ANALYSIS OF APPROACHES TO CSR REPORTING IN SELECTED EUROPEAN UNION COUNTRIES

Cover page

Patrycja Hąbek, Ph.D. Eng.
Professor of the Silesian University of Technology, Radosław Wolniak, Ph.D. Eng.
Silesian University of Technology
Faculty of Organization and Management
e-mail: patrycja.habek@polsl.pl
e-mail: radoslaw.wolniak@polsl.pl

Acknowledgments
The analysis presented in this paper has been prepared under the project funded by the National Science Centre Poland awarded on the basis of a decision number 2011/03/B/HS4/01790.

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Patrycja Hąbek, Ph.D. Eng.
Professor of the Silesian University of Technology,
Radosław Wolniak, Ph.D. Eng. Silesian University of Technology
Faculty of Organization and Management ,e-mail: patrycja.habek@polsl.pl
e-mail: radoslaw.wolniak@polsl.pl

ABSTRACT
In recent years the number of companies publishing CSR reports has significantly increased, especially in European Union. We can observe that national governments are becoming more active in promoting sustainability reporting through inter alia adopting laws and regulations. Current legislation with implication for sustainability reporting impose an obligation on specific groups of companies and usually refers to companies listed on a stock exchange and/or companies of a certain size, state-owned companies, large emitters or energy-intensive companies. Across countries, different combinations of initiatives in this field have been implemented. Authors select to study five European Union member states which are examples of different governmental approaches to sustainability reporting practices. The paper presents methodology and results of their study as well as the matrix of institutional models of governmental policy on CSR reporting.

Key words: sustainability reporting, government's policy on CSR, regulations

INTRODUCTION

A growing number of companies in Europe publish reports on their sustainability performance as part of their annual reports or in separate Corporate Social Responsibility (CSR) reports. In recent years, some European governments have made CSR reporting mandatory for large companies or decided to lead by example by pushing state-owned companies to report on their sustainability performance. As a relatively early example of national reporting requirements, all listed companies in France have had to disclose information on social and environmental conditions in their annual reports since 2001. In the Nordic region, Sweden has made sustainability reporting based on the GRI (Global Reporting Initiative) guidelines obligatory for all state-owned companies as of 2009, and the Danish companies are required to report on their sustainability performance as of 2001 (Visser and Tolhurst 2010). The level of CSR reporting in different countries varies. Europe and especially its western part is the most active region in this field. The visible evidence of the EU engagement in the topic of corporate social responsibility reporting is a proposal for a directive adopted on 16 April 2013 by European Commission on disclosure of non-financial and diversity information by certain large companies and groups (COM(2013) 207). Across the European Union we can observe multiple approaches to CSR reporting undertaken by individual countries. The aim of this paper is to present some of these approaches and to identify, on the basis of carried out analysis, institutional models relating to governmental policy on CSR reporting.

For the purpose of this paper the authors define sustainability reporting as the practice of providing information to external and internal stakeholders on the economic, environmental and social results achieved by an organization. In literature and business practice most frequently used terminology for these kinds of practices are: sustainability reporting, corporate social responsibility reporting, non-financial disclosures. In this paper the authors uses them interchangeably.

The paper is divided into two parts. The first part consists of introduction and literature review and in the second part the authors present methodology and results of their study as well as the matrix of institutional models of governmental policy on CSR reporting.

LITERATURE REVIEW

Over the past decade there has been a lively debate amongst proponents of voluntary (Francis et al. 2008; Rodríguez and LeMaster 2007; Dhaliwal et al. 2009) and mandatory (Maguire 2011; Ioannou and Serafeim 2011; Doane 2002) reporting standards. Despite all the arguments for and against governments are key players in the sustainability debate and in the promotion of sustainability reporting (Tschopp et al. 2012). One option for the regulator is to be passive and let sustainability reporting emerges as the result of market forces. Alternatively, the regulator may choose to introduce a range of measures to supplement the market forces (Ioannou and Serafeim 2011):

- through regulations dictating mandatory reporting by firms;
- by providing incentives for companies to report;
- governmental endorsement of the GRI Guidelines and material encouragement for adoption;
- by recommending or proposing voluntary guidelines with or without reference to international standards such as the United Nations Global Compact (UNGC) and GRI; or
- by transferring the regulatory power to self-regulating authorities like a stock exchange, whose statutes may be either voluntary or mandatory.

Across countries, different combinations of the above options have been implemented in recent years (Wolniak and Hąbek 2013). There is a large variety of regulatory choices and there is a visible trend in governments' activity to regulate sustainability reporting today. Of the more than 140 national standards on voluntary and mandatory approaches to sustainability reporting, selected in 30 countries, roughly two thirds are mandatory (KPMG 2010).

As previously mentioned governments play an important role in the promotion, improving quality and diffusion of CSR reporting. According to Howlett and Ramesh (1993) "policy instruments are tools of governance. They represent the relatively limited number of means or methods by which governments effect their policies". The World Bank identified the five key government roles in supporting CSR initiatives: mandating, facilitating, partnering, endorsing, and demonstrating (Fox et al. 2002). Similar application of the categories to the subject of CSR reporting was presented by O'Rourke (2004).

METHODOLOGY

The results of research conducted by I. Ioannou and G. Serafeim (2011) indicate that mandatory sustainability reporting (governed by relevant legislation) contributes to the quality growth of published reports, promotion of socially responsible practices and increase the level of knowledge in this area. The authors of this paper, in research process, to study governmental policy for sustainability reporting have chosen those EU countries where it has been applied (for specific groups of enterprises) the obligation of reporting in the field or it can be identified voluntary government initiatives in this area. The study involved an analysis of legal regulations dedicated to CSR reporting, thematically related publications, brochures and information posted on the websites of relevant government institutions.

Disclosures of economic, social and environmental performance demonstrate social responsibility of a company. Social responsibility consist of many environmental (Mohajan et al. 2012), social (Parihar 2012; Sabarirajan, Geethanjali 2011) and ethical (Khan et al. 2013; Bottechia, Brasil 2013) issues. Sustainability reporting is an inherent part of the CSR concept and these practices may indicate and reflect the maturity level of CSR principles implementation (Hąbek 2013). In order to identify existing solutions in the studied area, functioning in different Member States, the authors specified the elements of governmental policy on companies' disclosure of non-financial data and have grouped the governmental instruments into three categories: legal, economic, educational and promotional instruments.

In the first stage of the study the focus was put on the role of the governments and the institutions appointed especially for the purpose of non-financial data disclosure in the chosen EU member states. At this stage the authors tried to answer the following questions:

- Are there any legal instruments relating to the concept of CSR reporting?
- Are there any governmental incentives or financial support dedicated to CSR reporting practices?
- Are there any governmental initiatives aimed at education and promotion of CSR reporting?
- Are the governments/governmental agencies involved in the development of tools supporting CSR reporting?

In the second stage of the study the results from the first part were used to identify four intuitional models of approaches to CSR reporting and to formulate conclusions. The study was conducted between April and June of 2013.

RESULTS

Issues related to CSR reporting in the studied countries seem that are implemented differently (see Table 1). Economic instruments in this area haven't been identified in any of the studied countries. References to international standards promoting CSR reporting were found in all national documents (policies, strategies) related to CSR concept. Instruments and initiatives of governmental policy on CSR reporting in individual EU countries are discussed below.

Denmark

In Denmark there is The Danish National Strategy for Sustainable Development which functioning since 2002. A leading ministry in the scope of CSR issues is the Ministry of Economic and Business Affairs. The Danish Government Centre for CSR (Center for Samfundsansvar-CenSa) is responsible for coordination of government actions implementing the government's Action Plan for CSR. The latest Action Plan for Corporate Social Responsibility was published in March 2012 (Responsible Growth - Action Plan for Corporate Social Responsibility 2012-2015).

Moving on to the issues related with reporting of non-financial data in Denmark in the first place, the attention should be paid on to legislation introduced in this regard. In 2001, the disclosure of non-financial information was included in the Danish Financial Statement Act, making it one of the first countries to include part of the EU Commission's recommendations on reporting into legislation (Wensen et al. 2010). The Danish Financial Statement Act is the base on which the EU Modernisation Directive is implemented. In 2009 requirements of the Danish Financial Statement Act were expanded to also include CSR information in general. According to a new section 99A in the Financial Statements Act state owned companies and companies with total assets of more than EUR 19 million, revenues more than EUR 38 million and more than 250 employees must report on their responsibility to society (CSR). Although institutional investors, investment associations and listed financial companies are not covered by the Financial Statement Act, they will have to comply with the same rules laid down in executive orders issued by the Danish Financial Supervisory Authority (Danish FSA). The new requirements on mandatory CSR reporting are required for financial statements for 2009 and onwards. The explanatory notes to the amended law and accompanying guidance documents refer to and encourage the use of the Global Reporting Initiative Sustainability Reporting Guidelines (KPMG 2010).

In Denmark CSR reporting practices is in accordance with “comply or explain” principle, which requires companies either to disclose non-financial information or to explain the reasons for not disclosing. If the business has not formulated any social responsibility policies, this must be reported. The report on social responsibility must be included in the management review section of the annual report. Alternatively, businesses may include the report on social responsibility in a supplement to the annual report, or on the business's website. However, the management review must indicate where the report has been published. If a business has acceded to the UN Global Compact or Principles for Responsible Investment (PRI), it is sufficient to refer to the progress report that members are required to prepare. Businesses which prepare a sustainability report or similar report on their social responsibility initiatives may refer to this in their management review – however, this report must fulfil the above reporting requirements.

In June 2012, the Danish Parliament (Folketinget) adopted legislation extending the CSR reporting requirement, making it compulsory for companies in future to explicitly report on their policies to respect human rights and reduce their negative impact on the climate. The legal requirement for extended reporting will take effect in 2013 (Danish Business Authority 2013). To support and inspire Danish businesses in their efforts to report on corporate social responsibility and ensure that it is easy for them to meet the new statutory requirement to report on corporate social responsibility in their annual reports the Danish Commerce and Companies Agency with a number of experts from various stakeholder groups prepared and published in 2009 a guide - Reporting on corporate social responsibility – an introduction for supervisory and executive boards (Danish Commerce and Companies Agency 2009).

As a result of collaboration between the Ministry of Business and Growth Denmark and the Confederation of Danish Industry it was created the website - CSR Compass - which contains an online tool in the field of CSR reporting, communicating the CSR performance and responsible supply chain management.

Sweden

In Sweden in 2004 a strategy for sustainable development (Swedish Strategy for Sustainable Development) was adopted, which was further supplemented in 2006 by document Strategic Challenges – a Further Elaboration of the Swedish Strategy for Sustainable Development. It comprises issues relating to CSR and indicates that companies should contribute to sustainable development through their development and growth which does not have a negative impact on society and the environment. CSR is an increasingly important subject to the Swedish government however, a separate, dedicated to CSR strategy has not been developed.

Moving on to the issues related with CSR reporting it should be noticed that the Swedish government in 2007 adopted the guidelines for external reporting by state-owned companies which replace the previous guidelines which were adopted in 2002. The guidelines have been complemented with expanded and clearer requirements on information about sustainability. The state-owned companies are subject to the same laws as privately-owned companies, for instance, the Companies Act, the Bookkeeping Act and the Annual Accounts Act. These guidelines complement the current accounting legislation and generally accepted accounting principles. The reform was part of an active ownership policy of the Swedish government with an ambition to promote sustainability in state-owned companies (in 2005 State Ownership Policy was adopted, which pointed to the need to build ethical and environmental policies by the companies). Sweden is the first country which demands sustainability reports from state-owned enterprises. From the 1 January 2008 all state owned entities in Sweden are required to present an annual sustainability report based on the Global Reporting Initiative Guidelines. These guidelines are based on the principle of “comply or explain”, which means that a company can deviate from the guidelines if a clear explanation and justification of this departure is provided. This design enables the guidelines to be applicable and relevant to all companies, regardless of size or industry, without having to abandon the main purpose of the accounting and reporting. A sustainability report in accordance with the GRI guidelines shall be published on the respective company’s website in conjunction with publication of the company’s annual report. The sustainability report can either be a separate report or an integrated part of the annual report document. The sustainability report shall be quality assured by independent scrutiny and assurance.

The date for publication of the report shall be in compliance with the reporting cycle for the annual report (Ministry of Enterprise, Energy and Communications 2007).

The Swedish Institute for the Accountancy Profession (FAR) in 2004 issued a standard on ”Independent assurance of voluntary separate sustainability reports” - *FAR SRS standard RevR 6* which is used by accounting firms providing sustainability assurance for Swedish companies. It was the first national standard in the world. The standard was updated in 2006 to comply with International Standard on Assurance Engagements (ISAE 3000) (ACCA 2009).

Table 1 Components of the government's policy on CSR reporting in selected countries

Components of the government's policy on CSR reporting		UK	Sweden	Denmark	France	The Netherlands
Legal instruments	*Legal regulations requiring companies to report on CSR*	The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013	Annual accounts Act; Guidelines for external reporting by state-owned companies	Danish Financial Statement Act	Grenelle II Act article 225	Dutch Civil Code
	Obligatory external verification		x		x	
Economic instruments	*Financial support of activities related to CSR reporting*					
Educational and promotional instruments	*Tools supporting development of CSR reporting created/co-created by the government (such as manuals, guides, guidelines)*			CSR Compass		Guideline 400 and the Guide to Sustainability Reporting; Transparency Benchmark
	Encouraging the use of international standards, promoting CSR reporting (by reference to these in national policies, strategies)	UN GC; OECD Guidelines for Multinational Enterprises	GRI; OECD Guidelines for Multinational Enterprises	GRI; UN GC	GRI	GRI
	Best Practices/Benchmarks/ knowledge exchange platforms					Transparency Benchmark

	Standards related to CSR reporting at the national level		RevR6 "Independent Assurance of Voluntary Separate Sustainability Reports"			Standard COS 3410N "Assurance Engagements relating to Sustainability Reports"
	Information on CSR reporting at government websites in English	x		x		
	Publications and brochures related to CSR reporting developed in cooperation with government	"The Future of Narrative Reporting"		"Reporting on Corporate Social Responsibility – an Iintroduction for Supervisory and Executive Boards"		

Source: own

UK

The UK becomes one of the first countries to produce a sustainable development strategy (Sustainable Development: The UK Strategy -1994) in response to the call made at the UN Earth Summit at Rio. New strategy for sustainable development (Securing The Future) the UK Government launched on March 2005. There are visible references to the CSR concept there. The Government's vision for corporate social responsibility (CSR) is "*to see UK businesses taking account of their economic, social and environmental impacts, and acting to address the key sustainable development challenges based on their core competences wherever they operate – locally, regionally and internationally*" (HM Government 2005). In 2005 the International Strategic Framework was also adopted, which defined the general objectives and priorities of the government in the international dimension of CSR.

Regional governments of Scotland, Wales and Northern Ireland have their own sustainable development strategies and take action to promote CSR.

Moving on to the issues related with CSR reporting attention should be paid on The British Companies Act which requires to provide a fair review of the company's business and a description of the principal risks and uncertainties facing the business ("Business Review"). The law applies to all British companies: large and medium sized private and public companies, with some exemptions for medium-sized entities and additional requirements for quoted companies. In the case of a quoted company the business review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include (Companies Act 2006):

(a) the main trends and factors likely to affect the future development, performance and position of the company's business; and

(b)information about:

- environmental matters (including the impact of the company's business on the environment),
- the company's employees, and
- social and community issues,

including information about any policies of the company in relation to those matters and the effectiveness of those policies; and

(c) subject to subsection (11), information about persons with whom the company has contractual or other arrangements which are essential to the business of the company.

If the review does not contain such information, it must state which of those kinds of information it does not contain.

For government entities mandatory is the Operating and Financial Review (OFR). It requires directors to consider factors such as environment and community issues insofar as these are relevant for understanding not only the past but also future performance of the business. To the extent necessary the OFR should include information about "environmental matters, the entity's employees, social and community issues, persons with whom the entity has contractual or other arrangements that are essential to the business of the entity, receipts from and returns to members of the entity in respect of shares held by them, and all other matters the directors consider to be relevant".

In 2010 UK government ran a consultation to find out what improvements could be made to non-financial reporting and in 2011 published *Future of narrative reporting* where proposed a new format for reports. The new format would replace 'business review' with a 'strategic report'. *Draft regulations* were published in October 2012. The narrative reporting changes will affect all reports produced in relation to financial years ending on or after 30 September 2013. 'Strategic Report' will apply to all companies and replace the previous 'Business Review'.

Discussing issues related to CSR reporting, we cannot mention about the initiative of the Prince of Wales - Accounting for Sustainability Project (A4S). Connected Reporting Framework has been developed within this project. It is a practical guide for integrated reporting - reporting of the financial with non-financial results of a company.

France

France is one of the countries where there is a number of initiatives aimed at increasing the range of the Corporate Social Responsibility concept. The France has a sustainable development strategy - Stratégie Nationale du Développement Durable (SNDD). The first version of the strategy came from 2003. Current version was adopted in 2010 (National Sustainable Development Strategy 2010-2013 – Towards a green and fair economy).

Moving on to the issues related with CSR reporting the French believe that the harmonization of rules at the level of reporting across the European Union is an essential element of a proper international politics. France was the first country that issued the ordinance on obligatory application and solutions for corporate social responsibility in the public sector. The tradition of reporting on corporate social responsibility in France is relatively long and dates back to 1970. Then the president of France oblige companies employing more than 300 people to publish reports (so-called social balance) which contained over 1,000 indicators on the social impact of the activities of these organizations. Then, on May 15 2001, they extended the range of indicators. Those indicators included reports on issues relating to equality between men and women and risk management. The document, which includes all of these issues, is called the New Economic Regulations (NER) (KPMG 2010).

In 2009, developed draft document (Grenelle 1 Act) relating to environmental and sustainable reporting was designed to introduce requirements for companies employing more than 500 people with high greenhouse gas emissions. These companies from January 1, 2011 must publish data on greenhouse gas emissions. This concerns in France about 2500 companies. Currently Grenelle Act requirements have been implemented in the new version of the New Economic Regulations (NER). Authorities will study the possibility of extending the NRE law to other companies, which exceed a threshold of net sales, balance sheet or number of employees. A large consultation of all stakeholders involved has been conducted by public authorities in order to reach a consensus on the sustainability decisions to be taken within the following years. Moreover, the impulse came from the political authorities, and objectives have been set up. In 2010 a new version of the document NER was created. The document provides additional requirements and further mobilized French organizations in order to promote the widest possible reporting issues related to corporate social responsibility reporting.

From 2011 there is new Grenelle Act in France – Grenelle II. The act requires companies to include information in their annual report on the environmental and social impacts of their business activities and on their commitments to sustainable development — and to have an independent third party verification of the published information.

The legal obligations for all companies listed on a regulated market to report in their yearly management report on the social and environmental consequences of their activities was reinforced by the passing of “Grenelle II” and Article 225 on France’s national commitment to the environment, and its implementing decree of April 24, 2012 on corporate transparency requirements for social and environmental issues which amends Article L. 225-102-1 of the Commercial Code based on Article 116 of the Law on New Economic Regulations (NER) of 2001. With origins at the beginning of this reporting trend, Article 225 is one of the most comprehensive reporting laws yet written. The new law updates France’s 2002 New Economic Regulation, which required reporting on 32 social, environmental, and governance indicators including employment figures, waste management, and anticorruption practices. Whereas the previous regulation only applied to companies listed on French stock exchanges, Article 225 applies to both listed and unlisted companies with a physical presence in France, affecting both domestic and foreign entities (Morris 2012).

The Netherlands

In March 2001 it was published the government policy document “Corporate Social Responsibility: the government perspective”. Next there was published a document National Strategies for Sustainable Development 2004-2005 (NSDS) and the Government Vision on Corporate Social Responsibility 2008 – 2011. Thorough this vision the government wanted *all companies to become aware of the societal effects and responsibilities that accompany entrepreneurship and the opportunities that CSR offers, and it wants companies to make an actual effort to integrate CSR into their core activities* (Dutch Government Vision on CSR 2007).

Moving on to the issues related with CSR reporting Dutch Civil Code requires that organisations should, to the extent necessary for an understanding of the company’s development, performance or position as far as relevant, give some information (financial and non-financial) about the environment, employees and risks in their annual reports. This requirement is compulsory for all listed companies no matter what their size and all large non-listed companies.

Guidelines for the integration of social and environmental activities in the financial reporting of companies were issued by the Dutch Accounting Standards Board (DASB). As the EU Modernisation Directive does not provide very specific guidance on reporting non-financial information, and in view of considerable interest in social reporting from Dutch companies and stakeholders, Social and Economic Council of the Netherlands (SER) (a government advisory council consisting of employers and workers´ associations and independent expert members) proposed that the DASB review its existing guideline 400 to provide specific guidance to companies on how to integrate non-financial information into regular financial annual reports ‘Guideline for Annual Reporting 400’ (IOB Study 2013). The same Committee also issued guidance on separate social reporting. In view of evolving public expectations about company reporting on CSR, the SER asked the DASB in July 2008 to review its guideline 400 and guidance on separate social reporting again. The important change in this update is the inclusion of reporting on responsible supply chain practices. This new guidance was issued in November 2009 and was applicable to reporting from 1 January 2010.

Netherlands Minister of Finance informed Parliament that he expects the largest Dutch State Holdings to use the GRI Guidelines in their reporting practices with due consideration of the effort needed to implement reporting practices and the goals that different companies expect to reach through reporting. He also expects to include all the largest holdings in the national Transparency Benchmark of the Ministry of Economic Affairs. Depending on the ranking of individual companies he will enter into a dialogue with them regarding their transparency. The government requires companies to be transparent about their CSR policies and activities. The Transparency Benchmark initiative provides transparency in corporate social reporting. It is a research on the qualitative and quantitative development of corporate social reporting among the largest companies in the Netherlands. Due to the Transparency Benchmark the Ministry of Economic Affairs provides insight into the manner in which the largest Dutch companies report about their CSR activities. The Transparency Benchmark is performed every year. On behalf of, and under the responsibility of the Ministry of Economic Affairs, the Transparency Benchmark is performed by PwC in 2013. A number of activities, in particular the communication, are outsourced to MVO Nederland for 2013. Companies which are not part of the benchmark group, yet they still like to participate in the Transparency Benchmark, can voluntary sign up and participate. The Ministry encourages especially SMEs to volunteer.

Very interesting Dutch initiative is the Standard COS 3410N “Assurance Engagements relating to Sustainability Reports”, issued in 2007 by The Royal Dutch Institute for Registered Accountants (NIVRA). The Standard is designed to comply with ISAE 3000 while incorporating the principles of AA1000AS and drawing on the GRI Sustainability Reporting Guidelines. The standard is applicable to all engagements agreed after 1 July 2007. An English translation was published in July 2007 (3410N).

INSTITUTIONAL MODELS RELATING TO GOVERNMENTAL POLICY ON CSR REPORTING

Based on the above analysis, the authors have identified four institutional models relating to governmental policy on CSR reporting. For their graphical presentation a two-dimensional matrix has been created, where one axis has been defined by a range of mandatory CSR reporting and the second by a level of instruments supporting CSR reporting. The *range of mandatory reporting* consists of:

- type of business covered by the mandatory requirements,
- development of reports with accordance to an international standard,
- verification of the information contained in reports by a third party organization.

The *level of instruments supporting* has been defined by initiatives (informational, educational and promotional) identified in the field of CSR reporting. On the Figure 1, taking into account the specific coordinates, the location of selected for the study countries is shown. The matrix is rather general and based on the results of the study.

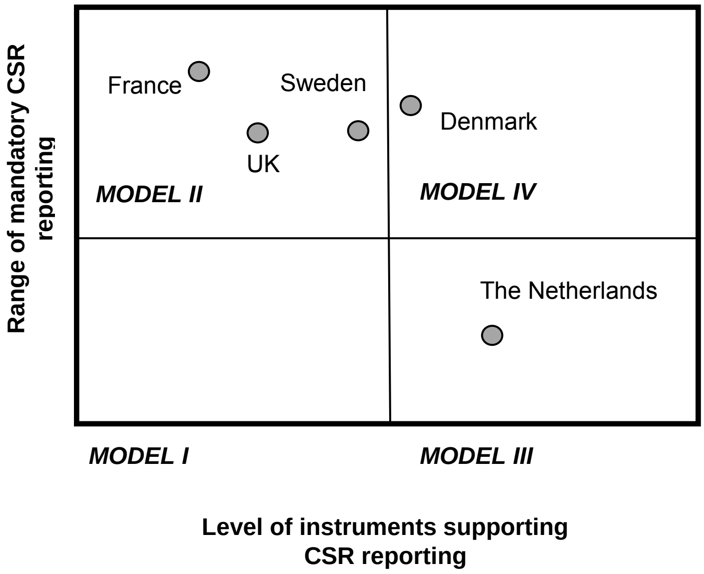

Figure 1 Matrix of institutional models relating to governmental policy on CSR reporting

Models descriptions

MODEL I

The range of mandatory CSR reporting is narrow as well as the level of instruments supporting CSR reporting. In this model the legislative requirements for reporting on non-financial data typically result from a transposition of the EU Modernisation Directive (Article 46) into national legislation. The initiatives undertaken by the government or with the participation of government entities (informational, educational and promotional) in the area of CSR reporting are scarce.

MODEL II (Sweden, France, UK)

The range of mandatory reporting is wide and the level of supporting instruments is low. Legislative requirements for reporting on non-financial data relate to a wide range of companies. Obligation to report indicates the way or international guidelines according to which the disclosure of non-financial data should be done and often requires verification of information contained in such reports by an independent organization. Governmental initiatives (informational, educational and promotional) in the area of CSR reporting are scarce.

MODEL III (the Netherlands)

The range of mandatory reporting is narrow and the level of supporting instruments is high. Existing legislation in the area of mandatory non-financial disclosure does not indicate the way or international guidelines according to which the disclosure of non-financial data should be done and does not require verification of the data contained in these reports (by an independent organization). In the third model we can distinguish a number of initiatives undertaken by the government or with the participation of governmental bodies relating to disseminating, educating and promoting the issues of CSR reporting.

MODEL IV (Denmark)

The range of mandatory reporting is wide and level of supporting instruments is high. Legislative requirements for reporting on non-financial data relate to a wide range of companies. Obligation to report indicates the way or international guidelines according to which the disclosure of non-financial data should be done. Sometimes verification of information contained in such reports by an independent organization is required. Government/governmental entities are active in undertaking and supporting initiatives aimed at informing, educating and promoting the issues of CSR reporting.

CONCLUSIONS

The EU Modernisation Directive ensures a minimum level of disclosure of non-financial information. It requires from companies to include non-financial information in their annual and consolidated reports if it is necessary for an understanding of the company's development, performance or position. Such reporting should include environmental and employee matters and key performance indicators, where appropriate. Beyond that, individual EU countries have implemented additional legislation, guidance and tools to support and improve sustainability reporting. Most of the legislation with implication for sustainability reporting impose an obligation on specific groups of companies and usually refers to companies listed on a stock exchange and/or companies of a certain size, state-owned companies, large emitters or energy-intensive companies.

Governments are key players in the promotion of sustainability reporting and can play different roles in this field: mandating, facilitating, partnering, endorsing, and demonstrating CSR reporting. Based on the result of the study we can observe different approaches to sustainability reporting. We should also bear in mind the existence of differences in scope and effectiveness of individual policy instruments identified in selected countries, which was not the aim of this study. Most of the analyzed countries present solutions based on the mix of voluntary and mandatory regulations, with a varying extent. Taking into account the identified models three of the five selected to study countries were classified as model II. In this model legislative requirements for reporting on non-financial data relate to wide range of companies, the obligation to report indicates the way or international guidelines according to which the disclosure of non-financial data should be done and often requires verification of information contained in such reports by an independent organization. While governmental initiatives (informational, educational and promotional) in the area of CSR reporting are rather scarce. One of the counties was classified as model III and another one as model IV which are both characterized by a several initiatives undertaken by the government or with the participation of governmental bodies relating to disseminating, educating and promoting the issues of CSR reporting.

The question that we should ask is not whether sustainability reporting should be mandated or become a voluntary practice but how to combine the mandatory and voluntary approaches to achieve effect of synergy and improve the quality of sustainability reporting. Another question arises to what extent current legal obligations are fulfilled because their use is often optional.

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