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Social report framing: Evidence from a major Italian bank

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Abstract

This study aims to analyse the development of a social report in a major Italian bank from its formation in 2007 to 2012. The Italian banking sector plays an important role in the Italian economy. Several Italian frameworks for social reports have been published and used by Italian companies. However, an important framework for social reports in Italy is the GRI. The paper aims to answer the following research questions: 1) what international guidelines have been used by the Bank in its social reports, during the period considered? 2) What have been the structural changes in the social report over time? The aim of these questions is to analyse the structure of the Bank's six social reports. The paper relies on documentary analysis, applied to six social reports. It is based on G3 Guidelines and Performance Indicators (PIs). The paper finds that in the six-year period several changes in social reports are highlighted. We conclude that the Bank has engaged in a process of continuous improvement in the information content of the social report, including recently indicating that a PI is only partially disclosed if not in accordance with the guidelines.

Keywords: Social report, GRI, Italian banks, frameworks for reporting

1. INTRODUCTION

Interest in social and environmental reporting has grown rapidly in recent decades (Parker, 2014; Guthrie and Schneider, 2015). In 2012, almost three quarters of the biggest firms in industrialized countries published a report on corporate social responsibility (CSR) (KPMG, 2013). The literature on social disclosure began to emerge in the early 1970s. Fifka (2012) has reviewed nearly 200 academic studies, in order to know "the state of the art". Fifka (2012, p. 46) states: "social and environmental reporting has become a certain standard in large companies nowadays, and the publication of a sustainability report can be considered a common business practice among multinational corporations."

The aim of our study is to contribute to empirical research on social disclosure in an Italian context (Secchi, 2006). Specifically, this study focuses on the Italian banking sector, as several others have (e.g. Calabrese & Lancioni, 2008; Romolini et al., 2012; Manetti & Bagnoli, 2013), but further investigation is required given that the financial and banking sectors are a particularly important driver of CSR in Italy (Mullerat, 2013). It is important for policy makers and practitioners to understand how the social report has developed over time and the impact of international and national frame works of social reports on practice.

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The study proceeds as follows. Section 2 briefly explores the development of social and environmental reporting, focusing on several main periods in this literature. The Italian experience is analysed, with the specific examination of CSR in the banking industry. The research method is explained in Section 3 and the social reports will be analysed and compared. Section 4 analyses the six social reports of the major Italian Bank and provides results. The fifth section concludes with possible future research issues.

2. THE DEVELOPMENT ON SOCIAL AND ENVIRONMENTAL REPORTING

The social report is an important example of CSR implementation: at international level, voluntary reporting is predominant, and so also in Europe (Delbard, 2008). There has been criticism of the traditional financial reporting framework and its ability to provide a full explanation of a firm's activities and impacts (Guthrie et al., 2008). The aim of this section is to consider briefly the development of social reports globally, and then the European and the Italian context.

2.1 Social and environmental reporting to sustainability reporting

Currently, a trend towards global frameworks is visible, but a consensus on the nature and content of social and environmental reporting is far from being found (Fifka, 2012). The intensity and scope of attention to the impacts of business activities on social and environmental issues have waxed and waned over the past 40 years (Gray, 2006). Fifka (2012) reviewed nearly 200 empirical social and environmental reporting papers and observes that the social and environmental reporting disclosure literature concentrates on research from English-speaking countries. Fifka considers two aspects: a chronological and geographical division. These two aspects are important to determine if there have been changes in social and environmental reporting research and to what extent, as stated in his research questions. A chronological division is considered here because the results of Fifka (2012) highlighted four periods of the development of the social and environmental reporting research, which correspond to the decades from 1970 to present.

Fifka (2012) also provides a detailed analysis of research methods (e.g. content analysis) used for the period analysed, and then he forms several important conclusions. First, in recent years the media analysed are mainly stand-alone reports, compared to the past where traditional annual reports were the subject of analysis. This means that businesses are increasingly using specific reports to disclose SE issues. Second, the author highlights a gap due to the lack of empirical social and environmental reporting studies in specific industries (e.g. banking, pharmaceutical, agricultural). In fact, he states that further studies on specific industries should be conducted. Third, he highlights other empirical studies' gaps relating to how and to what extent businesses disclose.

In this study we use the current concept of the social report in the Italian context, which originated with an intention to communicate a commitment to sustainability. The term social and environmental reporting could be used as an alternative, and has been widely used in the literature (Fifka, 2012).

2.2 European commitment to sustainability reporting

After the turn of the millennium, several EU Countries have introduced, into their national legislation, compulsory social reports for some businesses in certain circumstances, depending on size or sector of activity (Delbard, 2008). In 2002, two important steps were taken in regard to regulation of social and environmental reporting. In the first, the European Multi Stakeholder Forum (EMSF) on CSR was established at the EC, with the aim of creating a European institution for discussion on sustainability issues among the major stakeholders. In the second, the European Parliament voted for new legislation to require companies operating in the EU to publish in annual reports their social and environmental performance and to make board members personally responsible for these practices (Mullerat, 2013).

On 15 April 2014, the European Parliament adopted the Directive on the disclosure of non-financial and diversity information by certain large companies (GRI, 2014): "The EU directive, which adopts a report or explain approach, introduces measures that will require the transparency and accountability of an estimated 6000 companies in the EU. These so-called 'Public interest entities' with more than 500 employees will be: required to report on environmental, social and employee-related, human rights, anti-corruption and bribery matters; required to describe their business model, outcomes and risks of the policies on the above topics, and the diversity policy applied for management and supervisory bodies; encouraged to rely on recognized international frameworks" (GRI, 2014).

2.3 The Italian experience

The Italian debate on social reports has a long history. The literature considering the social function of the organization dates from 1960 (Onida, 1960; Vermiglio, 1984). Since the early 1970s, the "social balance" (Bilancio Sociale in Italian) has been developed, in most cases as an appendix to the traditional financial statement, disclosing social issues (Secchi, 2006).

The banking sector plays an important role in Italy. Several authors have analysed this field, including Alessandrini et al. (2012) focusing on the relationship in Italy between these organizations and the community. Also Zappi (2005) provides insights into social reports in the banking sector. The author underlines the importance of disclosure in this sector and illustrates the main guidelines for banks. Other empirical analysis relates to social reporting practices in co-operative banks (Predieri, 2006; Congiu, 2009; Mottura, 2011; Manetti & Bagnoli, 2013).

Banking stocks have considerable weight in the Italian Stock Exchange. At the end of 2012, the market capitalization of banks and financial institutions represented 20% of the total listed companies (Banca d'Italia, 2013). The Bank that is the subject of our analysis contributes with its market capitalization of over 38 billion euros and a percentage of more than 7% on the Italian Stock Exchange (Borsa Italiana, 2014).

An important institution is the Italian Banking Association (ABI). The ABI is a non-profit association founded in 1920, and its purpose is to represent, defend and promote the interests of its member: banks and financial intermediaries (ABI, 2012). ABI also provides support to the banking system in a variety of ways. In March 2012, for example, the Association published the Italian translation of the GRI Guidelines — Financial Services Sector Supplement and issued ABI specifications on GRI Guidelines G3 and G3.1 (ABI, 2012). ABI conducted research on banks meeting to the ESG Benchmark (2013) (banks holding 70% of the system's total assets) and found that the banks demonstrate a high commitment to CSR by publishing social reports. Finally, the GRI Guidelines are the most used framework by Italian banks.

3. RESEARCH METHODS

This section will focus on 'the Bank', the organization that is the subject of our analysis, to briefly provide an analysis of development of its framework for its social reports since its inception. Our study relies on documentary analysis, a qualitative research method that allows the analysis of a given reality through the material examined, which is usually written, that a company has produced (Bailey, 1995; Corbetta, 2003; Scott, 2006).

To analyse the disclosure of the social reports, the study makes use of institutional documents published by 'the Bank'. The purpose of this research is to investigate how this disclosure has developed over time, adherence to what framework and the timing of changes. Since the publication of its first social report in 2007, which was its first year of operation, the Bank has adhered to the GRI guidelines.

Table 1 lists the content of each social report's section. The introductory part of each social report consists of three sections, namely the Letter to Stakeholders, Introduction and Methodology, and Governance and Identity. The Letter to Stakeholders is a statement by the senior management of the Bank. It represents the strategic vision of the Chief Executive Officer and the Chairman. Here, a brief reading of the economic situation, risk and opportunities of the past year are exposed. The Introduction and Methodology illustrates how data are collected in the Bank and how the reporting process takes place. Governance and Identity is a mainly narrative section, reduced in size starting from Social Report (2010). It defines the context in which the Bank operates and its commitment to sustainability in general terms. Here, narratives about mission and values are included, as well as the Bank's rules of governance. Finally, the Bank lists the international standards to which it adheres. A central part of the social report is the Economic Report (i.e., section 4). The economic report analyses economic performance and how these results have been distributed among stakeholders in the year considered.

Section 5, the Stakeholder Map, graphically summarizes possible stakeholders identified by the Bank. Section 6, Key topics in the social report, summarizes the key issues and initiatives in terms of sustainability. Section 7, "Our Achievement in … (year)", covers achievements, comparing them to commitments declared in the previous year. The materiality analysis, in section 8, defines the topics to be addressed in the social report.

In sections 9 to 14, for each stakeholder category (i.e., customers, employees, shareholders, suppliers, environment, community), the Bank highlights initiatives targeted at each group and results obtained, for instance financial education initiatives, health and safety training to employees or support for public administration. Section 15 is devoted to Stakeholder Involvement, where the degree of involvement of stakeholders through interviews, surveys and focus groups is summarized, to test their relationship with the Bank and the possibilities for improvement of banking services.

Section 16, Improvement objectives, illustrates objectives for each stakeholder category. They can be related to the following year or further into the future. Section 17, Indicators, was introduced in SR (2010) and covers all metrics issues and graphics. Section 18, the GRI content index, is the table that considers all disclosure required by the GRI Guidelines. Finally, there is a section devoted to the Assurance Statement, section 19, which reports on the external audit of the social report, and section 20 is a Questionnaire that the reader can fill in, to express an overall assessment of the document.

4. DISCUSSION AND FINDINGS

This section illustrates results of the analysis of the six social reports and highlights the development of the framework for social disclosure, the GRI Categories and single PIs. First, we highlight Table 1, which highlights the number of pages included in each section of all the social reports. This allows us to make some initial considerations on the changes in the structure of social reports. The aim of this section is to identify the development of content in the sections of the six social reports. In fact, for each section the number of page is indicated and some initial observations are made. In order to highlight information about changes in social reporting, we start with how these social reports are structured by considering their content. This part is important because we provide an analysis of the change over time of in the Bank's social reports and ask have there been significant changes?

Table 1. The structure of the Bank's social reports (summary) considering pages/sections

		Number of pages					
No.	**Section's name**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
1	Letter to stakeholders	2	2	2	2	2	2
2	Introduction and Methodology	2	2	2	2	2	2
3	Identity and governance	23	28	31	8	8	8
4	Economic Report	5	5	5	1	1	1
5	Stakeholder map	1	1	1	1	1	1
6	Key topics in the social report	--	2	--	--	--	--
7	Our achievement in … (year)**	--	--	--	1	1	1
8	Materiality analysis**	--	--	--	1	1	1
9	Customers	33	35	35	12	12	10
10	Employees	21	27	25	12	12	12
11	Shareholders	7	7	7	2	2	2
12	Suppliers	3	3	5	2	2	2
13	Environment	17	21	23	12	12	12
14	Community	17	19	21	10	10	10
15	Stakeholder involvement*	6	7	4	1	1	1
16	Improvement objectives	5	5	1	2	2	2
17	Indicators	--	--	--	24	24	23
18	GRI Content Index	7	7	7	11	11	11
19	Assurance/Compliance statement	2	2	2	1	1	1
20	Social report questionnaire	--	--	--	2	--	--
	Contacts	1	1	1	1	1	1
	Subtotal	152	174	172	108	106	103
	Other (titles, cover pages…)	20	20	18	12	12	11
	TOTAL NO. PAGES	**172**	**194**	**190**	**120**	**118**	**114**

*from 2008 this section is included in "Identity and governance".
**from 2011 these sections are included in "Identity and governance".

Table 1 shows that there was nearly 900 pages in the six social reports, which form the bases for our analysis. From the first social report (in 2007) with a total number of pages of 172 there has been an increase up to 2009. Since 2010, the graphics and photos in the social report have been substantially amended. This change affected both the mode of reporting and the orientation of the document, which is now landscape. Also the length of the last three social reports decreased.

We note a major change in 2012 when the Bank changed the name of its social report to Sustainability Report. The first sections, Letter to Stakeholders and Introduction and Methodology, have not changed during the entire period. However, Identity and Governance has been reduced over time, although over the years it has included sections previously separate: Stakeholder Involvement; Materiality Analysis; Our Achievements in ... (year). From SR (2010), the number of pages included in the section Identity and Governance is stable. Also, changes are evident in a core part of the social reports: the Economic Report, where starting from 2010 the number of pages is reduced. The sections devoted to each stakeholder's category have been reduced at least by half: Customers; Employees; Shareholders; Suppliers; Environment; Community.

The Stakeholder Map section is also interesting. In 2007, it was a basic outline of stakeholders with a short list of the entities in each category, such as senior managers and clerical staff in the Employees category. In 2012, the categories and the respective entities that belong to them changed, but various issues for each category are listed, and then detailed in the section social report.

The chapter Key topics in the social report summarizes the key issues of the various categories of stakeholders, it was only included in 2008. However, in the others we find these narratives within individual sections devoted to stakeholder categories.

Starting from 2010, the Bank includes a section dedicated to what has been done during the year reported. The section Our Achievement in… (year) contains a comparison with the objectives set in the previous year and what has been done during the year.

The introduction of materiality analysis in 2010 is based on G3 Guidelines and the Accountability AA1000APS standard (SR 2012, p. 20). The principle of materiality allows for identifying "an issue that will influence the decisions, actions and performance of an organization or its stakeholders" (Accountability, 2008, p.12).

Since 2009, the Bank publishes a specific document, "Stakeholder engagement in the Bank", that deals with relationships with stakeholders, through interviews and surveys. This publication embeds the main content of the section Stakeholder Involvement. This is why this section was reduced.

Each social report presents the results of the objectives set in the previous year, and through the section "Improvement Objectives", future commitments are stated. However, this section has been reduced in length. Tables and graphs have been relocated to the section Indicators, after its introduction in 2010. This has reduced the length of various parts, such as the sub-sections "Customers", "Employees", "Environment". From 2010, the Bank has used links to external documents to provide further information on specific topics. The Bank presents major projects and provides all appropriate data in the specific section "Indicators". From 2009, GRI Content index increased. This is mainly due to a higher reporting on GRI Indicators (with considerations of the reasons for non-reporting, etc.) and the introduction of the FSSS.

The Assurance/Compliance Statement is in all social reports includes the written statement of the independent auditor carrying out the verification of the social report. This section does not change. It should be noted that in 2012, the Bank changed its independent auditor. It is interesting to note that the Questionnaire is only present within the social report (2010).

Finally, we conclude this section by stating that 'the Bank' has maintained a certain stability in the structure of its social report. A change comes from 2010, where the sections most resized relate to Governance and sections pertaining to single stakeholders. The Indicators section contains all the metrics and by doing so, activities, initiatives and results are displayed in other sections. Furthermore, in some years the Bank publishes external documents in addition to the stand-alone social report, which relate to social and environmental issues. Some of them are: "Stakeholder engagement in the Bank" (2012); "Rules on the granting of credit in the armament sector" (2011); and "Rules for the environmental and energy policy" (2014). In conclusion, these additional standalone documents provide insight on issues that continue to be included in the social reports.

5. CONCLUSIONS

In conclusion, this study is unique as it explores the first six social reports of 'the Bank', from its origins to the 2012 report, to understand the framework for disclosure. This study illustrates that in the six-year period several changes in SR are highlighted, while some reporting practices were unchanged. We conclude that the Bank has engaged in a process of continuing improvement in the information content of the social report by following the changing GRI guidelines. This has important implications for policy makers (e.g., regulators) and standard setters (e.g., GRI, IRC) in that there needs to be room for continuous improvement and changes in the way an organisation undertakes its social reporting.

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