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Internal organisational factors influencing voluntary CSR disclosure

- The case of three Swedish state-owned companies

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Abstract

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Title: Internal organisational factors influencing voluntary CSR disclosure – *The case of three Swedish state-owned companies*

Background and research issue: Due to an increased stakeholder awareness about sustainability issues, companies face tougher demands from various groups within society to take corporate social responsibility (CSR) for how their actions impact society. To legitimate company actions, there has been an increase in voluntary CSR disclosures made by companies. Research focusing on voluntary CSR disclosure has attempted to explain how and why the extent and nature of reporting differs between companies. The explanatory factors have until recent been external, but recent studies have discovered that internal contextual factors also have a significant influence on the voluntary CSR disclosure. The Swedish Government have recently imposed requirements on state-owned companies to report according to the GRI-principles starting with the accounting year of 2008. The research issue of this study is to determine what internal contextual factors influence the nature and extent of the voluntary CSR disclosure in Swedish state-owned companies.

Purpose: The purpose of the study is to explore and analyse the influence of the internal contextual factors on the voluntary CSR disclosure practices in the annual reports or stand-alone reports produced by state-owned companies in Sweden. Specifically, the study provides insight to the reporting processes and corporate attitudes impacting the voluntary disclosure in the accounting report.

Delimitations: The study is limited to only examine Swedish state-owned companies and their annual report and/or sustainability report for the accounting year of 2007.

Methodology: An explorative study is used to investigate the research issue. By conducting primary data through semi-structured personal interviews, the companies' internal processes and attitudes can be analysed.

Empirical results and conclusion: The main conclusion of this study is that the internal contextual factors deriving from reporting processes and corporate attitudes have a significant influence on the voluntary CSR disclosures in the annual reports and stand-alone reports of the three Swedish state-owned companies researched.

Suggestions for further research: Further research could extent the scope of this study, having a larger sample of companies and focus on the quality and type of information disclosed using a content analysis in order to also explain the extensiveness, quality, quantity and completeness of reporting.

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1. Introduction

This chapter is designed to give a general overview of the topic. The chapter is divided into three sections, starting with the background followed by the research issue and purpose of the study and concluded with the delimitations.

1.1 Background

In today's post-Enron era, it is necessary for the businesses to take responsibility for their actions and get approval from their stakeholders (Gray *et al.* 1995). If they fail to meet the stakeholder demands, that could decrease their reputation and value. Research shows that firms with higher social responsibility will outperform their competitors with less responsibility (Silberhorn & Warren 2007; Fraser 2005). Factors such as stakeholder pressure, value creation and the company's effort to obtain reputation have been discussed to be driving the voluntary practices for companies. Transparency and accountability are two dimensions that are crucial for the businesses in all their reporting, and those elements have made it harder to escape inspection (Deegan 2002).

In companies where the managerial ownership is low, research shows that the monitoring from the stakeholders needs to be high. It is shown that moral hazard and agency problems are more frequent in governmental ownership, and voluntary disclosure help to diminish these problems. Further research shows that Corporate Social Responsibility (CSR) is a relatively successful way for the corporation and their stakeholders to handle their relationship (Gray *et al.* 1995). CSR is often used as a collective expression for different terms: social accounting, business ethics and sustainability. All the terms generally refer to the actions an organisation takes, beyond what is mandatory, in order to take responsibility for its impact on society (European Commission 2001). Today the companies have incorporated CSR in their business in order to legitimate their behaviour according to the stakeholder and legitimacy theory. Hence, the companies have started to disclose voluntary information regarding their CSR. To disclose the information regarding CSR, the companies have used the annual report, being the main public document (Eng & Mak 2003).

The voluntary CSR disclosure in the annual reports can be seen as a dialogue between the corporation and its stakeholders (Gray *et al.* 1995). With time the companies' engagements in the CSR issues has grown, and so has the extent to which they disclose the information. Therefore, the emergence of stand-alone reports for CSR, sustainability reports, was natural in the late 1990's. When the importance of CSR increased for the stakeholders the companies had to decide what type of stakeholders to communicate with in the annual report and the stand-alone reports. It was clear that the critical stakeholder concerned with the CSR issues wanted an extended version. Therefore, some companies have chosen to have a shorter version of their CSR work in the annual report and then refer to a stand-alone report for more information, instead of having all the information in the annual report (O'Donovan 2002).

Numerous frameworks have been developed for voluntary CSR disclosures, as how the companies should manage and report the CSR issues. However, since there is no legislation

within this area the content and focus in the sustainability reports differ (Boesso & Kumar 2007). For Swedish state-owned companies, the accounting process has begun to change dramatically. The Swedish Government has required all their companies to adjust their sustainability reporting according to the guidelines from Global Reporting Initiative (GRI), starting with the 2008 annual report. GRI represents an international standard framework including principles and performance indicators, guiding companies in their social, economical and ethical reporting. The companies choose from three different levels of reporting that is C (lowest), B and A (highest) depending on the content and scope of the reports. The companies may add a “+” to the report if it has been verified by an external part (Ministry of Enterprise, Energy and Communications 2007).

Research focusing on voluntary CSR disclosure has attempted to explain how and why the reporting differs between companies. Prior research has tried to identify the factors which influence the extent and nature of reporting. The explanatory factors have until recent been divided into two groups, which both are external to the investigated companies. The first group is corporate characteristics which includes factors such as size, industry and economic performance. The second group is general contextual factors with variables such as country of origin, social and political context. With these external factors, earlier research has only managed to give a partial explanation to what influences the voluntary CSR reporting (Adams 2002). Recently, researchers have begun to embrace the internal perspective towards understanding the corporate attitudes to CSR and the voluntary report (Adams & McNicholas 2007). The research in this study belongs to this category and has adopted an internal perspective.

1.2 Research issue and purpose of the study

The only up to now empirical research focusing on the internal contextual factors is Adams’ study (2002) “Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising”. Adams’ study divided the internal factors into two categories: the process of reporting and the corporate attitudes.

Adams’ research has examined the internal contextual factors in private British and German companies. No known studies have taken the internal perspective into account when researching Swedish companies voluntary CSR disclosure. As noted above, the monitoring from the owners of state-owned companies is high. The Swedish Government has imposed the GRI requirement in order to ensure a high quality of the CSR reporting in the annual report or the stand alone report.

Therefore we will study Swedish state-owned companies’ voluntary CSR disclosure in accordance to GRI. The study proceeds from the research from Adams’ study in 2002, where the framework distinguishes between corporate attitudes and reporting processes. With the selection of companies we will examine a different category of companies and a different country of origin. However, using Adams’ research design we will be able to see if the findings from the Swedish companies correspond to Adams’ study.

The research issue is stated in one main-question and two sub-questions:

- Which internal contextual factors influence the extent and nature of voluntary CSR disclosure in Swedish state-owned companies' annual reports and stand-alone reports?
 - How are the internal reporting processes¹ influencing the voluntary CSR disclosure organised?
 - What are the views and corporate attitudes² concerning the companies' voluntary CSR disclosure?

The purpose of this study is to explore and analyse the influence of the internal contextual factors on the voluntary CSR disclosure practices in the annual reports or stand-alone reports produced by state-owned companies in Sweden. Specifically, the study provides insight to the reporting processes and corporate attitudes impacting the voluntary disclosure in the accounting report.

1.3 Delimitations

The study uses Adams' (2002) study as a foundation in the methodology, and we partly base the theory on her previous research and will use it as our reference frame. We have limited the study to only investigate Swedish state-owned companies with a sustainability report, either included in their annual report or as a stand-alone report. Other distribution channels with information to the stakeholders, has been excluded in this study.

¹ Factors within the internal reporting process include: company chair and board of directors, corporate social committee, corporate social reporting, corporate structure and governance procedures, extent and nature of stakeholder involvement and extent of involvement of accountants (Adams 2002).

² Factors within the corporate attitudes include: views on recent increase in reporting, reporting bad news, reporting in the future, regulation and verification, perceived costs and benefits of reporting and corporate culture (Adams 2002).

2. Research method

This chapter presents the methodology used to reach the research issue and the purpose of the study discussed in the previous chapter. The study design is illustrated together with the motivation for the selection of the research companies and the methodology used for the data collection.

2.1 Research design

The study uses the same research design as Adams' (2002) study "Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising". Adams' study examined private four German and three British companies in the chemical and pharmaceutical sectors. Personal interviews were executed with the director of corporate communications as the respondent at each company.

With the purpose to investigate the underlying factors influencing the voluntary CSR disclosure in corporate annual reports or stand-alone reports, we used an explorative study in order to analyse the reporting processes and corporate attitudes. The explorative study is useful when the purpose of the study is to clarify the understanding of a problem, such as if you are unsure of the specific nature of the problem. There are several typical ways used to conduct an exploratory research, where data collected through literature research or interviews are the most common (Saunders *et al.* 2007, p. 133).

Due to lack of previous research done, we decided to conduct personal interviews. Depending on the purpose of the study, the interview structure will differ. The most common type of interviews within the exploratory research is unstructured or semi-structured. Semi-structured interviews are built on a list of question themes, rather than a set form of questions. We decided to do semi-structured interviews since this technique gave us the opportunity to be more flexible during the interview (Saunders *et al.* 2007, p. 312).

2.2 Sample

2.2.1 Selection of companies

We started the selection process by examining the corporate websites in order to determine what kind of information regarding the sustainability report that was given. Early on we discovered that the information and the focus in the sustainability reports differed greatly between companies. Initially, we decided to examine Swedish wholly state-owned companies. The reason behind that selection was that we thought it would be interesting to examine how the ownership structure influences the sustainability reports. State-owned companies have the Government monitoring their actions and due to the Government's requirement regarding the GRI- principles starting in 2008, all the companies have the same structure to follow in the

sustainability reports and we thought that would give us a better foundation for the analysis and improve the comparison between the companies.

The Swedish Government has full ownership of 40 companies. We telephoned eight of the 40 wholly state-owned companies and got immediately positive response from Vin & Sprit AB, AB Svenska Spel and SJ AB. Having those three companies we felt confident that we had a good combination of companies with different operations and therefore we made the presumption that they also would focus on different areas in the sustainability reports. With only three companies to study, all with extensive sustainability information, our aim was to conduct an into depth research instead of increasing the number of companies and making the scope larger.

2.2.1.1. Introduction of the companies

SJ provides passenger train services on the Swedish market and has a domestic market share of 15 percent regarding the travelling over 100 kilometres (SJ Annual report 2007). Svenska Spel is a Swedish wholly state-owned gaming company and they operate through retailers, casinos, bingo-halls, Internet & mobile services and subscription (Svenska Spel Annual report 2007). Vin & Sprit is one of the world’s leading international spirits companies with sales on 126 markets, having Absolute Vodka as their largest product (Vin & Sprit Annual report 2007). Vin & Sprit was sold to a French company in early 2008, but since we will focus on the sustainability report from 2007 this will not affect the result. The chart below shows which level of application the companies reported on in their sustainability report of 2007.

Company	Level of application
SJ	B+
Svenska Spel	C+
Vin & Sprit	A+

Table 1 – The companies’ GRI-levels

In the document “Guidelines for External Reporting in State-Owned Companies” (2007) the guidelines for the Swedish state-owned companies have expanded from the previous edition from 2002 and made the requirements clearer on information about the sustainability. The guidelines state that the board of directors in all state-owned companies are responsible for the companies to present their sustainability reports in accordance to those guidelines. Since the GRI guidelines are based on the principle “comply or explain”, it is possible for the companies to deviate from the guidelines if they justify this in the report. Depending on what level the companies decide to report, the voluntary CSR information will differ in accordance to the chart on the next page.

	C	C+	B	B+	A	A+
G3 Profile Disclosure	Report on: 1:1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4., 4.14-4.15	Report externally verified	Report on all levels listed for C, plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report externally verified	Same as requirements for level B	Report externally verified
G3 Management Approach Disclosure	Not required		Management approach disclosure for each indicator category		Management approach disclosure for each indicator category	
G3 Performance Indicators & Sector Supplement Indicator	Report on a minimum 10 performance indicators, including at least one from each: economic, social and environment.		Report on a minimum 20 performance indicators, including at least one from each: economic, environment, human rights, labour, society, product responsibility.		Respond on each core G3 and Sector supplement indicator with regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

Table 2 – GRI application levels (www.globalreporting.org)

2.2.2 Respondents

We requested to interview the person with insight in both the process of producing the content and the decision making about what to include in the sustainability report. In all of the companies it was the respondent that was mainly or partly responsible for both parts. In SJ's case, they chose to have two persons attending the interview in order to give the best answers.

Company	Position	Name
SJ	Deputy Treasurer	Martin Andersson
SJ	Coordination Manager	Åke Reisnert
Svenska Spel	Head of CSR, Director Social Affairs	Petra Forsström
Vin & Sprit AB	Manager Corporate Responsibility	Sofia Leffler Moberg

Table 3 – Respondents

2.3 Data collection

2.3.1 Personal interviews

To reach the purpose, to uncover the underlying factors influencing the voluntary CSR disclosure in the sustainability report, we thought it would be easiest to get the right information through personal contact with the companies. All the companies are located in Stockholm, despite this we decided to travel there in order to execute the interviews. During the interviews we observed the corporate attitudes and reporting processes that influenced their sustainability report and then we were able to make a good analysis.

2.3.1.1 Interview procedure

Before the date of the interviews, the companies asked us to send an outline with our questions. Since we wanted to conduct semi-structured interviews, we did not want to send them the whole outline of questions. In order for them to partially prepare, we sent them an interview guide with the areas we wanted to cover, which we believed was the best way for the respondents to answer as freely as possible during the interviews (see Appendix 1 – Interview guide). This enabled us to vary the questions depending on what turn the interview took and we could also ensure ourselves that we got the same information from all of the companies.

In each case the interviews were held in the company office and we got about an hour to an hour and a half for the interviews. After approval from each of the respondents we recorded all the interviews in order to have more active discussions and to have the opportunity to recall the discussion later. We chose to use that technique even though the fact that the tape recorder might have been somewhat distracting to the respondents. We started each interview with a short introduction of the study's purpose and initiated the discussion with an open question. In that way we got the respondents to start talking about their sustainability work in a broad sense and from there we could ask more specific questions. We will go into more depth about how the questions were structured in the next section.

After finishing the interviews we used the tape recordings to transcribe the interviews and a typed a version that we used as the foundation to our empirical work. When summarising the interviews we could also see if we lacked some information that needed to be added or clarified before starting the analysis.

2.3.1.2 Question structure

Based on Adams' (2002) study the question areas were within the two areas of internal contextual factors:

Reporting process

- Stakeholder involvement
- Organisational process of reporting
- Guidelines for sustainability reporting
- Media used to communicate the sustainability report
- Link between the system for economic data and CSR data

Corporate attitudes

- Motives for sustainability reporting
- Perceived costs of sustainability reporting
- Perceived benefits of sustainability reporting
- Bad news reporting
- Views on reporting in the future
- Comparison with other companies' sustainability reports
- Verification of the sustainability report

We outlined questions based on the question areas (see Appendix 2 – Interview questions). The questions were a good foundation for us to make sure that we did not leave anything out. In order to create a good discussion with the respondent, we decided to start with an open question like “*Could you tell us about your sustainability work?*” The advantage with open questions is that we did not limit or push the respondent in a certain direction and we gave the respondent the opportunity to present an answer without any influence from us. From there we let the respondent speak freely about the topic and we interposed questions when needed to get the conversation going in the direction we wanted. The semi-structure gave us the opportunity to vary the way we asked the questions, and also in what order they were asked depending on the flow in the conversation (Saunders *et al.* 2007, p. 312).

2.4 Credibility of research findings

2.4.1 Reliability and validity

The area of study is full of interpretations and perceptions both from the respondent and those we have to make in order to analyse the interview data. We have taken this into account when selecting the research design, however we still considered this to be by far the best option for this kind of study. Hence, we have to be aware of the threats to reliability and validity of the results in this study.

Reliability refers to the extent to which the data collection techniques will yield consistent findings (Easter-Smith *et al.* 2002 in Saunders *et al.* 2007 p, 149). Since the primary data comes from personal interviews with the representatives from each of the companies, we have encountered several threats to the reliability. The respondents may have adapted their answers to suit what they believed what we wanted to hear, which is called respondent bias. We tried to minimise this problem with thorough research of the companies before the interviews, which enabled us to ask more specific questions based on that information. The reliability of the study is enhanced by the interview guide that we sent to the companies and also the specified list of questions we brought with us (see Appendix 1). The use of semi-structured interviews reduced the possibility to re-create the study with the same findings. Having the interview questions outlined lessened the risk of observer error. With the outlined questions we increased the degree of formality and we formulated the questions in the same way. The observer bias was reduced by using a tape recorder, which gave us the opportunity to recall the interview and therefore minimise the interpretations of the replied we had to make in order to analyse the results. We used Adams’ (2002) study as a foundation when outlining the questions, and this increases the study’s validity. The question areas have already been tested in previous research which increases the probability that the empirical findings are reliable.

3. Theory

The purpose of this chapter is to present the central theories that form the foundation for the empirical findings of this study. The chapter is divided into three sections. The two first parts of the chapter, corporate social responsibility and voluntary CSR disclosure, are fundamental with the purpose to accomplish an understanding towards what CSR is and why companies chose to make voluntary CSR disclosure. In the third part, we describe the results of our reference study made by Adams (2002), this part is to be seen as the main frame of reference for this study.

3.1 Corporate Social Responsibility

3.1.1 Defining CSR

The notion Corporate Social Responsibility (CSR) have had a large number of definitions over the past decades and even today there is no definite interpretation of CSR. CSR is not included in the legislation and as a result it is neither practised systematically by companies nor able to have a universal recognition or definition (Gray *et al.* 1995, p. 47). This ambiguity has been expressed in several articles published by magazines within the field. Votaw and Sethi (1973 in Van Marrewijk 2003, p. 96) have the perception about CSR that “it means something, but not always the same thing to everybody”, and argues that there is no solid consensus of CSR which provides a basis for action. The European Union has defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” (European Commission 2002).

The large number of CSR definitions could according to Van Marrewijk (2003, p. 96) be a consequence of that various management disciplines have recognised CSR to fit their purposes such as quality management, marketing and communication. Companies present different views on CSR that align with their specific situations and challenges. Van Marrewijk is however positive to the fact that there is no all embracing notion for CSR, because if it did it would have to be very broadly defined and therefore too vague to be used in practice by companies. The most common occurring topics reported in companies social reporting are environmental, social and economic responsibility issues. Depending on various factors, such as the kind of business companies operate in, the focus and central point in the CSR reporting varies between these issues (Ullman 1985).

3.1.2 CSR theories

This section will present a sample of the theories about CSR in an attempt to give the reader an idea of what CSR stands for and what its content can be. One of the most common occurring theories about CSR is the four-part model presented by Carroll (1979). For a definition of corporate social responsibility to address all of the obligations that companies have to society, it must contain economic, legal, ethical and discretionary aspects of business

performance. *Economic responsibility* is according to Carroll the first and foremost social responsibility of companies because they are the basic economic unit in our society. They have a responsibility to produce what the society wants and sell to make profit. *Legal responsibility* implies the laws and regulations of respective society under which companies are expected to operate. These two aspects are the mandatory part of corporate social responsibility. *Ethical responsibility* is the additional behaviours and activities that are not mandatory but expected by members of society, who expect companies to do what is right and fair even when they are not forced to do it by legislation. The fourth area is *discretionary responsibility*, or philanthropic responsibility, which is not required by law or society and is therefore left to the businesses individual judgment and choice. Actions included in the discretionary responsibility are voluntary ones like providing day care centres for working mothers or conduct programs for drug abusers.

Another theory suggests that there, apart from the compulsory responsibilities demanded by law, also exist voluntary economic, environmental and social responsibilities (Loimi & Dahlgren 2005, p. 11). This theory states that if companies want to be considered as sustainable in the long run, they have to be financially stable, reduce their negative environmental impact and act in line with the social and cultural expectations from society (Elkington 1997 in Deegan 2002).

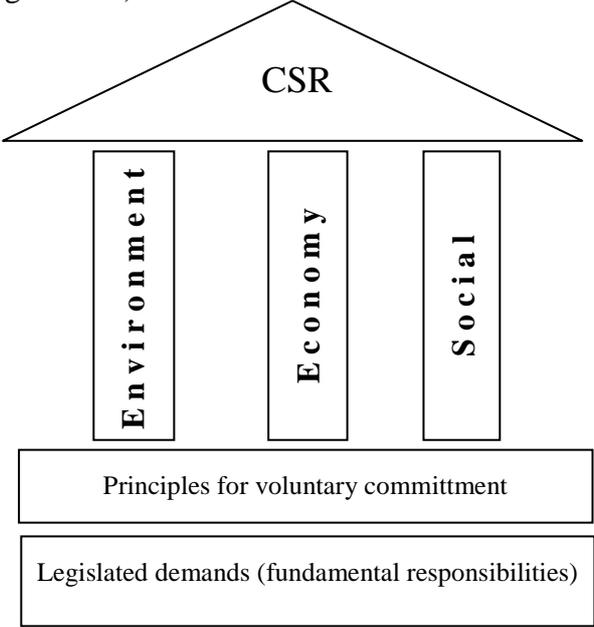


Figure 1 – Integration of the three dimensions forming corporate social responsibility (Loimi & Dahlgren 2005, p. 12)

The fundamental economic responsibility implies that the companies obey laws about competition, consumers, corruption and codes for corporate governance. In order to act like and be looked upon as having good corporate citizenship, they should also take voluntary responsibility. This can include regional and local demands on suppliers, partners and subsidiaries to take the same economic responsibility in order to support development of local

activities, education and culture, fair trade and poverty reduction (Loimi & Dahlgren 2005, p. 13).

The fundamental social responsibility first of all implies responsibility for the employees, which implies the fulfilling of vested demands like collective agreements, conventions and laws about child labour, discrimination and working environment. Further, companies can, and many European ones have, increased their social responsibility by working voluntarily with employee competence development which contributes to an increase of company value, employment of disabled or long-time unemployed, integration of gender equality or supporting the educational system (Loimi & Dahlgren 2005, p. 19).

The third, much debated environmental responsibility is an important responsibility for future sustainability. It is very important that companies are aware of and intends to limit the impact on the external environment of their activities, products and services. Within the fundamental responsibility the companies follow the agreements with authorities and legislation relevant for their activities, which can be national as well as international environmental legislation. To increase the commitment, an environmental policy could be developed where company goals and voluntary undertakings are presented. These could have the starting point in the agreements with environmental organisations or international guidelines, and can include goals for the environmental impact of discharges, transports and purchases (Loimi & Dahlgren 2005, p. 25-26).

3.1.3 Development of CSR

The debate about corporate social responsibility first arose in the 1950's, however it was in the late 1970's that the debate became intensive as a result of increasing public policy pressure (Carroll 1999, p. 291). The priority of responsibilities has shifted over the years; in 1985 Aupperle *et al.* (in Silberhorn & Warren 2007) made a study where a sample of executives confirmed economic responsibility as their highest priority followed by the legal, ethical and the discretionary CSR components. Today, companies focus on how they interact with stakeholders and how their activities impact on society. The new conversation about CSR in companies suggests that it is a normative, multi-level concept, whose meaning depends on various perspectives and relationships, and, that it changes in response to social trends (Silberhorn & Warren 2007). Hence, a shift seems to have been made towards a focus on the ethical and discretionary responsibilities. The first two responsibilities are mandatory for all companies, but the ethical and the discretionary responsibility give them the freedom to act in a way that creates the desired corporate image. These latter two areas are central of today's studies of CSR since they differentiate corporate behaviour (Matten *et al.* 2003). One of the main findings in a study of 40 British and German companies made by Silberhorn and Warren (2007) was that CSR seems to be a comprehensive business strategy these days. The actions can focus on environmental issues or social issues and they can be proactive or reactive, all depending on the decisions of the organisation.

3.1.4 CSR today

The mentioned theories show that CSR has increased since the intensive debate started in the late 1970's and that current voluntary CSR disclosure almost exclusively contains ethical and discretionary aspects. CSR has also become a tool for creating corporate advantages in a world with constantly increasing competition. CSR disclosure can be viewed as a method of responding to the changing perceptions among the relevant publics of companies (Patten 1992 in Walden & Schwartz 1997, p. 129), hence public policy pressure may help to explain why companies voluntarily disclose such information (Walden & Schwartz 1997). CSR enhances the corporate image, discharges the social contract which exists between companies and society, and informs stakeholders (Gray *et al.* 1988, p. 9).

3.2 Voluntary CSR disclosure

The focus on voluntary CSR disclosure, also called social accounting, has been increasing after a period of stagnation during the 1980's (Deegan 2002). The reasons behind this development is explained by Gray *et al.* (1998 in Deegan 2002, p. 288); the increasing concern with stakeholders opinions, growing anxiety about business ethics and corporate social responsibilities and the increasing importance of ethical investment have raised the need for new accounting methods through which companies can address these matters. The theories regarding why companies make voluntary disclosure in their annual reports or stand-alone reports are many and the most common ones will be presented in this study.

3.2.1 Defining voluntary CSR disclosure

An easy-understandable definition of voluntary CSR disclosure is made by O'Dwyer (2002, p. 406); companies in many Western capitalist economies often provide substantial economic benefits to communities. In return, the society supplies important resources in the form of access to employees, natural resources, infrastructure, customers and legitimacy (Bailey *et al.* 2000, 1998, 1994; Reich 1998 in O'Dwyer 2002, p. 406). Companies are social creations whose very existence depends on the willingness of society to support them (Cannon 1994; Reich 1998; in O'Dwyer 2002 p. 406) and therefore they need to perform the social actions demanded by society in order to be accepted as a legitimate institution (Dowling & Pfeffer 1975; Guthrie & Parker 1989; Suchman 1995 in O'Dwyer 2002, p. 406).

As mentioned, there is no exact definition of voluntary CSR disclosure. In attempts to solve this confusion, researchers have placed empirical investigation of CSR in some sort of theoretical context, which can be related to three broad groups of theories concerning organisation-society information flows; decision-usefulness studies, economic theory studies and social and political theory studies (Gray *et al.* 1995). We will focus on the social and political theory studies for explaining why companies voluntarily disclose in annual reports.

3.2.2 Voluntary CSR disclosure theories

The social and political theory studies involve stakeholder theory, legitimacy theory and perspectives from political economy accounting theories.

Researchers have referred to three approaches to answer the question of to whom companies have responsibility; the shareholder approach, the stakeholder approach and the societal approach (Van Marrevijk 2003, p. 93). These approaches can be further explained with the political economy theory, the stakeholder theory and the legitimacy theory.

Political economy accounting theory can be seen as the framework from which the stakeholder and the legitimacy theory derive. This theory analyses exchanges in whatever institutional framework these exchanges occur and analyses also the relationships between social institutions such as government and law and the economy i.e. the system of producing and exchanging goods and services (Jackson 1982 in Gray *et al.* 1995, p. 52). The essential point is that the economic domain cannot be studied in isolation from the political, social and institutional framework within which the economy takes place (Gray *et al.* 1995, p. 52). Political economy accounting theory explicitly recognises the power conflicts that exist within the society and the struggles that occur between various groups within society (Deegan 2002, p. 292). CSR is generally founded on the recognition that the economy is only one element of organisational life and that it needs to be complemented or interwoven with social and political aspects in order for companies to be sustainable (Gray *et al.* 1995).

The stakeholder and the legitimacy theory both provide insights about voluntary CSR disclosure, however these often overlap each other (Gray *et al.* 1995) and therefore the reader should look upon these theories as two integrated parts of an overall picture explaining why companies make voluntary CSR disclosure.

3.2.3 Stakeholder theory

Stakeholder theory indicates that companies are not only accountable to its shareholders but should also balance a multiplicity of stakeholder interests that can affect or are affected by the actions of the firm (Freeman 1984 in Matten *et al.* 2003).

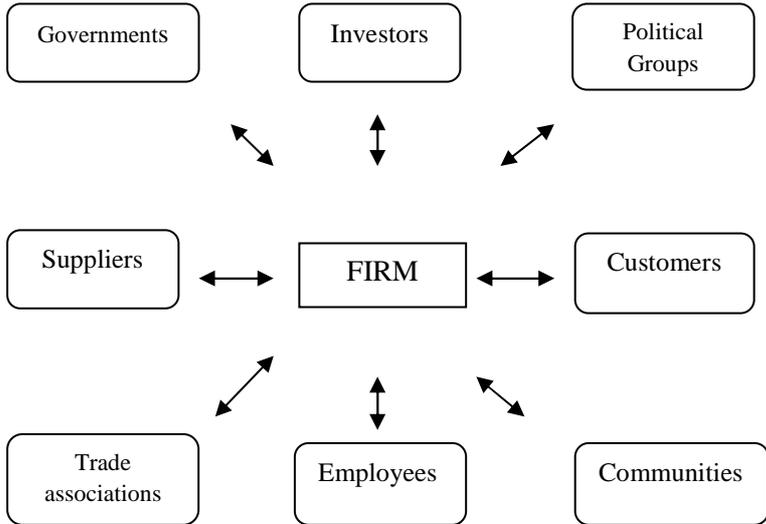


Figure 2 - The Stakeholder Model (Donaldson & Preston 1995, p. 69)

Managers continually encounter demands from multiple stakeholder groups, such as customers, employees, suppliers and governments, to devote resources to corporate social responsibility (McWilliams & Siegel 2001). Demands from the stakeholders are widely different; customers are demanding ethical products and services with a high quality or employees demanding a safe place to work and the following of collective agreements. In order to show society that the demands are addressed and met, companies account for these sustainability issues voluntarily in their annual report or in a stand-alone report. Voluntary CSR disclosure is thus seen as a part of the dialogue between companies and their stakeholders (Gray *et al.* 1995, p. 53).

There are two branches of stakeholder theory; the ethical (normative) and the managerial (positive) branch (Deegan 2002, p. 304). The ethical comprises how companies should treat all of their stakeholder groups in order to keep a good balance between all the different interests (Donaldson & Preston 1995 in Deegan 2002, p. 294). The managerial branch in the stakeholder theory emphasises the need to manage and supply information, in the form of social accounting, to particular stakeholder groups. Especially important are the powerful stakeholder groups because of their ability to control resources that are necessary to company operations (Ullman 1985). The more important the stakeholder is, the more effort will be exerted in managing the relationship (Gray *et al.* 1996 in Deegan 2002, p. 294) and the more the expectations of these stakeholders will influence the disclosure policies. Neu *et al.* (1998, p. 279) found that some stakeholder groups such as financial stakeholders and government regulators can be more effective than for example environmentalists in demanding CSR disclosure.

Deegan (2002) found that companies can use social accounting information to manage or manipulate the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval. Hence, voluntary information as CSR is as mentioned earlier disclosed in annual reports for strategic reasons rather than on the basis of any perceived responsibilities.

3.2.4 Legitimacy theory

Organisational legitimacy has become increasingly important due to well-organised interest groups and the necessity to operate in a competitive global economy (Neu *et al.* 1998, p. 266). Legitimacy is considered to be a resource on which companies are dependent for survival (Dowling & Pfeffer 1975 in Deegan 2002, p. 293). Hence, legitimacy theory is relevant in explaining why companies make voluntary CSR disclosure; they aim to establish congruence between the social values associated with or implied by their operations and the social norms or acceptable behaviour in the larger social system they are part of (Dowling & Pfeffer 1975 in Deegan 2002). In the areas where the companies' actions do not conform to the social norms, those actions represent a legitimacy gap. The companies seek to constantly minimise or reduce that gap; to maximise the legitimate area (O'Donovan 2002). The congruence can be achieved by voluntarily account in the annual report or stand-alone report for how companies work with the fulfilling of these social norms and acceptable behaviour (Patten 1992 in Walden & Schwartz 1997, p. 127).

There are four strategies which companies seeking legitimacy may adopt. First, they can educate and inform its relevant stakeholders about changes in performance and activities, in order to indicate that they play with open cards. Second, companies may want to change the perceptions of the relevant publics without changing its own behaviour. Third, they could seek to manipulate perception by deflecting attention from the issue of concern to other related issues, for example could a company with a legitimacy gap regarding its pollution ignore this and talk instead of its involvement in environmental charities. Fourth, companies may seek to change external expectations of its performance if they consider its relevant publics to have unrealistic or incorrect expectations of its responsibilities (Lindblom 1994 in Gray *et al.* 1995).

The legitimacy strategies can according to Suchman (1995, p. 586) focus on gaining, maintaining or repairing legitimacy. It is likely easier to maintain legitimacy than gaining or repairing it. A lot of voluntary CSR disclosure appears to be reactive rather than proactive (Guthrie & Parker 1990 in Walden & Schwartz 1997, p.129). They argue that corporations appear to respond to public policy pressure for information about their social impact.

3.3 Factors influencing CSR

Research evidence tends to suggest that CSR notions develop in interactions between organisationally framed values and external influences (Silberhorn & Warren 2007, p. 354). On the individual level, Hemingway and MacLagan (2004, p. 36-37) argue that managers' personal values strongly influence CSR policies. On the organisational level of CSR, studies have examined the influence of directorial type, the public relations function, and particularly financial resources and performance.

In the reference study (2002) "Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising" Adams made a review of the prior literature on the factors influencing the extent and nature of ethical, social and environmental reporting. Adams' opinion is that the theories about why and how companies CSR reporting have been developed largely without reference to internal corporate variables referring to the reporting process and corporate attitudes. Her purpose is to highlight this issue by making a study on how internal contextual factors, such as corporate governance and corporate culture, influence the extent and nature of the reporting. In the study Adams researched only seven companies, and it is therefore important to bear in mind that generalisations of the results from this study are tentative due to the small sample size.

The factors influencing corporate voluntary CSR disclosure examined in Adams' study, including those examined in prior literature and those from her own study, are divided into three categories; corporate characteristics, general contextual factors and internal contextual factors. The model is to be seen as a mapping of the results of prior studies examining factors that influence voluntary CSR disclosure.

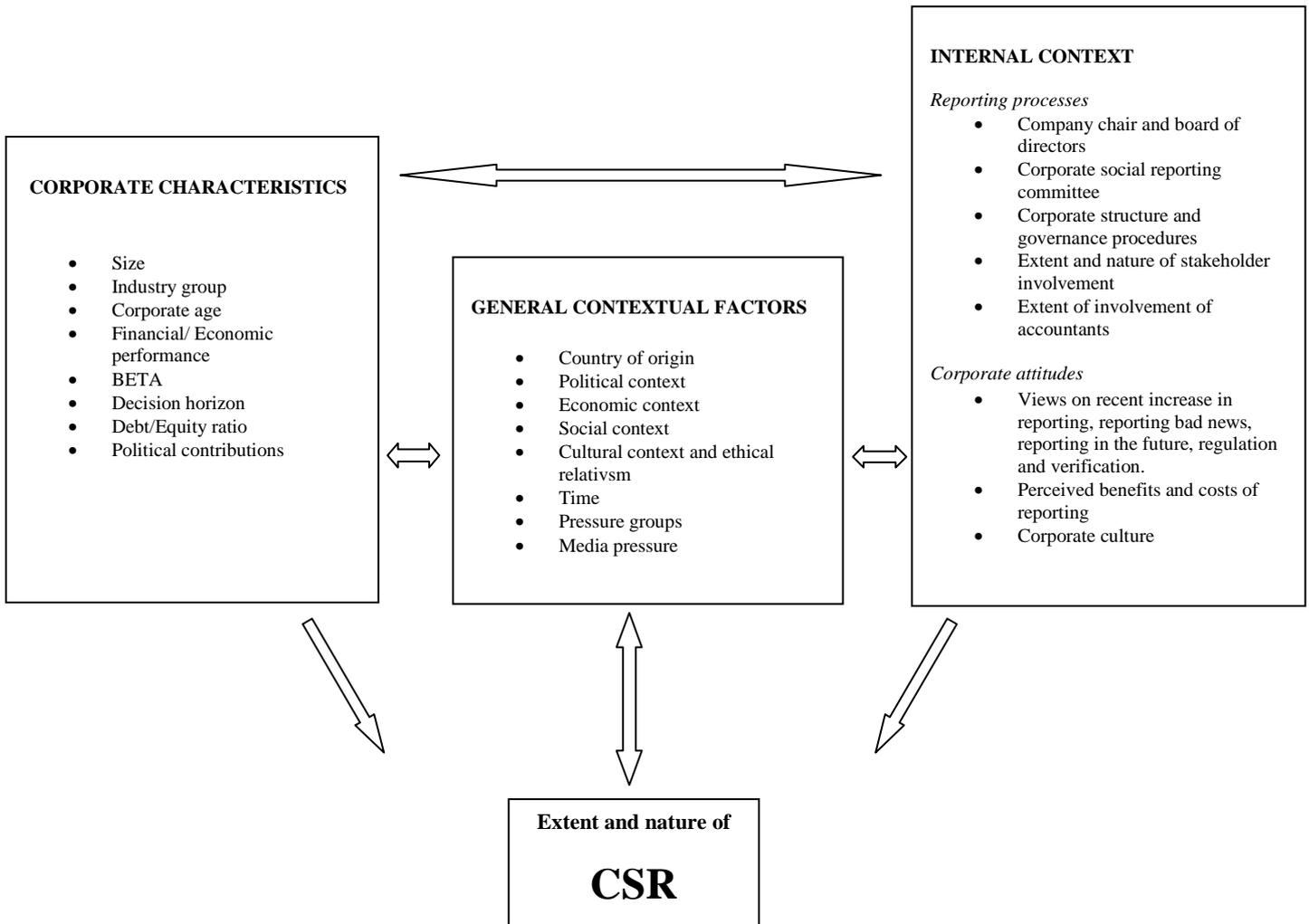


Figure 3 – Diagrammatic portrayal of the influences on corporate social reporting (Adams 2002, p. 246)

Adams (2002) has found that many of the internal contextual factors are influenced by general contextual variables such as the political, social and economic context. It has been found that the process of reporting appears to depend on country of origin, corporate size and corporate culture. Aspects of the process which appear to be influenced by these variables are the degree of formality versus informality, the departments involved and the extent of engagement of the stakeholders (Adams 2002). Hence, it is necessary to take all categories into account to be able to analyse the internal contextual factors. It is important to bear in mind that the process in which the mentioned variables influence the extent and nature of CSR is dynamic. There is no standardised explanation to how for example corporate size affects companies' social reporting committees, it can vary widely depending on the appearance of the other variables. Different factors play various roles in various situations. We will now proceed with focusing on the internal contextual factors and account for how they may influence the extent and nature of CSR.

3.3.1 Internal Context

The internal contextual factors have been divided into two categories in Adams' study; CSR reporting process and the views and corporate attitudes which might influence the reporting.

3.3.1.1 Reporting process

This category involves reporting structures and processes determine who is involved and at what level.

Company chair and board of directors

The sustainability reporting division faces challenges from other organisational participants, such as the board of directors, the CEO, the CFO, functional and business department managers. Thus, the dynamics between members of the sustainability reporting team and other organisational participants influences the sustainability reporting (Adams & McNicholas 2007).

Corporate social reporting committee

A sustainability reporting team includes individuals from different functions within the organisation. Their different perspectives are frequently challenged. For example, the public relations and environmental teams often have opposing views on report content and style (Adams, 1999, 2002 in Adams & McNicholas 2007). The PR team is more concerned with layout, style and presentation of the report while the environmental team emphasizes the facts and data. Thus, the ownership of the report, which staff that has the responsibility for the report, influences the style of it and the issues covered. The outcome of the report can also be affected by the number of people involved in the process and how structured and formal the process is (Adams 2002).

Corporate structure and governance procedures

The governance procedures may differ depending on the appearance of corporate structure which can be influenced by the type of ownership.

Adams and McNicholas (2007) studied a state-owned company in Australia, and found that sustainability reporting was seen by the company as a means of introducing and reinforcing sustainability principles throughout the organisation by improving their integration into planning and decision making leading to improvements in sustainability performance. This stands in contrast to the findings in O'Dwyer's study of private-owned companies (2003 in Adams & McNicholas 2007, p. 398) which showed a tendency for managers to interpret CSR in a constricted fashion consistent with corporate goals of shareholder wealth maximisation. Other differences found was that wealth maximisation for shareholders was a driver for CSR in private-owned companies, while managers in the state- owned company favoured corporate culture as a driver for CSR. Voluntary CSR disclosure can be seen as an instrument for private-owned companies to raise needed capital from investors. The competition for investments is great and investors demand relevant information in order to be able to value

companies and make investment decisions. (Meek *et al.* 1995, p. 555-556) In contrast to this, state-owned companies usually do not experience the same pressure to supply voluntary CSR disclosure since they do not have to compete for their investors. Further, state-owned companies often have monopoly on their activities and hence are not exposed for competition. This may indicate that state-owned companies venture reporting bad news to a greater extent since the risk for losing customers is reduced compared to private-owned companies.

Extent and nature of stakeholder involvement

Differences in the extent of stakeholder involvement can be expected to influence reporting. A strong stakeholder dialogue with a sound governance structure often results in the identification of issues which would not otherwise be reported on (Adams 2002).

Stakeholder engagement, an important aspect of many organisations' sustainability reporting process, has the potential to be a particularly powerful driver, because its purpose is to challenge the company's role in social and environmental sustainability (Adams & McNicholas 2007).

Along with very specific environmental or social scandals resulting from corporate action, robust stakeholder engagement processes are expected to be an important part of the process of organisational change to become more socially and environmentally sustainable (Adams & McNicholas 2007).

Another influencing factor is where the head office is based. If it is based on site, it is more likely that relations with local stakeholder are more important. Further, increasing customer awareness about environmental issues such as certifications and environmental management systems puts pressure on companies to fulfil these demands (Adams 2002).

Extent of involvement of accountants

None of the companies in Adams' (2002) study had accountants involved in the reporting process. It was regarded that accountants had not enough knowledge to collect this non-financial information.

All of the companies in the study used one or more set of voluntary guidelines when forming their report. These guidelines, rankings and other ethical reports were only used as a guide and it is mainly what the sustainability committee thinks people want to know that influence outcome in the sustainability reports (Adams 2002).

The media used for communication of the sustainability information varies. Some examples are the internet, intranet, internal newsletters, press releases, press conferences at each site, product advertisements, meetings with environmental non-government groups and so on. Only one company in the study distributed its report to all shareholders, however all companies made the report available to the employees (Adams 2002).

3.3.1.2 Corporate attitudes

This category provides insights into what companies are trying to achieve with their reporting.

Views on recent increase in reporting, reporting bad news, reporting in the future, regulation and verification

A common reason of why companies start to report voluntary CSR disclosure is public pressure. They want to build a corporate image or share the public concern regarding corporate impact. Increased public pressure and image benefits of responding to it can be used to explain changing patterns of reporting across countries. Companies may use an external part such as an auditor to verify their report in order to improve their reliability (Adams 2002).

When it comes to reporting information which might be regarded as bad news, the attitudes varies. Some companies are of the opinion that it is something they are morally obliged to do, others feel that reporting bad news enhances the corporate credibility and image and other companies do not want to report bad news at all, with fear of the reactions to the bad news (Adams 2002).

Perceived benefits and costs of reporting

The benefits perceived from reporting expressed in Adams' (2002) study were many. Voluntary CSR reporting minimises risks for consumer boycotts and unforeseen issues and will therefore create a better understanding of corporate activities which reduces criticism. The study also shows that the reporting can influence or delay legislation and attract and retain the most talented people. Voluntary CSR disclosure create better internal systems along with improved decision making, cost saving and communication of organisational values. The extent, to which a company perceives that there are benefits of reporting, and the nature of those perceived benefits, is likely to influence the extent and nature of reporting.

The costs of voluntary CSR reporting seem to be of two kinds; financial and non-financial. Non-financial costs are for example increased pressure to meet targets and criticism when targets were not met and potential cynicism from stakeholders regarding corporate motives. They can for instance claim that companies only make voluntary CSR disclosure because of the guilt that they have so much profit (Adams 2002).

Corporate culture

Sustainability reports involve input from a number of individuals and functions across an organisation. The reports are therefore influenced by corporate culture, power relationships and communication flows. Individuals in different countries belong to distinctive teams each with different aspirations and different ways of working and this naturally affect the outcome of the sustainability report (Adams & McNicholas 2007).

4. Empirical findings

This chapter will guide the reader through the empirical findings that cover each of the interview areas. The presented result is divided between the companies' reporting process and the corporate attitudes.

4.1 Introduction to empirical findings

The empirical findings are based on the personal interviews carried out at each of the researched companies where the sources are the respondents (see 2.2.2. Respondents). The varying experience of reporting in line with GRI may explain differences in the answers given by the companies. The longer experience, the better the work is implemented in the organisation and more resources are likely to have been devoted to this work. Companies with longer experience are assumed to have created an increased awareness and better routines for the sustainability report process as they have passed the initial time consuming adaption process.

The researched companies' make their voluntary CSR disclosure, here on after referred to as sustainability report, in accordance to the GRI-principles. Vin & Sprit has reported by these principles since 2004 whereas both Svenska Spel and SJ started in 2007. In the annual report of 2007 Vin & Sprit reported according to the level A+, SJ on B+ and Svenska Spel on C+. All companies have earlier had other versions of sustainability work with different focus. Svenska Spel has raised gambling responsibility, hence social responsibility, as their central point and SJ did focus on the environmental issues like carbon dioxide discharges. While Vin & Sprit focused on their ethical responsibility to ensure a modest alcohol consumption.

4.2 Reporting process

4.2.1 Stakeholder involvement

Stakeholders with great involvement in the reporting process mentioned by all the companies where customers and employees. Other stakeholders mentioned were the Government (the owner of all the researched companies), local politicians, media and suppliers.

Svenska Spel pointed out, their owner, the Government as the stakeholder that has the greatest influence regarding the internal policy for responsible gambling. However, when developing the new environmental policy they mainly focused on the customers and their demands. SJ said that the Government did not have a direct influence on the reporting process, although they did always consider their demands. Vin & Sprit did not mention the Government as an influencing part in their sustainability work. Vin & Sprit has several NGO's³, interest groups, which constantly pressure the company to be responsible in their marketing and distribution.

³ Non-governmental organisations

One group of NGO's are the temperance organisations. If Vin & Sprit tried to obey some of the temperance organisations wishes, Vin & Sprit would no longer be able to go on with its core business. Therefore, the influence from the temperance organisations on the reporting is small.

All of the companies mentioned that their customers have become more involved and better informed within the environmental issues and are searching for responsible companies to do business with. Vin & Sprit have received enquiries from the consumers asking what products are best for the environment. SJ have noticed that corporate customers have changed their travel policies and it has been important for SJ to market their products as an environmental friendly alternative, and therefore it is essential for them to also show that in their sustainability report.

Svenska Spel was the only company that evaluated the stakeholders' opinions regarding their sustainability report. Using focus groups they examined the stakeholders' opinions about their report. The findings from this stakeholder survey served as the foundation when designing the sustainability report. Even though Svenska Spel does not prioritise their stakeholders, they differentiate between primary and secondary stakeholders. The primary stakeholders are those that Svenska Spel both affect and are affected by, and the secondary are those Svenska Spel just affect. Vin & Sprit pointed out a flaw in their stakeholder dialogue; since they do not have any investors they do not have to communicate as frequent with their stakeholders as the stock-listed companies. All of the companies welcomed a closer dialogue with their stakeholders, but they agreed that they have not needed to have a close dialogue with their stakeholders until the requirement of GRI reporting came.

4.2.2 Organisational process

The organisational involvement in the sustainability reporting process differed between the companies, and the only similarity was that some form of communications department is involved in the process at all companies. They all have a staff separated from the core organisation that is responsible for producing the sustainability report. In all of the companies the work of collecting the information are done manually, see further in 4.2.5 Link between the systems for economic data and CSR data.

Svenska Spel has the most integrated process in the organisation with a formal procedure. They use the internal strategies that were set by the management and CSR is incorporated starting with the CEO and goes down to the individual level in the whole organisation. At Svenska Spel the department CSR/Corporate Affairs is responsible for collecting the information to the sustainability report and it is produced by the information department. Since it is a matter of communication, they believed it is natural that the responsibility of the report is placed there. Within Svenska Spel the reporting process is a circulation between the stakeholders, the internal policies and strategies and the operational business. As they notice that the stakeholders' demands change, they will adopt their policies and strategies and adjust the operational business accordingly. As the policies change and are added, they need to be approved by the board of directors.

At Vin & Sprit the procedure is a bit more informal compared to Svenska Spel. Responsibility for the sustainability report is placed at the group staff Corporate Affairs & Communications. Corporate Affairs & Communications is responsible for producing the report and for developing the internal Code of Business Ethics and Conduct and other policy document regarding CSR for the company's business areas. HR, marketing and environmental directors at each business area report to Corporate Affairs & Communications in order to deliver the information needed for the report, but there is no person dedicated to corporate responsible issues at the business areas. The Code of Business Ethics and Conduct can be adapted to changing demands from stakeholders. The board of directors did initially approve the introduction of the code, although today the responsibility lies on the CEO.

SJ allocated the responsibilities for the sustainability report similar to the annual report. They have composed a steering group for the sustainability report which consisted of the finance director and communications director. Similar to the annual report, the responsibility for the report is on the financial director and the communications director. SJ has a formal way of working with the report, but they lack an appointed post for CSR.

Svenska Spel also pointed out that the sustainability work is partially an issue based on the CEO as an individual. Depending on the commission the different CEO's have gotten, the focus and emphasis on the sustainability work have varied. The most recent CEO had a clear statement in his commission regarding sustainability, which the CEO before that did not have, therefore the CSR work naturally had been extended with time.

4.2.3 Guidelines used for sustainability reporting

All the companies were reporting in accordance to GRI in the annual report for 2007. Vin & Sprit had done this since 2004, and for the other two companies 2007 was the first year they adopted the GRI guidelines. Since this is a requirement from the Government, starting with the accounting year of 2008, the reason for choosing that guideline was simple. Yet, both Vin & Sprit and Svenska Spel did a pro-active choice of standard before the requirement came from the owner. They both perceived GRI as the best developed standard since it is globally adopted which improves the comparability for the stakeholders. SJ mainly worked with environmental issues earlier and have hence worked re-active with the GRI reporting standards. All of the companies stated that the GRI reporting process is very demanding and that there were plenty of resources needed in order to put the report together. Svenska Spel and Vin & Sprit referred to the UN's Global Compact as a guideline that helped the companies with how to work with CSR, whereas GRI gives the companies guidelines for how to report it. Vin & Sprit have tried to synchronise these two guidelines since they benefit from both of them. Svenska Spel became a member in Global Compact since the Government thought it was a good idea that they participated in the network, although they have so far not seen any benefits of the membership yet. SJ mentioned the Swedish Government's guidelines "Globalt Ansvar" as a part in the external influence, however they did not mention how they perceived the guidelines.

All of the companies believed that it is important to sort out the parts in the GRI guidelines that are of significance to the own company, otherwise the focus can easily become too large. Svenska Spel and Vin & Sprit thought this is vital due to their integrated sustainability reports, and their limited space. SJ mentioned the problem with interpreting the GRI guidelines, since there still is no Swedish version of the guidelines. SJ wanted to produce a separate publication for the sustainability issues and they therefore produced a stand-alone sustainability report in addition to the summarised version in the annual report.

4.2.4 Media used to communicate the sustainability report

The three companies studied had different ways to communicate their sustainability report. Two of the three companies communicated their sustainability work in both a stand-alone report and the annual report; however the extent of information in the annual report differed. Svenska Spel had the same information in the annual report and the stand-alone report while SJ presented a summary of the sustainability report in their annual report and their stand-alone report consisted of more comprehensive information. Vin & Sprit only presented the sustainability information integrated in their annual report. All of the companies also published the reports on their website.

The primary channels of communication were the internet and the printed copies of the annual report and stand-alone report. Svenska Spel and Vin & Sprit also arranged different events where they met stakeholders to promote and exchange information about sustainability work. Common for all the companies was that they did not distribute their sustainability reports to all of their stakeholders unless it was requested and that the report was available for all employees to take part of.

4.2.5 Link between the systems for economic data and CSR data

All the companies interviewed reported that there was no link at all between the systems for collecting sustainable data and economic data. The process of collecting data to the sustainability report was not yet standardised in any of the companies and it was a manual work to find the information and the numbers needed for the report since they were saved in different places within the company. There was an overall wish to develop a system similar to the one for the collection of economic data.

4.3 Corporate attitudes

4.3.1 Motives for sustainability reporting

All the respondents mentioned transparency as one of the greatest motives for sustainability reporting. Svenska Spel started their reporting as a marketing product and wanted to state what they are doing within the area of CSR. All the companies agreed that the only way of doing business is to be fully transparent and they therefore decided to voluntarily disclose as much information as possible in the annual report. Svenska Spel saw being social responsible as a hygiene factor.

Both Vin & Sprit and Svenska Spel mentioned risk minimisation as a motive for sustainability reporting, but they had somewhat different standpoints. Svenska Spel has been working according to a long-term CSR plan since the work was initiated. The decision to report accordingly to GRI was planned before the Government imposed that demand. Svenska Spel pointed out that they focus mainly on the customers when working with CSR, but they also take the owner and other stakeholders into account when forming the report. Svenska Spel believed that the Government introduced the demand for reporting accordingly to GRI as a risk minimisation and they reasoned that the Government wants to make sure that their companies are transparent. Vin & Sprit on the other hand did not feel any pressure from the Government to do a sustainability report, they started the reporting without influence from the owner in order to minimise their business risks.

Vin & Sprit was the only company that mentioned a higher profit as a result of being responsible. SJ mentioned however that they used the sustainability reporting to gain and maintain customers, they wanted to show their customers that they were a responsible company. All of the companies considered the sustainability report as important because they wanted to be an attractive company to its employees and customers.

4.3.2 Perceived benefits of sustainability reporting

As all the companies mentioned the ability to be transparent in their voluntary CSR disclosure as a motive for reporting, they also perceived transparency as a benefit. They also agreed that the corporate image can be enhanced when doing a sustainability report. Svenska Spel argued that there are different parts of their CSR that affect the corporate image. In the case of responsible gambling, that is something that all stakeholders expect them to have, and therefore there is rather the lack of that responsibility that could have negative effect on the trademark. On the contrast, taking responsibility for the environment is something that the stakeholders do not expect them to do, and incorporating that work will therefore enhance Svenska Spel's corporate image.

Both Vin & Sprit and SJ saw the sustainability reporting as a procedure that gives them a reason to improve their internal processes for gathering information and to also make the employees aware of these issues. Svenska Spel did not mention this, however they had come further in their sustainability work and managed to commercialise their responsible gambling and sell it as a product internationally.

4.3.3 Perceived costs of sustainability reporting

None of the companies had calculated the cost for producing the sustainability report, although they were sure that the benefits exceeded the costs. The companies agreed that since the Government adopted the new GRI-guidelines for all state-owned companies, the cost did not really matter since the reporting had to be done in a certain way.

Svenska Spel was the only company that mentioned costs in terms of internal organisation changes. Svenska Spel encountered some resistance within the organisation due to the fact that they needed more resources to be able to report according to the GRI-guidelines. The old

school of economics did not see the benefit of the voluntary CSR disclosures and thereof the resistance. However, as the work progressed they had noticed the savings and internal benefits, and CSR/Corporate Affairs did encounter less resistance.

4.3.4 Bad news reporting

The attitudes to reporting information which might be considered as bad news did coincide. All companies stressed the importance of and the ambition to be as transparent as possible by showing and explaining their negative impacts on society and environment in the sustainability report. Transparency enhances the credibility among stakeholders according to SJ. Vin & Sprit believed that if the company show an awareness of their problems and does not hide anything, the transparency helps them decrease the risk for scandals.

4.3.5 Views on reporting in the future

It was difficult for Vin & Sprit to comment on the future as they were recently sold to a private French corporation, however they believed that the sustainability work will proceed as normal.

Since the reporting process in line with GRI was relatively new, all three companies had observed areas for improvement. Svenska Spel believed that their owner will demand an A+ report in the future, which will imply that if they do not reach the required level the board of directors may lose their freedom of liability. To meet this perceived demand Svenska Spel needs more attention from the management and the board of directors towards these issues and more resources to expand the report. The sustainability work must also be implemented in the whole company to avoid this to become an individual question. Svenska Spel perceived the sustainability reporting as important as financial reporting in a couple of years. SJ did not expect an A+ demand from their owner, although they were aware that they needed to improve their internal processes to reach the newly imposed GRI requirement from the Government.

4.3.6 Verification of the sustainability report

Mutual for all three companies was that they had their sustainability reports verified by an external part for the first time in 2007 and they all used large accounting firms for the verification. The accountants had not been involved in the process of making the report, hence they had no influence of its contents and they had only afterwards confirmed that the report was made according to the GRI guidelines. All the companies mentioned verification as a way of proving the verity of the information in the sustainability report and thus improve corporate image.

4.3.7 Comparison with other companies' sustainability reports

Other companies' reports were considered a tool for inspiration to see what issues to cover and what issues to avoid. Vin & Sprit though it as difficult to find good companies that work with sustainability reports integrated in the annual report to compare with. They mainly found inspiration in SKF's integrated report which, just like Vin & Sprit, reports on the A+ level.

Svenska Spel mentioned Green Cargo and SAS as having good sustainability reports. None of the companies interviewed strived to win any awards for their reports, however they strived for such a quality throughout the report anyway.

5. Discussion, conclusions and suggestions for further research

This chapter will present a discussion comparing the result with previous research and incorporating an analysis of the findings. The chapter is finalised with conclusions, limitations and suggestions for further research.

5.1 Summary of results

The purpose with this study was to explore and analyse the influence of the internal contextual factors on the voluntary CSR disclosure practices in the annual reports or stand-alone reports produced by state-owned companies in Sweden. Specifically, the study was meant to provide insight to how the reporting processes and corporate attitudes influenced the reporting. To answer the research issue we will proceed with a summary of the results and then discuss and compare the findings to previous research.

Reporting Process	
Question areas	Results
Stakeholder Involvement	Stakeholders involved that had the greatest influence in the shaping of the report were customers, employees and the owner. The owner influenced the level of reporting while more attention was given to the demands from the customers, when forming the report.
Organisational process of reporting	All companies had some form of communications department involved in the process. The sustainability reporting process varied with involvement of the environmental, finance and personnel departments. The process formality also varied between the companies. In one company the interest and ambition of the CEO influenced the content strongly.
Guidelines for sustainability reporting	In 2007, all the companies reported in accordance to GRI. Further, all referred to the UN's Global Compact as a guideline that helped the companies how to work with CSR. Two of the companies have worked pro-actively with their sustainability report and one company have worked re-actively.
Media used to communicate the sustainability report	Two of the three companies communicated their sustainability work in both a stand-alone report and the annual report with varying extent of information. The third company communicated their work solely through an integrated sustainability report in the annual report. The primary channels of communication were the internet and the printed copies, two companies also arranged different events for the stakeholders to promote their sustainability work.
Link between the system for economic data and CSR data	There was no link between the system for economic and sustainability data. There was no standardised system and the sustainable data was collected manually by all companies.

Table 4 – Summary of results: reporting process

Corporate Attitudes	
Question areas	Results
Motives for sustainability reporting	Transparency was the main motive as it was seen as a requirement for doing business in the future. Others motives mentioned were risk minimisation, the chance to improve corporate image, to gain and maintain employees and customers and to earn higher profit.
Perceived benefits of sustainability reporting	The main advantages with sustainability reporting were to reach transparency, enhance corporate image, develop more effective internal processes for sustainability work and increase employee awareness about these important issues.
Perceived costs of sustainability reporting	No company had calculated the costs of reporting however costs for organisational changes were mentioned. All companies were convinced that the benefits of reporting exceeded the costs.
Bad news reporting	All companies found it important to report things that could be considered as bad news, this due to the ambition to be fully transparent.
Views on reporting in the future	Owner demands for higher levels of GRI reporting were expected from one company while another one did not experience the same demand. All believed in better developed internal processes regarding information collection and there was a vision that sustainability reporting will be seen as necessary as the financial reporting in a couple of years.
Verification of the sustainability report	Large accounting firms had been consulted for verification however no accountants had been involved in the process of producing the report.
Comparison with other companies' sustainability reports	Inspiration had been taken from other companies' sustainability reports.

Table 5 – Summary of results: corporate attitudes

5.2 Discussion of empirical result compared to previous research

In order to discuss and analyse our empirical key findings, we have structured this section into the two main parts of the internal contextual structure; reporting processes and corporate attitudes. In each of the sections we will discuss the empirical findings and compare these to the previous theoretical findings which mainly consist of Adams' (2002) study examining British and German companies. When comparing to Adams' study we will be able to draw some tentative generalisations how the attitudes and processes depend on the country of origin in the discussion.

5.2.1 Reporting processes

Reporting structures and processes are shown to have a strong effect of the extent and nature of the companies' voluntary CSR disclosure in the annual report or stand-alone report. One main finding is the extent of stakeholder involvement in the reporting process. According to Gray *et al.* (1995) the stakeholder monitoring in state-owned companies is higher, due to the low managerial ownership. This can explain the imposed requirement for the Swedish state-owned companies to report according to the GRI-principles. With the new requirements the

companies can decide on what level to report. However, by setting a standard framework for all its companies the Government ensure high quality reporting.

We found that both the stakeholder theory and the legitimacy theory are fundamental when examining the extent and nature of the voluntary CSR disclosure. Depending on the communication with various stakeholders the extent and nature in the report varies. In order to legitimate their corporate behaviour companies are likely to report the information they believe that the stakeholders want them to have. It was clear that the Swedish companies with a greater influence from the owner also believed that a higher level in the GRI-reporting was demanded. Further, this implicates that the owners involvement in the process will influence the extent of reporting.

Even though the companies do not formally prioritise the various stakeholders, it is clear that some have greater influence than others. The various degree of communication with the stakeholders could imply that some companies adjust their report in order to legitimate their business mainly to one stakeholder compared to businesses doing stakeholder research in order to have broader information suiting several stakeholders. Just as the Swedish companies, the British and German companies in Adams' (2002) study had noticed an increased awareness from its customers and employees within the CSR area. The major difference in stakeholder involvement was that all the Swedish companies mentioned the customers as one of the most important, whereas some of the German and British companies did not mention them at all. The German and British companies are on the other hand better at obtaining feedback on their sustainability report from their stakeholders. Only one of the Swedish companies did stakeholder surveys. This could imply that the Swedish companies have a larger legitimacy gap compared to the German and British companies that have adapted the information better towards their stakeholders. The lack of a better stakeholder dialogue in the Swedish companies may have decreased their legitimacy, since they have not given enough attention to stakeholders' opinions. The new GRI-guidelines require the companies to report the stakeholder dialogue in the sustainability report. The Government may have imposed the requirements in order to reduce the gap and ensure a standardised way of reporting.

The organisational process clearly influences the extent and nature of the voluntary CSR disclosure. The generalised procedure in the Swedish companies seems to be, that the staff responsible for the sustainability report gathers the required information from various business areas and puts it together. The number of people employed in the process and the extent of used external resources will impact the report. When a small number of people are responsible for the whole report and decide to the last word what to be included, that will certainly impact the nature and extent of the report. Adams' research also indicates that the ownership of the sustainability report will influence the corporate picture and the level of accountability. This is due to the earlier mentioned struggles between the communications/PR department and environment/CSR department, where the different departments involved might focus on different objectives when producing the report. Our study also shows that if the responsibility for the CSR area is not delegated to a single department, and the task is put

on the finance department because they earlier produced the formal annual report, that will most likely affect the extent and quality of the report.

The study shows that there were both a formal and an informal reporting process and they both influence the voluntary CSR disclosure. The result implies that companies with a more formal process easier make sure that the whole organisation implements the basics of the CSR work, in contrast to the ones with more informal way of working. When this is linked to Adams' research it can be seen that the Swedish companies both have similarities and differences in the reporting processes compared to the German and British companies. The Germans involve more people in the reporting process, whereas the British have a more structured process. There were similarities in the organisational structure, where the communications/PR department are involved in all of the Swedish companies and in a majority of the British and German companies. The Swedish companies did not encounter the same struggles between the communications/PR department and the environmental/CSR department as some of the British and German companies did.

In comparison to the German and British companies, where only a part used auditors to verify the report, all of the Swedish companies got their 2007 annual report verified in accordance to GRI by one of the large accounting firms. In all the Swedish companies the auditors simply serve as a confirmation service when verifying the GRI-indicators the companies have in the report. For the Swedish companies there were never any doubts whether to get the report verified or not, it was simply something that needed to be done in order to strengthen the liability. One of the British companies that did get their report verified did not use one of the large accounting firms. In contrast to the Swedish companies that considered the verification as something that improved their liability, the British company believed that the large accounting firms would affect their independence. Just like the companies in Adams' study, none of the Swedish companies in our research did involve any accountants in the reporting process.

In contrast to Adams' research, the study shows that the most frequent media used to communicate the sustainability report is the internet. This could either imply that the German and British companies have a greater urge to reach their stakeholders through a variety of media, or that the fact that our research is done in 2008 and that other distribution channels are out of date compared to 2002. When the British and German companies were asked about their future reporting, they predicted that they would put more information on the Internet due to the high cost of printing the sustainability report.

5.2.2 Corporate attitudes

In accordance with Hemingway and Maclagan (2004) it is clear that a company's sustainability work can be greatly influenced by the CEO's personal values. Svenska Spel clearly pointed out the difference between two earlier CEOs' and argued that the increased focus on the sustainability work stemmed from the CEO's personal standpoint. Even though that the mentioned CEO's commission from the Government partly requires some sustainability work, this indicates that the internal attitudes can affect the voluntary CSR

disclosure. Nothing similar to this could be found in Adams' research, and therefore this can be seen as a tentative result.

Motives for starting the reporting will definitely reflect on the extent and nature of reporting. For example, the interviews show that the companies' main motive for the reporting is to be fully transparent and enhance corporate image. According to Suchman (1995) there is no need to try to enhance and fulfil the perceived demands from the stakeholders when the work is pro-active, and the company is more likely to report the essentials of their CSR. The opposite implies for re-active work, where the company's information is designed to decrease the legitimacy gap arisen from the public debate that led to their re-active work. Where the majority of the Swedish companies started their work pro-active, the companies in Adams' study started due to public pressure and initiated their work re-active.

When it comes to the perceived benefits and costs regarding the sustainable reporting, there are no large differences between the countries. The most frequent mentioned benefits are enhancing corporate image, risk minimisation, improvements of the internal systems, attract and retain talented employees and have better corporate governance. This study strengthens Adams' belief that a company's perceived benefits will influence the extent and nature of reporting. The Swedish companies have with time extended and broaden their reporting due to the perceived benefits. The costs for the Swedish companies are in accordance with Adams both financial and non-financial. Where those perspectives were not mentioned by all the Swedish companies, they either mentioned the actual cost for producing the report and/or the internal cost due to internal organisational changes in order to meet the demands of a better sustainability report. Since the Swedish companies are required to disclose their voluntary information in line with GRI, there was no doubt that the benefits of producing the report by far exceeded the costs.

Where the study shows that the attitude towards bad news reporting is positive, this internal attitude will definitely affect the nature of reporting. The corporate attitudes agree that being fully transparent involves reporting bad news. This is a part of the earlier mentioned reasons for starting to report; the risk minimisation. Adams' research partially agrees, where the respondents from Germany and UK only believe that minor information regarding the bad news will enhance the corporate image. It is clear that the Swedish companies are more open, in terms of showing the whole truth in order to reduce the risk for corporate scandals.

The attitudes to the imposed GRI requirement were positive and the Swedish companies welcomed the regulations to give their stakeholders an increased comparability and transparency. Hence, the companies in Adams' study did not have this requirement we cannot compare these results. When generalising the attitudes towards regulation, the German companies are by far more negative to these though they see them as a competitive disadvantage with other European companies. This difference could occur due to the fact that the state-owned companies do not have the same competition with their strong position on the Swedish market.

The future scenarios regarding the reporting have quite different focus between the countries. The Swedish companies mainly focused on the GRI-reporting level, in contrast to the British and German companies that put their future attention towards the issues covered, frequency of reporting and new media of reporting. The Swedish companies also mentioned a changed focus within the area of reporting, they thought the issues covered could vary with the pressure from the society.

5.3 Conclusions and suggestions for further research

Based on the empirical findings in this study, we can state that the internal contextual factors have a significant influence on the extent and nature of voluntary CSR disclosure in the annual reports and stand-alone report of the three Swedish state-owned companies researched. The result confirms that the influencing internal factors derive from the reporting processes as well as the views and corporate attitudes regarding the companies' voluntary CSR disclosure.

We found that depending on how the internal reporting processes were organised greatly influenced the voluntary CSR disclosure. Aspects of the reporting process which tend influence the extent and nature of reporting are the formality and the departments involved in the process. We also noticed that the reporting processes were greatly influenced by the demands and hence, the involvement from various stakeholders. The stakeholders with strongest influence over the reporting process were particularly the owners and the customers.

The corporate attitudes towards the CSR voluntary disclosure are also shown to have a great influence on the extent and nature of reporting. The interview data gave insight to the corporate motives behind the sustainability reporting, showing the companies' ambition to be fully transparent with an enhanced corporate image as the key benefit. The study also points out a positive attitude to reporting bad news and a future belief concerning higher owner requirements regarding the GRI-level of reporting and improvements towards better reporting processes.

We can only compare our findings to a small sample of earlier research, since many researchers have excluded the internal contextual factors in previous studies. With the theoretical frame of reference, we can conclude that this study supports prior research in giving evidence to the internal contextual factors as an influencing source on the voluntary CSR disclosure.

Due to study limitations the conclusions drawn from the study are only tentative. It is important to bear in mind that the result is based on a very small sample size, from a non-random selection in only Swedish companies. Interviewing only one or two persons involved in CSR reporting at each company, the personal values of the respondents may have influenced the answers and we therefore have to be careful to generalise from such a small sample.

Suggestions for future research are to conduct a more thorough analysis of the internal contextual variables influencing voluntary CSR disclosure. Having a larger sample of companies would enable a higher significance. Including corporate respondents from

different levels within the organisations and not just focus on the CSR department, would reduce influence of personal values and hence increase the validity. Previous research has used field based methods, with personal interviews, and therefore future research could consider using a survey method for collecting data. Future studies could focus on the quality and type of information disclosed in the annual-reports or stand-alone reports. Using a content analysis would allow the researchers to increase the research issue to also explain the extensiveness, quality, quantity and completeness of reporting.

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Appendix 1 – Interview guide

The purpose of the thesis is to examine the sustainability report based on the following areas:

- Internal process
- Motive and purpose
- Design and shape
- Stakeholders
- Benefits
- Costs
- Communication
- Future reporting
- Verification

Appendix 2 – Interview questions

Stakeholder involvement

- Who are your stakeholders? Are they involved in the process of reporting?
- Is the sustainability report shaped after any particular stakeholders?
- Do you prioritise stakeholder interest in any way?
- Have you received any feedback on your sustainability report from your stakeholders?
- Has earlier feedback been taken into account when forming the sustainability report?

Organisational process of reporting

- Which departments have influence over reports' shape and content?
- How many people have that influence? Is there someone appointed with the responsibility for the sustainability report?
- What does the decision process look like regarding the content and forming? Is the decision process formal / informal?
- Is there an “owner” of the report in the organisation?
- Are any external actors involved in the forming and content of the report?

Guidelines for sustainability reporting

- How is the work with the following of GRI guidelines going?
- Since when have you reported in accordance with GRI?
- Are you influenced by any other guidelines or standards?

Media used to communicate the sustainability report

- Which channels of distribution are used to spread your sustainability report and why?
- Do you prioritise any channels?
- Why is the sustainability report a stand-alone report / integrated in the annual report?

Link between the system for economic data and CSR data

- Is the same system used for collecting the CSR data as for collecting traditional economic data? Why/ Why not?

Motives for sustainability reporting

- When and why did you start with sustainability reporting?
- Has the motives and the purpose changed since the start and how?
- How has the sustainability report developed under time? Extent? Structure?
- Have you noticed the society's demands in these issues and how?

Perceived benefits of sustainability reporting

- What benefits have you perceived from sustainability reporting? How do these appear?

Perceived costs of sustainability reporting

- What is the cost for forming the report?
- Are there any risks with sustainability reporting that can lead to unforeseen costs?
- Have you estimated and compared costs with benefits of sustainability reporting?

Bad news reporting

- What is your attitude to reporting information that might be considered as bad news?

Views on reporting in the future

- How do you think the sustainability reporting will develop in the future? More/Other channels of distribution? Increased interest?

Verification of the sustainability report

- Is the report verified by an external part?
 - If yes, why and since when?
 - If no, why not and are there plans of doing this?

Comparison with other companies' sustainability reports

- Are you inspired by other companies' sustainability reports? How, which and why?
- Have these other companies won any awards for their sustainability report?