention is given to the legal responsibilities which might be represented by the stakeholder category *Public Authorities*. This mix of addressed company's responsibilities in the European and Asian CEO letters confirms Carroll's (1991) CSR pyramid that combines the three different CSR approaches by Friedman (1970), Freeman (1984), and CED (1971). It is visible that all three approaches are still relevant because, as the analysis reveals, they are addressed through various themes in the CEO letters.

Altogether, the automobile companies seem to focus on maintaining good relations with their stakeholders by using the CSR letter in order to legitimize their business. Considering the two layers of legitimacy theory the findings indicate that the institutional level likely influences the companies. Especially the two factors: economic system, expressed as capitalism, and the society. This might be the reason for CEOs focusing primarily on shareholders, customers and the community in their CSR communication.

Overall, the authors of the study surprisingly observed that the eight stakeholder based categories in Perrini's (2005) framework were sufficient for covering those stakeholders addressed by the CEOs in the study sample. Of course the framework was developed by Perrini while studying the reports of 90 companies in different industries, thus it seems clear that the framework takes into consideration the majority of stakeholders addressed in CSR reports. Nevertheless, it is still an ongoing debate in stakeholder theory which stakeholders are particularly relevant for a company (Freeman & Reed, 1983). Additionally, one

interviewee described that there might be a need to address more stakeholders than those included in Perrin's framework. However, based on the conducted content analysis, that cannot be supported by the authors.

#### 4.3.2 Limitations

The study has a number of possible limitations. The main limitation of this study is the qualitative approach which restricts the generalizability of the results due to the small sample. The sample size could be expanded to include more companies than the top global automobile manufacturers from each continent. However, as an exploratory start, the current sample provides preliminary evidence which can be built upon. Furthermore, the present study focused on text material in the form of CSR reports, which restricts the possibility to explore the intended meaning behind the written message. An additional limitation of the present study was the time frame, which restricted the time for exploring Perrini's (2005) framework. Significant value could have been added if the framework and its definitions could have been discussed with Perrini prior to conducting the content analysis. Moreover, the authors own perception of Perrini's stakeholder-based categories and themes may be interpreted differently by other researchers which makes the replicability and comparison of results challenging.

#### 4.3.3 Contributions

The findings of the present study can contribute considerably to the development and evaluation of CEO letters in CSR reports. The present study adds to the literature by highlighting the importance of CEO communication and stakeholder management in developing corporate legitimacy through the use of CSR reporting. Certain parts of the findings indicate that European as well as Asian companies still have their continental stakeholders, respectively Europe and Asia, in mind and do not adapt completely to the needs of their global stakeholders. Therefore, companies in all industries can draw upon these findings to continuously revise and improve their message to the changing stakeholder demands in a globalized world. Besides these practical implications, the current study also makes a theoretical contribution with the newly developed *CEO Letter Checklist*. This framework, developed from Perrini's (2005) checklist of stakeholder-based CSR themes, is an analytical tool for researchers to analyze the CEO letter, a specific part of the CSR report. Further studies can use this analytical tool to gain comparative data for other industries or even other geographical areas.

#### 4.3.4 Future Studies

The current thesis focused on describing the transcontinental differences in addressing stakeholders in the CEO letters of automobile companies. The findings indicate that differences exist, which can be further investigated. Due to the descriptive focus of the current

study, the authors suggest to conduct a study using quantitative methods and statistical analysis to validate the findings. Moreover, a similar study which investigates just another industry would be of interest. This exploration could seek to explain if the particular industry affects the CEO letter content and to what extent different stakeholders are addressed. Additionally, further studies should extend the geographical perspective, for instance by including American automobile companies in the sample. Such a study would allow comparisons between American, European and Asian car companies. Moreover, a longitudinal study would help to reveal trends during the development of corporate reporting. Finally, the authors consider it of particular interest to investigate the reasons for the differences in addressing stakeholders between continents. It could help to understand how the differences relate to culture and how the culture influences the content, especially the focus on different stakeholders. For that reason, the authors consider to be beneficial to use primary data, for instance interviews conducted with CEOs. Another important perspective is understanding how the receiving side, the stakeholders, are actually influenced and contented by the CEO communication. This is a topic which the authors found of particular interest for further studies.

## 5 Conclusion

This study set out to investigate transcontinental differences of CEO communication towards stakeholders in CSR disclosure. In line with previous studies (for instance Perrini, 2005) the authors use as an underlying concept the stakeholder theory. Previous studies in the field of CSR in management that consider stakeholder theory have mainly focused on comparing countries from one continent. Moreover, they lack to do an in depth exploration of the differences on the content level of corporate publications.

The authors perceive a transcontinental analysis, which includes countries from more than one continent, as relevant because through globalization companies operate globally and have to communicate with stakeholders all over the world (Beck, 1992). Additionally, the findings of Cormier, Gordon and Magnan (2004) reveal that there is an existing relationship between management's perceptions of their stakeholders and company's current reporting strategy. For that reason, the authors conceive it as beneficial to analyze how the top management of global companies try to address stakeholders of different cultural backgrounds and with differing stakes in their CSR communication. Therefore, the authors chose a descriptive perspective and carried out a study that sought to answer the research question: What differences in addressing stakeholders can be observed in the CEO communication within CSR reports of European and Asian companies?

The authors conducted a qualitative study using content analysis, which was supplemented by interviews. The study sample includes CEO letters from CSR reports of 15 automobile companies in Europe and Asia, and interviews with two employees from the CSR department of two different automobile companies from Europe.

The findings reveal that the existing transcontinental differences can be observed less on the overall stakeholder level, but especially on the detailed level regarding which specific information is provided towards stakeholders. Due to the nature of a profit business, the automobile companies from both continents seem to value their economic responsibilities most. Nevertheless, the observed different prioritizations regarding the information provided seem to reveal the origin of the automobile company. Moreover, the company's stakeholder focus seem to reflect the different stakeholder impacts on a company's business in the different continents and accordingly how important a company perceives a stakeholder group.

These findings support existing stakeholder theory in expressing a company's need for actively addressing and seeking to satisfy the interests of multiple stakeholders. The differences in stakeholder focus between Europe and Asia indicate a conscious strategy by the automobile companies. This would mean that companies are using the CSR reports as a tool for legitimizing their business activities, which would confirm the theories around legitimacy.

Therefore, the study contributes to the research of stakeholder and legitimacy theory by describing how companies address multiple stakeholders based on their relevance to the company. Furthermore, the authors of the study developed a framework named *CEO Letter Checklist* that can be applied as an analytical tool by other researchers to decipher CEO communication regarding CSR.

Besides the theory, the current study implies managerial implications. Top managers get an descriptive analysis about the current stakeholder focus of Europe and Asia, which might be, due to the chosen industry, particularly interesting for managers working in the automotive industry. Nevertheless, top managers of all industries need to decide which stakeholders are relevant for the company and how they want to address these through their CSR communication. Therefore, top managers can revise their CSR communication as well as monitor their competitors' work by using the *CEO Letter Checklist*. In this way, companies can improve their CEO communication regarding the stakeholder focus.

The authors suggest for further research to scale up the study by extending the sample to other continents. This would enrich the possibility for comparisons and provide a holistic overview about company's stakeholder focus in CEO communication. Additionally, a longitudinal study would help to reveal trends during the development of corporate reporting. Furthermore, to validate the findings of the current study and to provide a higher generalizability, the authors advise to conduct a quantitative study to analyze the significance and correlations of variables. Besides the descriptive perspective, research should also investigate in finding reasons for the existing differences. As especially interesting to investigate the authors perceive the influence of a country's culture on the content of CEO letters.

The study has offered a descriptive perspective on the transcontinental differences of CEO communication, and was conducted with a qualitative approach. As a direct consequence of this methodology, the study encountered a number of limitations, which need to be considered. Firstly, the in-depth analysis of text is based on the author's understanding and interpretation that might differ from other researchers which makes the comparison of results challenging. Secondly, due to the small sample no statistical tests were applied to analyze correlations or the significance of findings.

In the context of globalization, which transforms national economies into a global economy (Beck, 1992), CSR communication of global companies has to address a broader audience with different cultural backgrounds and differing stakes. The current study reveals that companies' top management have realized this challenge, and use the CSR report as a strategic tool to address multiple stakeholders. In line with stakeholder and legitimacy theory, the findings of the study indicate that companies seem to make a choice of which stakeholders are relevant, and especially compose the CEO letter to address their demands.

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# Appendix A

## Coded CEO Letters

### European companies

#### BMW

**D101:** Our approach is holistic, focused on implementing sustainability throughout the value chain and ensuring that sustainability is firmly entrenched within our company structures and practised by our employees.

**H150:** To achieve this, we are gradually refining our sustainability strategy and setting long-term objectives in clearly defined areas of activity.

**H102:** We have steadily reduced fleet CO<sub>2</sub> emissions with our Efficient Dynamics technology strategy over the years.

**H102:** Average emissions for our European fleet currently stand at 130 grams of CO<sub>2</sub> per kilometre.

**C350:** With BMW i, we have made sustainable mobility a reality.

**C350:** Our customers now have a choice: with the BMW i3 and BMW i8, they can enjoy sheer driving pleasure with either an electric or plug-in hybrid vehicle.

**H102:** We will continue to electrify our vehicle fleet – and this will help us reach our 2020 goal of reducing European fleet emissions to half the levels recorded in 1995.

**H101:** Our understanding of sustainability includes efficient use of resources, as well as lower CO<sub>2</sub> emissions.

**H104:** We achieved a major breakthrough in power consumption in 2014 and now obtain more than half our electrical energy worldwide from renewable sources.

**H150:** By including sustainability considerations in all our business decisions, we create added value for the company.

**F201:** At the same time, we are demonstrating our commitment to international conventions such as the ten principles of the UN Global Compact.

**G154:** Beyond that – and this is crucial – we create innovations with tangible benefits for society.

**B151:** Consistent action clearly pays dividends.

**B200:** The BMW Group has been one of the top-rated companies in major sustainability rankings for many years: we are the industry leader in both the Dow Jones Sustainability Index and the Carbon Disclosure Project.

**H150:** We believe that sustainable action makes our business model more competitive and secures our company's future growth.

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## Rolls-Royce

**C153:** Rolls-Royce is in business to deliver better power for a changing world.

**G154:** The integrated power systems we develop, build and maintain address the increasingly global demand for transport and energy.

**C153:** As society becomes more integrated, populations expand and the world becomes more affluent the requirement for the type of advanced engineering solutions we provide will grow.

**B300:** These are long-term trends that require long-term commitment to investment and present us with the opportunity for long-term profitable growth.

**G154:** Across the Group we invest in technology that is continually setting new standards in power efficiency and environmental performance.

**B400:** I believe that our commitment to the four C's; customer, concentration, cost and cash, will help us to achieve our vision of **better power for a changing world**.

**B400:** Our business priorities are to deliver on the promises we have made, decide where to grow and where not to, and to improve our financial performance.

**B450:** Sustainability will play a critical role in ensuring we can deliver on these promises.

**C151: Customer** - Continual improvement of our products and services will help our customers to do more using less

**B400: Concentration** - Investment in product development, improving operational performance and the development of our people will help us grow our business and secure a better future

**B400: Cost and cash** - Investing in improvement projects and reducing our wastes and inefficiencies to accelerate profitable growth and develop a better, leaner, business

**H150:** We have announced new higher stretching targets out to 2020.

**H150:** Our goal is to be recognised as a leading sustainable business.

**C153:** These targets will accelerate our progress and show development towards this goal.

**C153:** Sustainability makes good business sense.

**B400:** If we are not continually improving the performance of our products, our people and our operations then we will not remain competitive.

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## Daimler

Dear Readers,

**Z000:** Have you ever heard of the book "The Imperative of Responsibility"?

**Z000:** It was written by Hans Jonas and was the best-selling philosophy book of the 1980s.

**G155:** Its main message is as topical today as it was then: "Act so that the effects of your action are compatible with the permanence of genuine human life on earth."

**G155:** Simply put: Those who act according to the motto "after me the deluge" increase the probability of deluge.

**G152:** Instead, we must act in a way that we can justify to our children and grandchildren.

**G152:** This is exactly what we are doing at Daimler.

**C500:** It is no accident that no other vehicle manufacturer can look back on a tradition as long as ours.

**H150:** This also has to do with the fact that we take responsibility – for the economy and the ecology, for employees and society.

**H150:** We are not writing this because it reads well in the editorial of a sustainability report, but because the “Responsibility Principle” is a guiding principle in our business activities.

**G154:** Take our products: Of our total investments of around €5.7 billion, in research and development last year, almost half went into “green” technologies.

**C151:** With the B-Class Electric Drive and the Denza – the first electric car to be fully developed in China for China – we have brought two more E-vehicles onto the road.

**C350:** For us, PLUG-IN hybrids are a key technology in the transition to fully electric driving: **C151:** By 2017, we will have brought ten PLUG-IN models onto the market – one new vehicle every four months, on average.

**G157:** For us, responsible action also means that we must work to make road traffic even safer.

**G157:** Ninety percent of traffic accidents are caused by human error.

**G157:** It is clear: Every accident is one too many.

**C151:** We also see great potential in autonomous driving.

**C151:** In 2013, we presented the prototype of an autonomous S-Class, followed by the first autonomous truck last year: our Future Truck.

**G200:** The “Responsibility Principle” also guides us in our relationships with our employees, customers, suppliers, shareholders, neighbors, and NGOs.

**F201:** Our guidepost in the last fifteen years has been the UN Global Compact – which addresses environmental protection and the protection of human and employee rights as well as the fight against corruption.

**G152:** We are convinced that only those who act ethically are also economically successful.

**G200:** This is what we are striving for and what we want to continue to discuss with you, dear readers, in the future as well.

**G200:** Let us take responsibility together!

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## Fiat

**Z000:** 2013 was a particularly important year for our Group and I don't believe there could have been a more appropriate or significant way to launch 2014.

**B400:** As you know, after a protracted negotiation with the VEBA Trust, on January 1st we reached an agreement that cleared the way for us to acquire 100% of Chrysler's equity and will soon lead to the formal creation of a single entity.

**B400:** From the very moment Fiat and Chrysler formed an alliance almost five years ago, we pursued a vision that went beyond industrial cooperation to full cultural integration at the global level.

**A850:** We worked tenaciously and single-mindedly to transform differences into strengths, to break down barriers of nationalistic or cultural resistance and to create an organization that would be truly unified in practice, even before it was on paper.

**B400:** That vision is now a reality.

**C153:** We have created a leading global automaker that is the 7th largest in the world.

**A850:** Even more importantly, we have created an organization that is unique and rich with potential at the technical, professional and human level – 300,000 people around the world driven by the spirit and values of an organization intent on distinguishing itself not only in terms of the excellence of its products, but also for the commitment, integrity and transparency with which it conducts its activities.

**B400:** The coming together of Fiat and Chrysler has enabled us to intensify our sustainability-related activities by sharing best practices and leveraging our respective strengths.

**H150:** Our strategy for sustainable mobility is focused on achieving a balance between conventional and alternative technologies that will deliver the greatest benefits for the environment now, while also ensuring that we continue to offer customers affordable products.

**H101:** This includes designing systems and developing new technologies to cut CO 2 emissions and improve vehicle efficiency, as well as projects to address emerging mobility needs and customer-focused initiatives to raise awareness on the impact driving behavior has on fuel consumption.

**C151:** Our commitment in this area and the innovations we launched during the year have received wide recognition at the international level.

**H106:** Fiat's Methane Program received the "Ecobest 2013" award for being the simplest and most cost-effective solution, with the lowest environmental impact among fuels available today.

**C350:** The innovative natural gas/gasoline TwinAir Turbo engine was named "Best Green Engine of the Year 2013" and the 3.0-liter EcoDiesel V-6 and the Fiat 500e Battery-Electric Drive System were both named to Ward's "10 Best Engines" for 2014.

**C350:** The Ram 1500 received Motor Trend's "2014 Truck of the Year" and Fiat Professional was named "Light Commercial Vehicle Manufacturer of the Year" at the Green Fleet Awards 2013, both for the second consecutive year.

**C350:** The Group's Luxury Brands were also recognized for their eco-performance: the new Maserati Ghibli and Quattroporte with V-6 diesel engines have CO 2 emission levels 35% lower than the V-6 gasoline versions, and Ferrari launched its first ever production hybrid (LaFerrari) with emission levels halved compared with the Enzo.

**H150:** The Group also further reduced the environmental impact of its production processes, mainly through implementation of the World Class Manufacturing program (WCM), which continues to play an important role in terms of competitiveness, as well as being a key platform for ensuring the highest sustainability standards at plants and among our suppliers.

**H102:** During 2013, energy-related projects developed as part of WCM contributed to a reduction of approximately 180,000 tons in CO 2 emissions.

**A800:** In recognition of these efforts and our focus on quality, the WCM program's Gold level was awarded to the Fiat plants in Pomigliano d'Arco (Italy) and Tychy (Poland), as well as the Tofas plant in Bursa, Turkey.

**A602:** We also continued in our commitment to ensure a safe and healthy working environment for employees in every area of activity at our sites worldwide.

**A601:** During 2013, we invested a total of €194 million in health and safety improvements, representing an increase of 15.5% over the previous year.

**D103:** In line with our operating philosophy, the Group also promotes the application of its sustainability principles along the entire value chain.

**D101:** One initiative involved dealers in Italy, where the introduction of new practices and promotion of environmental awareness generated significant energy savings and reduced the environmental footprint of the sales network.

**D103** This project will continue with expansion to our dealer networks in other countries over the next few years.

**D101:** In the U.S., Chrysler managed the second annual Dealer Environmentally Conscious Operations (ECO) Program, which was designed to encourage environmental responsibility across the dealer network and to recognize dealerships with a demonstrated commitment to eco-friendly business practices.

**B200:** The Group was recognized again in 2013 by leading rating agencies and other international organizations for its leadership in sustainability.

**B200:** For the fifth consecutive year, Fiat was included in the prestigious Dow Jones Sustainability Indices World and Europe, receiving the maximum score in several key areas of evaluation in the economic, environmental and social dimensions.

**B200:** In addition, for the second consecutive year, we were recognized as the leader in Italy for our commitment to addressing climate change.

**F202:** Our environmental performance together with transparency in disclosure earned us recognition at the very top of the Carbon Disclosure Project's Italy 100 Climate Disclosure Leadership Index (CDLI) and Climate Performance Leadership Index (CPLI).

**A204:** A forward-looking mentality and commitment to continuous improvement are natural to a group that values and cultivates diversity in individual talent, experience and cultures.

**H150:** With the combined strength of our two organizations, we now also have the opportunity to play a leading role in the creation of a cleaner, safer planet.

**G152:** We are all challenged to proactively become a part of the solution to problems that today's world faces, such as pollution in urban areas, climate change, over-dependence on oil and diminishing natural resources.

**H150:** We need to put the maximum effort into helping to solve these issues, not just to meet stringent regulatory demands but, even more importantly, to ensure we can be proud of the legacy we leave future generations.

**Z000:** Fiat and Chrysler, united, intend to do their part.

**A800:** I want to thank everyone in the Group for embracing the culture of sustainability and for their daily dedication to translating it into concrete actions.

**A800:** They are our best and most precious resource.

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## **PSA**

**B400:** 2013 has marked a turning point for PSA Peugeot Citroën.

**B400:** Our Group is fighting back.

**B450:** In 2013, we outperformed our target of slashing consumption of operating cash flow in half.

**B450:** Measures for the recovery of our activities in Europe are bearing fruit.

**B450:** Our Rebound 2015 plan, launched in 2012 to restore the competitiveness of the Automobile Division in Europe, has already generated savings of €0.9 billion, on track to reach our goal of €1.5 billion in 2015.

**B400:** We have continued to cut costs and we will improve the capacity utilisation rate of our plants.

**B400:** In October, Aulnay produced its last C3: the closing-down of this site is a painful event which is, unfortunately, a necessary step in the Group's history.

**A353:** We have signed a New Social Contract with our employee representatives, which, in addition to the Rebound 2015 plan, should generate savings of €500 million in 2016.

**A502:** In this context, we have made firm commitments to the employees to maintain our presence in France.

**E200:** We have announced new stages of our Alliance with General Motors, which will bring the Group €1.5 billion over the 2013-2018 period, an essential contribution to its recovery in Europe.

**C151:** And we are now facing 2014 with better differentiated, stronger than ever brands, as proved by the success of the new PEUGEOT 308, winner of the prestigious 2014 'Car of the Year' Award, and the CITROËN C4 Cactus, acclaimed by the press, as well as the successful launch of the DS brand in China.

**B450:** The Group has recorded excellent growth in China, overperforming the market with sales up by 26% in 2013.

**C153:** This is now our second market after France.

**C153:** The situation is difficult in Russia and Latin America, where in December the Group announced an adjustment of the carrying amount of the Automobile Division's assets, to reflect the impact of exchange rate changes and degradation of market conditions.

**C153:** To remedy these weaknesses, the Group will focus on streamlined ranges and competitive local integration.

**H150:** Finally, this year the Group again achieved very good results in terms of Corporate Social Responsibility, emphasizing the Group's full and complete commitment in the three areas of this responsibility: preserving the environment in all its forms, close and considerate involvement in the development of its host countries, in particular through the renewed activities of its Foundation, and the undiminished concern to protect its employees, preserving both their employability and their health.

**G350:** Not forgetting the exemplary nature of our teams in terms of business ethics and the prevention of corruption.

**Z000:** PSA Peugeot Citroën is back in the running, meaning its commitment to the values of sustainable development will be even more strongly affirmed.

**E200:** On 19 February, we announced three large projects which place the Group in a good position to take on future challenges: a stronger partnership with Dongfeng, our ally in China for 20 years, to accelerate the Group's globalisation on fast-growing markets.

**E100:** A partnership between Banque PSA Finance and Santander to increase the competitiveness of the Group and of its financing offering.

**E100:** And a capital increase of €3 billion to secure our financial position and invest in the technology and models of tomorrow.

**B300:** In 2013, we created the momentum that will allow the Group to leave the crisis behind with our heads held high.

**A800:** In 2014, we need to transform this into actual results.

**A800:** I leave Carlos Tavares with a Group ready to conquer once more.

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## **Audi**

**Z000:** Futurologists are fond of calling sustainability a "megatrend."

**C153:** Yet we believe that such an important challenge for whole generations should not be dismissed as a passing fad.

**H150:** It is not only about quality of life, but also about safeguarding the very basis of our society through thinking and acting for the long term – and that means it is also fundamental to our business activities as a carmaker.

**H150:** It is in our own interests to ensure that driving a car remains both socially acceptable and a practicable aspect of everyday life.

**C153:** Individual mobility has developed into an indispensable way of clocking our lives.

**B251:** All the more reason for us to make sure it meets the exacting requirements of sustainability.

**F202:** Through this Corporate Responsibility Report for the 2012 fiscal year, we provide full transparency of the goals and activities of AUDI AG and its subsidiaries with regard to sustainability for the first time.

**F202:** This transparency includes not simply informing you of the progress we have made, but also highlighting the challenges that lie ahead.

**H150:** We and our employees consider we have a responsibility to lead the way not just economically, but also ecologically and socially.

**C350:** That is why we have enshrined the principle "We live responsibility" within our corporate strategy and established sustainable products and processes as a keystone of our operations.

**H150:** We firmly believe that we will only achieve sustainable success through sustainable actions.

**F202:** Since we regard ourselves as active contributors to society, we want to lay ourselves open to scrutiny.

**B200:** To what extent are we able to reconcile economic, ecological and social concerns even more effectively, year by year?

**H101:** Important performance indicators include the fleet consumption of our cars, their CO<sub>2</sub> emissions, and our use of other natural resources.

**F201:** Since February 2012, AUDI AG has been a member of the United Nations Global Compact and has signed up to its ten principles in the areas of environmental protection, human rights, labor rights and anti-corruption.

**F201:** Over 15 years ago, we moreover became the first premium brand to introduce the European Union's certified environmental management system EMAS and ever since have been supplying evidence of our advances in the efficient use of resources.

**Z000:** This sustainability report gives account of the progress made in the past year.

**G200:** Each section starts with comments from diverse interest groups on the five core themes that we have put at the top of our list of priorities.

**G200:** We started the ball rolling with a Stakeholder Forum in November 2012, held at our headquarters in Ingolstadt, to which we invited 60 representatives of important social groups.

**H150:** : Our declared goal is to assure a livable future for generations to come.

**G154:** We are convinced that, inspired by our philosophy of "Vorsprung durch Technik," we will find solutions to key issues of how to use resources efficiently and conduct sustainable operations.

**B251:** We have instructed our corporate bodies to examine future products and processes even more rigorously for environmental and social compatibility before giving them the go-ahead.

**G200:** Thank you for your interest in this publication; we hope you find it enjoyable to read.

**G200:** And please, feel free to join in our dialogue about the shape of tomorrow's world.

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## Porsche

**Z000:** The world of fascinating vehicles is the sphere of our everyday work.

**C102:** Three important numbers represent this concept in the eyes of many automobile enthusiasts: 911.

**C300:** The icon among sports cars reached a landmark 50th anniversary in 2013, and the 911 of today looks more appealing and modern than ever before.

**C300:** We develop vehicles for the heart and for the mind.

**C102:** When we launched the Panamera S E-Hybrid and the 918 Spyder last year, we once again proved our potential to perform in the premium segment.

**C350:** Porsche has created a success story by using plug-in hybrid technology to combine the driving performance characteristics of a sports car with the consumption values of a compact car.

**A651:** Only a team of highly motivated employees enables us to put successful and technical innovations like these on the road.

**A352:** Our aim as an appealing employer is to give them access to optimum conditions and opportunities to develop their potential.

**A301:** We also strive to empower employees to reconcile the demands of career and family.

**G155:** A high level of acceptance can only be achieved for our company and for our products if we remain open to developments within the community at large.

**H150:** A central function for Porsche is to maintain a consistent balance between economic objectives, environmental concerns, and social engagement.

**Z000:** The strong growth of our company turns this into a real challenge.

**B251:** We have therefore developed clear benchmarks and controlling instruments, for example in the form of sustainability indicators.

**G158:** Porsche is integrated within the community in many different ways.

**H150:** As far as we are concerned, acting sustainably means taking on responsibility for employees, the environment and the community.

**G200:** : We would like to use this report to tell you about the areas of sustainable action at Porsche and our targets.

**G200:** The report will provide you with an overview of where we currently stand and where we want to be in the future.

**G200:** We have many different stakeholder groups and we asked them about their perception of the main tasks and challenges for sustainability management at Porsche.

**G200:** The results of our survey are presented in this report.

**H101:** Our track record already posts many milestones of achievement on the road route to sustainable action and business practice.

**H150:** Sustainability involves our vehicles, our employees, our sites, and our position within society itself.

**B400:** In accordance with our culture at Porsche, we are not satisfied with the status quo, we want to do even better.

**B251:** We will gradually implement our ambitious sustainability targets in a specially developed program of measures.

**G200:** I would like to invite you to enter into a dialog with us – our Sustainability Report is intended to be a first step in this direction.

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## **Skoda**

**G152:** Companies bear responsibility: They produce goods, they use resources; they create jobs and make a contribution to society.

**G158:** We at ŠKODA AUTO are aware that the more successful we become, the greater our responsibility towards the environment, our employees, the locations where we are based and all the places in the world where our cars are sold.

**H150:** We are therefore committed to fulfilling our responsibility consistently worldwide.

**H150:** We do so to secure the future of our company – because a healthy environment, good working and living conditions and a stable economic framework are essential to our success.

**F201:** At ŠKODA AUTO, we strongly believe that responsible conduct is fundamental to securing the future of our Company – and this belief defines our daily work.

**B450:** In 2011 and 2012, ŠKODA AUTO achieved new levels of business success.

**B450:** Our growth strategy is starting to bear fruit, and we are well on our way to selling at least 1.5 million cars per year by 2018.

**G152:** However, this can only be the right route if we also embrace the responsibility it brings.

**B251:** For ŠKODA AUTO, this means making responsible thinking, based on clear principles of conduct, an integral part of our growth strategy. ‘

**F200:** In 2012, we therefore revised our binding Code of Conduct for all employees.

**Z000:** As part of the Volkswagen Group, we must set ourselves high standards.

**B400:** It is the Group’s declared aim to become the world’s leading, most sustainable automobile manufacturer by 2018.

**G158:** We at ŠKODA AUTO will contribute to that goal – with vehicles for environmentally-friendly individual mobility produced with minimum resource consumption; with secure jobs and fair employment conditions; as a good neighbour at all our sites; and, not least, as a financially-successful company, profitable and competitive worldwide.

**D101:** In other words, we are integrating the principles of sustainability throughout the value chain, because this will permanently secure the future of ŠKODA AUTO.

**C153:** The automobile industry is currently in the midst of change: Structures, customer requirements, technologies – everything is changing and presenting us all with new challenges.

**B450:** But, handled the right way, this change also offers tremendous opportunities.

**G154:** We will be able to demonstrate how viable individual mobility is possible – and thereby shape our own future.

**H150:** Environmental compatibility and production conditions are already important enough to many customers to inform their purchase decisions.

**C350:** Our vehicles certainly meet these requirements: ŠKODA AUTO offers efficient engines with low exhaust emissions, as well as especially environmentally-friendly equipment and technologies for every model in the line-up in our GreenLine models and Green tec variants.

**G154:** We are working on the future of emission-free mobility, and are currently testing a fleet of ten electric vehicles in everyday driving conditions.

**H150:** Our long-term goal is emission-free mobility, which we are working hard to achieve, together with the rest of the Volkswagen Group.

**H101:** Furthermore, we are implementing a whole range of measures to minimise the environmental impact of our production process.

**H101:** Environmental protection, resource efficiency and biodiversity are a focus at all our sites.

**A602:** We are actively involved in promoting our employees' well-being and continuing education, and support social and cultural initiatives at our locations.

**G250:** This commitment is widely acknowledged: ŠKODA AUTO has once again been named "the Czech Republic's most admired company".

**B200:** Factors such as social responsibility and employer branding were considered in this evaluation, as well as key business data.

**A850:** In this context, consistent development of a strong internal sustainability organisation has high priority for us.

**B251:** Therefore, we set up a team of experts under the motto "GreenFuture" to coordinate the Company's various sustainability activities and manage them efficiently.

**B251:** The team reports directly to the Board of Management and, over the next few months, will focus on the steps needed to reach our environmental goals.

**H101:** In this way, we aim to reduce emissions and resource consumption in production by 25% by 2018.

**Z000:** This Sustainability Report – the third of its kind – details how we fulfil our responsibility.

**B251:** For the first time, we are following the standards of the Global Reporting Initiative (GRI), to make our activities more comparable.

**F201:** This will create the necessary transparency, develop a better understanding of our actions and establish trust.

**C250:** In 2012, we earned the trust of more than 940,000 customers around the world.

**C250:** They chose ŠKODA vehicles for their spaciousness, outstanding value for money and smart solutions.

**C300:** The aim of our commitment in this area is for these people to know that they have also made the right "simply clever" decision from a sustainability perspective.

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## VW

**B450:** The Volkswagen Group can look back on a successful year.

**B450:** Despite difficult market conditions our Company remained on course, combining quantitative growth with greater quality, as evidenced by the 9.73 million vehicles we delivered to customers around the world – a new record figure.

**B200:** Further proof is provided by the Dow Jones Sustainability Index, where our Group was ranked in first place.

**A850:** Through these and many other success stories we have again made good progress towards becoming the world's best and most sustainable automaker by 2018.

**Z000:** What is it that sets us apart?

**G158:** We focus on providing an unparalleled diversity of powertrains, operating resource-efficient production plants and offering good, secure jobs.

**G154:** Last year we invested more than €10 billion in research and development alone, reflecting the ambitious nature of the goals we are pursuing.

**H102:** Volkswagen is the first automobile manufacturer to commit to reducing the average CO<sub>2</sub> emissions of its European new vehicle fleet to 95g/km by 2020.

**H102:** We have already made substantial progress en route to this goal and last year for the first time brought the figure below 130g/km.

**C350:** In addition, with the e-up!, e-Golf, Audi A3 e-tron and Porsche Panamera S E-Hybrid we further underpinned our claim to technology leadership in the field of electric mobility.

**H101:** At the same time, in our plants around the world we are striving to make our operations 25% more environmentally compatible and resource-efficient by 2018.

**H150:** These efforts are documented by the seven production plants inaugurated in 2013 in China, Russia and Mexico, all of which comply with the highest environmental standards.

**A153:** Last but not least, in the past year we created more than 23,000 new jobs.

**A153:** In all, we employ over 570,000 people.

**A253:** The number of young people in vocational training at our facilities around the world rose to 17,700.

**A253:** The Volkswagen Group has already established the proven model of dual vocational education and training at 40 sites in countries including Russia, the USA, India, Brazil and China.

**A602:** And for us, sustainability always includes a social dimension, which is why we set the highest standards for the working conditions and inclusion of our employees.

**Z000:** Why do we do all this?

**G158:** Because as a major automobile manufacturer we take seriously our responsibility for the sustainable development of the economy, the environment and society.

**G158:** Our aim is to create lasting value – for the Company, its employees and its shareholders, but also for the countries and regions in which we operate.

**A850:** This all-embracing view of sustainability is shared by all twelve brands, our companies and all our employees across the Group.

**A204:** The fact that we unite such a great diversity of cultures, competencies and technical solutions makes us strong.

**A251:** And we are aiming to put these valuable assets to even better use by further intensifying the process of knowledge transfer within the Group.

**G154:** This will enable us to develop the right solutions for the challenges of the future – and make no mistake, those challenges are substantial.

**C150:** Markets are shifting, resources are becoming scarcer, emissions regulations are tightening up all over the world, and booming cities call for new and intelligent traffic and mobility concepts.

**G158:** We consider it part of our responsibility to find the right answers to these trends.

**Z000:** So how do we promote sustainability in concrete terms?

**0000:** This report provides the answer, illustrated by numerous examples from the world of Volkswagen as well as by facts and figures.

**B251:** To make our report transparent, verifiable and comparable, we have taken our lead from the guidelines of the Global Reporting Initiative (GRI).

**F201:** The report also constitutes our Communication on Progress to the United Nations Global Compact, which we joined with a promise to uphold human rights, promote good working conditions and environmental protection worldwide, and combat corruption.

**F201:** Since 2013 we have extended our engagement by also endorsing the Global Compact's CEO Water Mandate.

**G200:** We invite you to familiarize yourself more closely with the diversity and internationality of the Volkswagen Group and with our contribution to sustainable development and hope you find this report makes inspiring reading.

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## **Asian companies**

### **Toyota**

**G200:** Firstly, I would like to express my sincere gratitude for your continued support and understanding.

**C500:** Toyota's origins can be traced back to the founding principle of contributing to society by making automobiles.

**H101:** Motor vehicles greatly expand the freedom of mobility and provide various value to society, but are also related to and affect a number of social issues including global climate change and other environmental issues, energy and resource shortages, and traffic accidents and congestion.

**G200:** Toyota is working to gain a deep understanding of each of these issues through communications with local residents and various other stakeholders and is making serious efforts to contribute to society by making automobiles and resolve those social issues related to vehicles.

**H101:** Our automobile manufacturing has devoted considerable effort to the development of the ultimate eco-car with the aim of achieving harmony with the global environment.

**C350:** The fuel cell vehicles that we will launch in FY2014 support the diversification of energy and do not impose any environmental burdens such as carbon dioxide emissions during operation.

**C350:** They offer a convenience in terms of cruising range and fueling time, and I believe that they have great potential as the ideal eco-car.

**C200:** In addition to outstanding environmental performance, these vehicles were developed to provide the joy and excitement of cars through advanced design and fun driving.

**H150:** As a result of the electrification of automobiles and advances in information technology, the relationship between motor vehicles and society has entered a time when motor vehicles can play new roles that go beyond simply transporting people and goods to include connecting with other vehicles, road infrastructure, communities, and society at large.

**C151:** Last year, Toyota began the Big Data Traffic Information Service that can be used for improving traffic flows, disaster responses, and other applications.

**C151:** We are also accelerating our initiatives designed to create a smart mobility society including expansion of trials of Ultra-compact Mobility Sharing Services and Multi-model Route Guidance designed to provide people- and community-friendly transportation.

**G157:** In addition to these advanced technology-based initiatives, Toyota is also implementing measures tailored to local conditions to alleviate the extreme traffic congestion that occurs in the urban areas of emerging nations.

**G157:** We take these and other measures as we work to create a comfortable and sustainable mobility society.

**A251:** Developing human resources is the foundation of Toyota's manufacturing of sustainable mobility and our contribution to development of sustainable communities and societies.

**A251:** For example, striving to win a medal at the WorldSkills Competition leads to the enhancement and handing down of the worksites technical skills that are essential for making high-quality cars.

**A251:** Also, Toyota has opened in Japan a new facility that serves as the core of service training sites located in regions around the world and working to enhance worksite service knowledge and skills so that we can provide even higher customer satisfaction.

**A115:** In all periods and at all worksites, Toyota has had many leaders who embody the founding spirit of Toyota, providing continuity with the founder's dreams and passions and an intense history filled with difficulty.

**H150:** With the same aspirations as Toyota's founder, we hope to build an automobile industry of the future that can contribute to and coexist with a sustainable society and planet.

**G200:** We kindly request the continued support and understanding of all our stakeholders.

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## **Mazda**

**B450:** In FY March 2014, we achieved steady results in the introduction of new products, acceleration of our Monotsukuri Innovation (see pp.7-10), and the establishment of a global production footprint, as we pursued the Structural Reform Plan\*1 toward FY March 2016.

**E200:** We have also been making solid progress in promoting global alliances.

**C151:** In terms of products, we successfully introduced the new Axela/Mazda3 into global markets.

**C300:** It is the third vehicle (following the CX-5 and the Atenza/Mazda6) to incorporate SKYACTIV TECHNOLOGY (see p.53) and Mazda's new design theme, "KODO Soul of Motion", both of which enjoy high acclaim worldwide.

**B500:** On the production front, production of the new Mazda3 began at our new plant in Mexico in January 2014.

**B450:** Through these efforts, for FY March 2014 the Mazda Group posted net sales of ¥2,692.2 billion, an increase of ¥487.0 billion year-on-year.

**B450:** The Company's operating income amounted to ¥182.1 billion, an increase of ¥128.2 billion year-on year, with net income reaching ¥135.7 billion, an increase of ¥101.4 billion.

**B500:** Further, we are making progress as scheduled in the construction of an engine machining plant in Mexico and a new transmission plant in Thailand.

**B500:** In Japan, work to increase our production capacity for SKYACTIV engines and transmissions is progressing as planned.

**G158:** To fulfill our social responsibilities, it is important for Mazda to contribute to the development of local communities, as well as society in general, while striving for sustainable and profitable growth.

**G100:** Moreover, regarding non-financial social responsibility mainly covered by this report, we consider that our Company has a wide range of stakeholders and varying challenges to be addressed.

**B400:** Mazda therefore divides its CSR initiatives into six areas.\*2

**H150:** In response to the changes in the business environment surrounding Mazda, the Company has started to review the key areas of its CSR initiatives (see p.13).

**B251:** Meanwhile, in view of the seven core subjects related with ISO 26000, we have established targets by identifying the CSR perspectives inherent in the daily work of each employee, with each target item extracted from the business operation plans.

**Z000:** This report presents the FY March 2014 results and evaluation, as well as the FY March 2015 targets (see pp.14-15).

**H150:** Also, we have been addressing global warming and other environmental problems, by setting further detailed annual targets in the Mazda Green Plan 2020 (see pp.48-51).

**A800:** Going forward, we will remain committed to implementing the PDCA cycle to ensure continuous improvement, through establishing challenging targets and encouraging each individual employee to work toward achieving these goals.

**C350:** As an automobile manufacturer, we believe that it is important for Mazda to contribute to realizing a sustainable society, particularly regarding environmental and safety performance, through its vehicles and technological innovations.

**C200:** In keeping with our long-term vision for technology development, called "Sustainable

Zoom-Zoom" (see p.2), by providing all customers who purchase Mazda vehicles with driving pleasure as well as outstanding environmental and safety performance, we aim to be a brand that garners the ardent support of customers around the world.

**H101:** On the environmental front, Mazda promotes the Building-Block Strategy (see p.52), which prioritizes improvements in base technologies, such as improving the engine's thermal efficiency and reducing the weight of the vehicle body, and then gradually adds electric devices.

**H104:** Even in 2020, Mazda expects that the majority of vehicles will still be powered by the internal combustion engine.

**H150:** Consequently, Mazda is first working to achieve comprehensive improvements in the base technologies.

**H102:** Through this approach, rather than relying heavily on a small proportion of eco-friendly models, Mazda will contribute to the reduction of global CO2 emissions by delivering vehicles with excellent environmental performance at an affordable price to customers worldwide, including emerging countries, which may lack special infrastructure.

**C151:** We have already released three models equipped with the full range of SKYACTIV TECHNOLOGY, a term which covers all Mazda's innovative next-generation base technologies.

**C151:** The new Demio/Mazda2 featuring a newly developed small-displacement clean diesel engine will be rolled out in global markets starting from Japan in autumn 2014.

**H101:** This engine will ensure the new Demio/Mazda2 achieves the best test mode fuel economy figures\*3 among vehicles in Japan powered by an internal combustion engine (excluding hybrids and micro-mini vehicles), as well as significantly improved day-to-day fuel economy.

**C151:** The number of SKYACTIV-equipped models will be further increased and we expect that sales of these models will account for over 85% of total sales volume by March 31, 2016, exceeding our initial plan.

**G157:** In the realm of safety, Mazda's aim is to achieve a safe and accident-free automotive society from the three viewpoints of vehicles, people, and roads and infrastructure.

**G157:** Specifically, the Company carries out research and development into safety technologies based on the Mazda Proactive Safety philosophy, which particularly respects the driver, and has released vehicles featuring the full suite of Mazda's advanced safety technologies, known as "i-ACTIVSENSE" technologies.

**F150:** As a company with production sites in Hiroshima and Yamaguchi Prefectures, Japan, Mazda believes it has great responsibility for regional economy and employment.

**F150:** We will continue to sustain an 850,000-unit production level in Japan.

**F150:** This is crucial not only for making a continuing contribution to the growth of local communities, but also for helping the maturation of Japan's monotsukuri (manufacturing) technologies and their application to overseas production sites.

**B500:** At the same time, in January 2014, production started in our new plant in Mexico, as the most important manufacturing site for our efforts to establish a global production footprint.

**G152:** In Mexico and all other countries where the Company conducts corporate activities, Mazda will follow the basic approach of growing with local communities and thereby fulfilling its social responsibility in a broader sense.

**G152:** Our efforts will include environmental protection, human resource development that values diversity, high quality maintenance, respect for human rights, and social contribution to local communities.

**C250:** Since 2013, Mazda has promoted brand value management in earnest.

**C250:** Through this initiative, we aim to be a brand that enriches customers' lives and that maintains special bonds with those customers, through various touch points.

**B251:** We have stipulated Mazda's "Brand Philosophy" (see p.6), which all Mazda Group employees should follow, to clarify Mazda brand value and ensure that all employees will make consistent efforts.

**B450:** In the course of advancing the ongoing Structural Reform Plan, we have revised our business indices for FY March 2016, in view of our initiatives for brand value management.

**B450:** Specifically, target operating profit has been upwardly revised to ¥230 billion (increased by ¥80 billion), while projected global sales volume has been set at 1.52 million units (reduced by 180,000 units), with the objectives of further strengthening

emotional bonds between Mazda and individual customers and of steadily increasing the number of customers who support Mazda.

**B400:** Through these revisions, the Company will steadily advance the establishment of a foundation for future development, while balancing the increase in sales volume and our brand value maintenance and enhancement.

**C200:** We will remain committed to valuing customer feedback and providing Mazda's unique and attractive products that satisfy the needs of our customers, even as they vary across more than 120 countries and regions.

**Z000:** In this way, the Company seeks to achieve its objectives.

**A800:** I value the word "cooperation."

**A800:** To ensure the Mazda Group's continuation and growth, it is important that all the people involved should work in cooperation with each other, sharing the same objectives and processes of achieving these objectives.

**A800:** The benefits of cooperation are particularly obvious when we take on a new challenge and I am certain that the development of SKYACTIVTECHNOLOGY and Monotsukuri Innovation are good examples of what we can achieve through cooperation.

**A800:** By taking advantage of "cooperation" as one of its great strengths, the Mazda Group will continue growing throughout the entire value chain.

**C250:** Since our initiatives for brand value management have just begun, I know that that Mazda is still a long way from its intended vision.

**Z000:** Mazda will celebrate the 100th anniversary of its founding in 2020, the year the Olympic

Games are to be held in Tokyo, Japan.

**C250:** I hope that in that milestone year, Mazda will be fully recognized as a company gaining special favor with and sincere trust of its customers and other stakeholders around the world.

**Z000:** To this end, I will intensify the concerted efforts of all Mazda Group companies.

**H150:** We will also be committed to realizing sustainable growth, in harmony with the earth and society.

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## Honda

**G152:** "Bring joy to everyone. Be useful to everyone."

**C500:** It is with these strong ambitions that Soichiro Honda founded the company in 1948.

**B400:** Since then, as Honda has built up its three business segments of motorcycles, automobiles, and power products all over the world, we have kept these ambitions at our core.

**G200:** Although our dedication to these ambitions is universal, and has remained unchanged since the founding of the company, the makeup of the world economy has changed in the period post-Lehman shock, with customer expectations in different regions becoming increasingly divergent; Honda must respond by working to fully understand these expectations, and then addressing them with speed and agility.

**C350:** In 2010, we set out our 2020 vision of "providing customers good products with speed, affordability, and low CO2 emissions," and have since been engaged in activities geared towards realizing this vision.

**A152:** For example, in April of 2014 we carried out a significant organizational restructuring.

**B500:** Where Japan had previously been placed at the center of our global operations planning, we created a new Japan Headquarters, separate from the global operations departments, to clarify and separate the different roles and responsibilities of our Japanese business from our overall global operations.

**B400:** As a result, it is hoped that each of our seven global regions\* will be able to fulfil its remits beyond current levels, while at the same time maximizing Honda's total strength through the seven regions coming together to coordinate, leading to faster response to customers' needs.

**B400:** We believe that this is the way a true global company should be.

**B400:** We work with the four key issues of the environment, safety, product quality, and society.

**B400 Within** these four issues, we have taken the environment and safety to be our most important areas, and have set out the 'Honda Environmental and Safety Vision' as "Realizing the joy and freedom of mobility and a sustainable society where people can enjoy life."

**H101:** With regards to the environment, we are monitoring our operational environmental impact, and pushing forward with concrete policies based around our plan for reducing CO2 emissions.

**B200:** In 2013, a study was conducted on the CDP (Carbon Disclosure Project) Global 500,\* in which Honda scored the highest among Japanese companies.

**G250:** Subsequently, we were selected as one of twelve global leaders for climate change disclosure and performance.

**F150:** Furthermore, with the winning of the 'Commendation for Preventative Measures against Global Warming by the Minister for the Environment' by the Yorii Plant at our Saitama Factory, we have gratefully received recognition both nationally and internationally for our environmental efforts.

**H104:** We believe that, in order to keep reducing our environmental impact, improvements in our products' energy efficiency will become increasingly important.

**H150:** Therefore, with our target, entitled "2020 global CO2 emissions reduction targets for products," of a 30% CO2 reduction for all motorcycles, automobiles, and power products' usage emissions compared to levels in the year 2000, we have adopted the slogan of "Continuation and evolution" towards realizing our environmental and safety vision" for the next three year period starting in 2014.

**H150:** We will continue to strengthen the linkage between the management and execution of our environmental measures and our global strategy, in order to realize the Honda environmental and safety vision.

**C300:**For our safety related activities, we adopted the slogan "Safety for Everyone" in April 2014.

**C300:** Embodying this concept are the three pillars of 'people' - safety educators, 'technology' - the mechanics of safety, and 'communication' - safety information.

**G154:** In order to work towards the safety of everybody who is part of the mobility society, we have vigorously engaged in the likes of industry pioneering safe driving practices, and numerous examples of groundbreaking safety technology.

**G157:** We strive for a collision-free mobile society, with these three pillars working in unison towards an overall evolution towards such a goal.

**C250:** Addressing our key issue of product quality is crucial for Honda to earn and retain trust.

**C200:** As we increase localization of manufacturing and global procurement of parts, we will deliver high quality products and services to satisfy customers worldwide - a level of quality attained through the fusion of all of our development, manufacturing, and procurement capabilities.

**A850:** The Honda Philosophy is made up of our fundamental beliefs, the Honda company principle, and Honda management policies.

**H150:** Using this philosophy as a base, we have been engaged in CSR activities centered on our key issues.

**G152:** One of the fundamental concepts of the Honda Philosophy is 'respect for the individual.'

**A204:** The concept comprises of the three pillars of 'Initiative,' 'Equality,' and 'Trust,' with the thinking that all people can fulfil their potential and share joy by respecting each other's differences, treating each other equally, and trusting one another.

**A850:** The source of Honda's competitive strength is in its people.

**A117:** Based on the principle of 'respect for the individual,' we will continue to nurture and utilize a wealth of talented people from all over the world.

**G158:** While, up until now, we have engaged in many initiatives (not only in human resources) born out of our Philosophy through the likes of Honda company principle and Honda management policies, we understand that society's expectations of Honda are shifting towards a long term, sustainability focused perspective.

**B400:** In response to these changes, for the three year period starting in 2014, we will take on the highest caliber ESG (Environment, Society, and Governance) activities, to ensure that Honda continues to be a sustainable business.

**G158:** By responding to such change with speed and flexibility in this way and by continuing to put forward products of visionary and progressive value, we aim to forge mutually joyous relationships with everyone involved in our business operations, and thus remain "a company society wants to exist."

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## **Kia**

**B450:** Despite the ongoing global economic crisis, Kia Motors' 2013 performance in term of sales volume, production volume, and sales revenue was stellar.

**B450:** With the successful launch of the all-new Carens (Rondo), K5 (Optima), and all-new Soul, Kia Motors sold 2.83 million vehicles for year-on-year growth of 4%, thereby solidifying our footing among the ranks of world's top ten automakers.

**B500:** The construction of our third plant in China with an annual production capacity of 300,000 vehicles was completed in 2014, providing the foundation for an annual global production output of 3 million vehicles.

**B450:** Meanwhile, Kia Motors' brand value jumped 17% from the previous year to USD 4.7 billion in 2013, moving us up to the 83rd position on Interbrand's 100 Best Global Brands list.

**B200:** We were also ranked 37rd on Interbrand's Best Global Green Brands 2013.

**C200:** These achievements can be attributed to our efforts aimed at building a better future through customer value innovation.

#### Green Efforts

**H150:** Kia Motors is concentrating our efforts on developing green technologies and vehicles to minimize environmental impact.

**H102:** To address climate change, we are strengthening R&D competencies and making steadfast investments to attain the goal of zero emissions motoring.

**C151:** The successful launch of K5 (Optima) Hybrid 500h and K7 (Cadenza) Hybrid 700h in 2013 has ushered in an era of premium hybrids.

**C350:** We plan to launch the Soul EV in 2014 to diversify our green lineup and shape the future of automotive technology.

**B251:** We also set up a new organizational unit to oversee environmental, safety, and health issues at the enterprise-wide level.

**F150:** We will strive to run a world-class environmental, safety, and health management system in order to win the confidence of local communities.

**G200:** CSR & Value Sharing Corporate social responsibility for Kia Motors is based on mutual respect, trust, and growth with stakeholders through value sharing.

**E200:** We regard our business partners as equals and carry out management activities aimed at win-win growth.

**E200:** We have in place a system for mutual growth, assisting partners with their ethical management and CSR management policies and activities.

**G151:** Kia Motors made great strides in our efforts aimed at addressing social challenges in 2013.

**G151:** Kia's first global employee volunteer corps brought hope to a local community in Tanzania.

**G153:** Employee volunteers did renovation and repair work on the Maendeleo Secondary School which was built through our Green Light Project, and shared their educational and cultural expertise with local residents.

**G151:** We believe CSR efforts should not be comprised of simple donations but of voluntary employee involvement.

**G154:** Based on our commitment to genuine sharing, Kia Motors' Green Light Project aims to realize the basic human right of universal mobility.

**H150:** Using our performance and achievements thus far as a springboard, we will strive to secure future growth engines as well as a foundation for sustainable growth.

**H150:** We vow to go above and beyond profit generation, the raison d'être of a business, and expand the scope of sustainable management through considerations for the society and environment at large.

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#### Hyundai

**G200:** First, I would like to thank everyone who has given their strong support for sustainable growth and made 2013 yet another successful year for the Hyundai Motor Company.

**G152:** Hyundai aims to realize the dream of humanity by realizing a brighter future with creativity and unyielding spirit of challenge.

**G200** We have been publishing a sustainability report which captures our business, environmental and social contribution activities guided by our management philosophy.

**G200:** I sincerely wish this report to serve as an effective channel of communication with our stakeholders.

**B400:** Hyundai's ultimate goal is creating an automobile which is not just a means of transport but a lifetime partner with much greater significance.

**H150:** In this light, we are striving to apply the most innovative green technologies available in order to provide new services that make life more enjoyable and convenient.

**C153 :** The global automotive market is growing ever more competitive.

**G154:** Faced with increasing uncertainty with automotive technologies evolving with an infusion of new technologies, Hyundai Motor is focusing its capacity on developing innovative new products and technologies for the future market.

**G154:** Currently, fuel efficiency and safety performance improvement occupies our highest development priority.

**G154:** We will make the utmost effort to develop the most advanced technologies necessary to make green and smart cars available on the market.

**C151:** In 2014, we will begin delivering fuel cell electric vehicles for mass consumption in the US market.

**C350:** We will firmly establish our leadership by delivering more green vehicles and developing advanced technologies and next-generation FCEV systems.

**C350:** As of February 2013, Hyundai Motor began mass production of a fuel cell electric vehicle, the Tucson ix FCEV, in Ulsan, making Hyundai the first company in the world to do so.

**C350:** The Tucson ix FCEV can travel up to 594 km on a single charge which is on par with conventional vehicles equipped with an internal combustion engine.

**F250:** Thanks to the technological progress we have made, Hyundai Motor was selected as supplier of FCEVs for the European Union's demonstration program.

**F250:** Beginning in 2013, the Tucson ix FCEV will be made available to select regional government offices and public institutions in Korea.

**C151:** In 2014, FCEVs will be made commercially available to regular consumers in the US.

**C300:** FCEVs are superior in environmental performance emitting nothing but water.

**C300:** It is truly a vehicle of the future and a product of future technology.

**G154:** We will firmly establish our leadership by delivering more green vehicles and developing advanced technologies and next generation FCEV systems.

**G154:** Hybrid electric vehicles are also an important technology for Hyundai.

**C151:** We released the Avante LPi hybrid which is the first hybrid electric vehicle that runs on LPG in Korea.

**C151:** The Sonata hybrid was released in 2011 in Korea and the US.

**C151:** Most recently, the Grandeur hybrid was released at the end of 2013, expanding Hyundai's lineup to the large vehicle segment.

**C200:** We are committed to satisfying customer demand for greener automobiles by further expanding hybrid electric vehicles in Hyundai's lineup.

**H150:** Hyundai is also endeavoring to carry out social contribution activities that contribute to creating greater shared value which will no doubt help us maintain our credibility and respect as a corporate citizen.

**C250:** We intend to create and share new value by providing high quality services beyond customer's expectation.

**G154:** We will continue to work with global partners in developing new technologies and achieving the highest quality in our products, paving the way for win-win growth.

**G158:** In addition, we collaborate with our business partners to strengthen social contribution activities in areas including traffic safety, environmental protection, social welfare, education support and so on, in the communities in which they operate.

**G200:** Hyundai Motor is committed to continue its growth by ensuring solid business performance and sharing environmental and social values created with our customers.

**G200:** I look forward to your continued support and engagement in the future.  
Thank you.

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## **Nissan**

**B400:** At Nissan, our commitment to sustainability is the cornerstone of our business.

**G154:** It is also a driver of innovation.

**C350:** Numerous breakthroughs we've brought to the market—from the zero-emission Nissan LEAF to our cutting-edge Safety Shield technologies—have been inspired by our vision of a better world.

**C350:** As we develop the cars of the future, we're working to create products that not only strengthen our business but also enhance our society, increase mobility and help to solve today's most significant safety and environmental challenges.

**C153:** For more than a century, cars have helped to drive economies and provided freedom of mobility to billions.

**C153:** But this progress has come at a cost.

**G157:** Every day, more than 3,000 people die in auto-related accidents.

**G157:** Many are due to human error.

**G157:** In the United States, for example, it's the cause of 93% of accidents.

**H102:** In addition, traffic congestion and long commutes result in hours of lost productivity—and exacerbate carbon-output problems.

**H102:** The world's CO2 emissions have grown to exceed 30 billion tons annually.

**H102:** Transport generates at least 20% of these emissions.

**H150:** As one of the world's leading car makers, Nissan has a responsibility to ensure that the automobile remains a vehicle for global progress and prosperity.

**H150:** This means we must reduce and help to eliminate the negative consequences of car use while bolstering the benefits of clean, efficient transportation.

**H101:** We have launched a variety of initiatives to meet these goals—and to ensure that our business operations conserve water and air resources, minimize CO2 output and utilize renewable energies.

**C350:** One of the most exciting steps we are taking to transform the use and impact of automobiles is our work to deliver Nissan's Autonomous Drive technology to the marketplace.

**C300:** Autonomous driving vehicles will be the next frontier of transportation.

**C300:** They have significant potential: to conserve energy, enhance traffic management and reduce accidents.

**F201:** With the help of a clear regulatory framework and the support of government and industry partners, Autonomous Drive technologies could eventually lead to "zero fatality" roads.

**C151:** We have pledged that Nissan will be ready to bring vehicles with Autonomous Drive to the market by 2020.

**G154:** Until then, we are incorporating this technology into our vehicles and introducing it on a progressive basis.

**G154:** In 2013, we demonstrated the advanced stage of our development efforts around the world.

**F150:** In Japan, we became the first automaker to obtain a license plate for public road testing of autonomous driving technologies.

**F150:** And—with Prime Minister Shinzo Abe along for the ride—we showcased our Autonomous Drive capabilities for the first time on the streets of Tokyo.

**C350:** Just as Nissan pioneered the electric-vehicle segment with the introduction of the LEAF—the best-selling EV in history—we are proud to be at the forefront of Autonomous Drive development.

**H102:** And we are committed to maintaining our position as the industry's zero-emissions leader.

**B450:** Since we introduced the LEAF in December 2010, we have sold more than 110,000\* worldwide.

**C152:** Our zero-emission EVs are available to customers on four continents, in 35 different countries.

**B450:** Our share of the global EV market is now 45%—the highest in the industry .

**B450:** Together with our partner Renault, Alliance EV sales account for more than 60% of the total EV market, with more than 66,800 units sold globally in 2013.

**B400:** Our goal with Autonomous Drive is to replicate our achievements in the EV segment.

**Z000:** But this isn't about winning a race.

**H150:** It is about building a “zero-emissions, zero-fatalities” future for society.

**C153:** Making the dream of autonomous drive vehicles a reality will complement our comprehensive sustainability efforts.

**C350:** For example, we are currently on track to achieve a 90% reduction in CO2 emissions from new vehicles by 2050, compared to models released in 2000.

**F201:** Beyond internal activities, we are engaged in broad external efforts that support our sustainability goals, including our long-standing membership in the World Business Council for Sustainable Development (WBCSD) and our continued participation in the United Nations Global Compact.

**H150:** Guided by our corporate vision of Enriching People's Lives, we are committed to delivering the world's most innovative, accessible and environmentally friendly products in the 21st century and beyond.

**C350:** With Autonomous Drive now on the horizon, we are approaching an exciting new era of safe, sustainable mobility—and Nissan is ready to lead the way forward.

# Appendix B

## Study Sample Overview

Company	Continent	Report Name	Reporting Year	Letter Name	Reporting Standard
Audi	Europe	Corporate Responsibility Report	2012	Foreword	GRI 3.1
BMW	Europe	Sustainable Value Report	2014	Preface	GRI 3.1
Daimler	Europe	Sustainability Report	2014	Editorial	GRI
Fiat	Europe	Sustainability Report	2013	Letter from the CEO	GRI 4
Honda	Asia	CSR Report	2014	Message from the President and CEO	Not specified
Hyundai	Asia	Sustainability Report	2014	CEO Message	GRI 4
Kia	Asia	Sustainability Magazine	2013-2014	CEO Message	GRI 4
Mazda	Asia	Sustainability Report	2013-2014	Top message	GRI 3.1
Nissan	Asia	Sustainability Report	2014	CEO Message	GRI 4
Porsche	Europe	Sustainability Report	2013	Letter from the Chairman of the Executive Board	GRI 3
PSA Peugeot Citroen	Europe	Corporate Social Responsibility	2013	Message from the Chairman of the Managing Board	GRI 3
Rolls-Royce	Europe	Sustainability	2015	Leadership perspective from our CEO	Not specified
Skoda	Europe	Sustainability Report	2012	Foreword	GRI 3
Toyota	Asia	Sustainability Report	2013-2014	Message from the President	Not specified
VW	Europe	Sustainability Report	2013	Foreword	GRI

# Appendix C

**Research Policy Institute**

LUND UNIVERSITY SCHOOL OF ECONOMICS AND MANAGEMENT



LUND UNIVERSITY  
School of Economics and Management

## Informed Consent

Concerning the participation in an interview and the analysis of the resulting data for reports and academic publication

By signing this form, I consent to participate in an interview within the framework of the project “Masterthesis Master of Management 2015” conducted by Petra Puffer & Daniel Barbutiu, Department of Business Administration.

I consent to the interview being recorded and transcribed. All data will be handled strictly confidential.

I am aware and consent that quotes from the interview may be cited in publically accessible reports and academic publications, however only in strictly anonymized form. My identity will not be revealed.

I can end the interview at any point in time during the interview. In this case, the recorded file will be destroyed and not used for analysis.

Name of the participant:

Date of the interview:

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Signature of the participant

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Signature of the interviewer

# Appendix D

## Semi-structured Interview Outline

Dear Mr. / Mrs. (<Name of Interview partner>)

We analyzed the (<name of CEO letter>) letter of the (<name of CSR report>) report which your company published in (<year>). We would like to ask you a few questions on this topic.

- 1) Has your company adopted any Reporting Standard (ex. GRI 4) for conducting the CSR report? Which?

Answer:

- 2) What is your overall aim with the (<name of CEO letter>) letter?

Answer:

- 3) Are there any particular stakeholders which you wish to address in your (<name of CEO letter>) letter?

Answer:

- 4) A researcher called Perrini identified eight different stakeholder categories when analyzing CSR reports of top tier companies.

In alphabetical order: Community (includes for ex. Society and Media), Customers, Environment (includes for ex. Environmental Strategy and Emissions), Financial Partners, Human Resources (includes for ex. Employees and Industrial Relations), Public Authorities, Shareholders, and Suppliers.

From these categories, which would your company consider to be in the top three?

Answer:

- 4.1) Based on the importance for your company, could you even rank these three in a particular order?

Answer:

- 1.
- 2.
- 3.

4.2) In the (<name of CEO letter>) letter of your company, do you use any additional categories which are not covered within the eight mentioned? Which?

Answer:

5) These were the categories you mention as important within the (<name of CEO letter>) letter of your company. Which stakeholder categories do you think Asian automotive companies are focusing on?

Answer:

5.1) Are there any particular reasons for this?

Answer:

Thank you for your support!

# Appendix E

## Differences in European and Asian Stakeholder Categories and Main CSR Themes

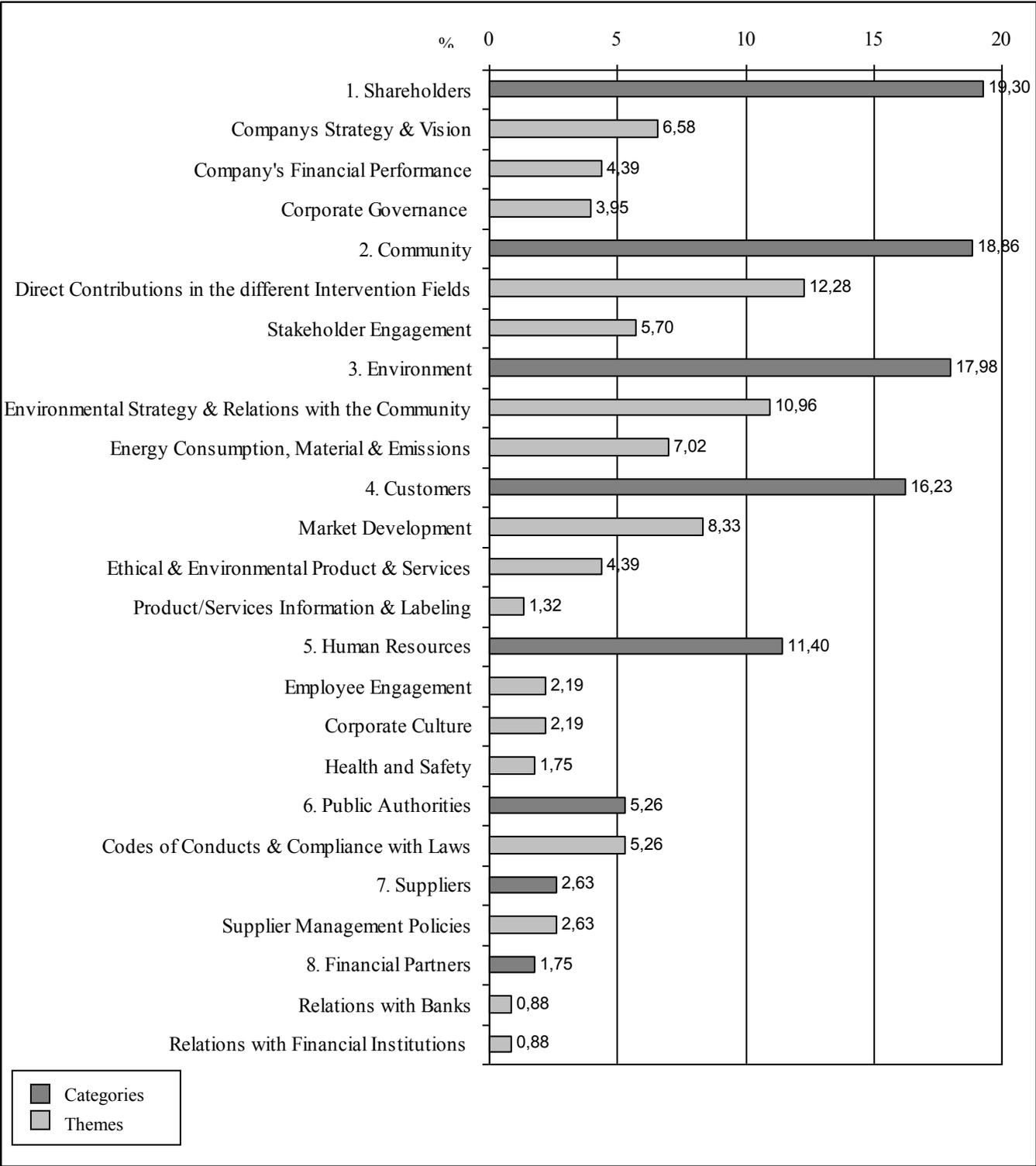


Diagram 1. European Top Down Stakeholder Categories and Main CSR Themes (in %)

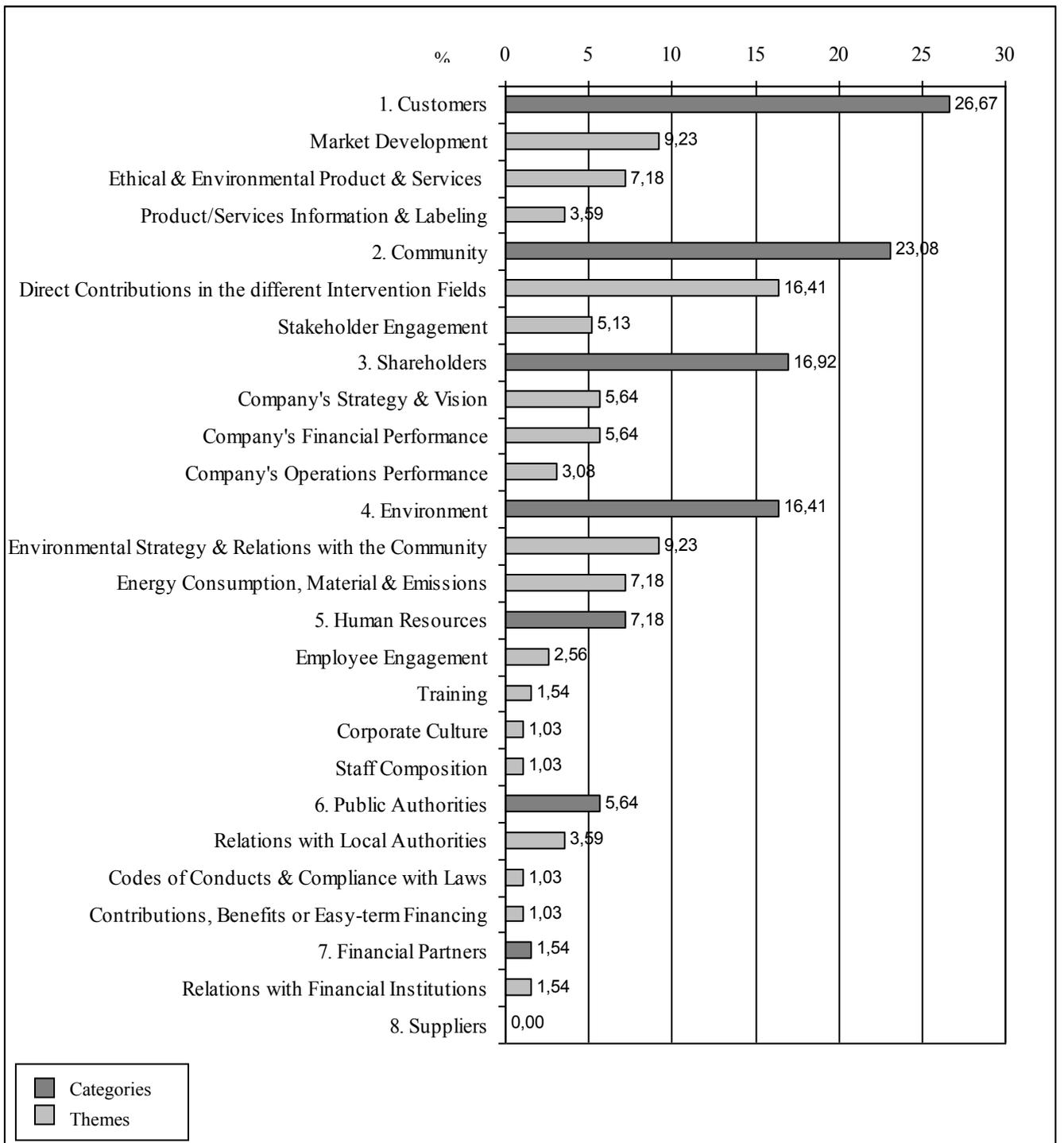


Diagram 2. Asian Top Down Stakeholder Categories and Main CSR Themes (in %)