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„A comparison of Environmental CSR practices in the Oil and Banking Industry“

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Barbara Lopez Suazo

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Introduction

With an ever-growing world population, more and more pollution and less space for everyone to live in, environmental concerns and the sustainability of our actions are becoming very relevant and are being taken more seriously than ever before. Due to the globalization of this world's economy and corporations of enormous sizes, sometimes larger than the GDP of whole countries, these corporations are expected more than ever to contribute to a cleaner, healthier, and more sustainable environment, especially because they are often the ones with enormous negative impacts on the environment.

This thesis seeks to clarify whether only the "dirty" industries, which really are a threat to the environment throughout their whole operations, or also traditionally clean industries, are engaging in environmental protection measures beyond compliance and to reveal the reasons for their engagement or missing dedication.

To answer this question, two very contrary industries, but fundamental to the world's economy, were chosen. One is the oil industry, which is responsible for tremendous amounts of global carbon dioxide release, is on and off the news for oil spills or threatening sensitive eco systems with their activities, etc. The other one is a very clean industry and crucial to our economic system: the banking industry. For the comparison a thorough analysis of literature on Corporate Social Responsibility (CSR) and published information by the selected companies will be analyzed and compared regarding the actions undertaken, as well as the possible reasons for their action or inaction will be investigated to explain the behavior.

The importance of this topic is to gain further insight into how and why CSR is embraced by contrary industries, to clarify whether CSR is a tool to merely better manage negative impacts or also to seek new ways to do even more, where there is, at least at first sight, no relevant negative impact on the environment. Literature praises CSR as a very powerful tool, yet only insight into practical use can show the real implications, good or bad.

First I will start with a definition of the concept of CSR and its development over time. Then similar concepts and denominations will be discussed to be able to differentiate one from another. Furthermore underlying theories by several scholars will be introduced.

In a second part existing literature on environmental CSR in the oil and banking industry will be investigated as the basis for the comparison between the two industries. Through any publicly available information, as for example on corporations homepages, it will be investigated what they claim to really do and if literature and practice fit together. In a last step the reasons for industry specific behavior are laid down.

1. Definitions, Development, Importance

Even though Corporate Social Responsibility is not a new concept in the economic world, it has gained increasing importance and attention by scholars and the public rather recently. As firms grow bigger and are acting on an international basis people´s expectations of a firms role have changed. It appears that customers are for example prepared to pay a premium for socially responsible produced goods. It also appears that “non-behaving” firms are worth less to stockholders. Stakeholders are taking greater interest in corporate actions; they defend their own interests, and can exert a lot of pressure on businesses. These and many more reasons make it interesting to have a closer look at what CSR actually means, its development, and its effects.

In the following there is a short summary of the history of the concept of CSR and its first use and mentions, as well as definitions of CSR and the related notions Corporate Citizenship and Corporate Sustainability. Afterwards the most important underlying theories are laid out and explained.

Historical Development of CSR

With the increasing size of companies and globalization a business´ role is changing and CSR is coming more to the focus to manage this new role and to adapt to this new business environment.

A short history of the development of the term “Corporate Social Responsibility” will illustrate its evolvement, change in its understanding, and the increasing importance associated with it. Most formal writing on this topic was undertaken rather recently and even though CSR is an important topic worldwide, most literature on it originates from the developed world.[1] Interestingly the importance of CSR was recognized in the United States and UK well before the rest of Europe, even though nowadays Europe seems to be posing more importance on it.[2] The European Union did not develop their strategy on CSR until the year 2001 when they published the Green paper "Promoting a European Framework for Corporate Social Responsibility", which brings a clear definition of CSR, denoting important topics and practical implications.[3]

Entrepreneurs have behaved in an ethical manner already before but the first mention of the term CSR was, according to Bassen et al, by Bowen in the year 1953.[4] Bowen considered entrepreneurs rather generally to be responsible of orienting their businesses actions on society's morals and expectations.

Milton Friedman presented another view, which was the prominent view for many years, several years later. He argues in his famous New York Times Article, as the title already says, "the social responsibility of business is to increase its profit".[5] In his view only people, in contrast to businesses, have a conscience and can therefore act morally. The obligation of business managers is to increase wealth for their stockholders by making profits. Stockholders are the main interest groups, since they are the owners of the business.

Brown who investigates the concept of CSR on the example of the Santa Barbara oil spill in the year 1969 and how it was dealt with the crisis lays out another interesting view of CSR.[6] He comes to the conclusion that CSR has developed less because of companies trying to be good citizens and trying to act morally, but out of necessity, as "a reaction to immediate and probable crisis."[7]

[1] (Carroll, 1999, p. 268)
[2] (Loew, Ankele, Braun, & Clausen, 2004, p. 8)
[3] (Commission of the European Communities, 2001)
[4] (Bowen, 1953) cited by (Bassen, Jastram, & Meyer, 2005, p. 231)
[5] (Friedman, 1970, p. 1)
[6] (Brown, 2008)
[7] (Brown, 2008, p. 2)

These rather narrow views of a business's role in society are changing as more and more businesses see their responsibilities not only towards stockholders but also towards a larger group namely the stakeholders, whose interests need to be managed parallel. In accordance with this view, Reinhardt et al come to the conclusion that profits need to be sacrificed in order to advance other social interests. [8] This view is consistent with most CSR theories too, that promote the extra step of going beyond what is required.

Corporate Social Responsibility

CSR, even though much discussed, does not have one clear definition accepted by everyone. Lyon and Maxwell (2008) say in their article that CSR seems to "mean different things to different people".[9] When searching literature this seems to be true, since there is a vast abundance of different views on CSR, which is also due to the voluntary nature of it. CSR is not legally binding and therefore can be interpreted differently over time, industries and countries. As argued by some this vague nature is intentionally since the "interpretation of CSR is very much dependent on the business sector, type of markets where the company is present, as well as the specific need of the stakeholders."[10] This way each business can find solutions that fit them best, come up with new creative and innovative ideas to differentiate themselves from other businesses, or use their unique and special skills to fulfill its responsibility within the society.

The definition adopted for this thesis is the one by the European Commission, which is widely accepted in the European Union. They define CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis". [11]

[8] (Reinhardt, Stavins, & Vietor, 2008, p. 3)
[9] (Lyon & Maxwell, 2008, p. 1)
[10] (Filho & Pawlak, 2009, p. 64)
[11] (Commission of the European Communities, 2001, p. 6)

From this definition it can be derived that corporate social responsibility includes a social and environmental component, it includes the wellbeing of stakeholders versus only shareholders, and it is voluntary. This thesis will concentrate on the environmental part of CSR.

To go one step further, environmental CSR is defined as “environmentally friendly actions not required by law, also referred to as going beyond compliance, the private provision of public goods, or voluntarily internalizing externalities”.[12]

To conclude CSR tries to conceptualize and define the new role businesses are expected to take on within a society. Corporations are not only expected anymore to fulfill their role as a provider of jobs and maximize profits for shareholders. Instead businesses are expected to go beyond what is legally required, given their influence and size. CSR tries to conceptualize these actions undertaken by businesses, but, as I will also show in this thesis, actions can vary greatly for different industries, countries and also as time passes these actions may change.

As CSR is such a loosely defined concept, there are several other concepts similar to it, which are often used interchangeably by companies, even though they are different notions in literature. The most important and most frequently used ones are Corporate Citizenship and (Corporate) Sustainability, which will be defined in the following.

Corporate Citizenship

Corporate citizenship is a term to address a corporation’s role within society. The corporation is seen as an active citizen of society, even though this citizenship is always secondary to individual citizenship. This citizenship means, contrary to Friedman´s theory that corporations mainly have to increase profits, ”that business

[12] (Lyon & Maxwell, 2008, pp. 1-2)

needs to take into account the community where it is operating." [13] Due to globalization a multinational company's impact on societies can be significant and often they play a bigger role in local communities' than governments, which in turn obliges corporations to act as a good citizen and assume their social responsibility within society.

Stated simply corporate citizenship is "active community involvement".[14] Loew adds that this involvement needs to go beyond core business activities and includes solving social problems in the local environment.[15] Often corporate citizenship is seen as fulfilling mainly the philanthropic dimension, which means that its scope is more limited than CSR, hence it is called the "limited view of CC".[16] The corporation voluntarily wants to contribute to community life without deriving immediate benefits from it or primarily following strategic goals, but instead just wants give something back to society since they are also receiving. Typical actions connected to CC are corporate giving, corporate foundation and corporate volunteering.[17] Inherently the corporation might be able to profit economically in some way from their actions and community engagement, however that is usually not the main focus of CC.[18]

The limited view of CC is the one often adapted by literature. However, according to Crane & Matten CC can be interpreted in two more ways: The equivalent view which sees CC as equivalent to CSR and the extended view of corporate citizenship which "sees the corporation as a political actor governing the citizenship of individual stakeholders".[19]

[13] (Garriga & Melé, 2004, p. 57)
[14] (Snider, Hill, & Martin, 2003, p. 181)
[15] (Loew, Ankele, Braun, & Clausen, 2004, p. 54)
[16] (Crane & Matten, 2007, p. 71ff)
[17] (Loew, Ankele, Braun, & Clausen, 2004, p. 53)
[18] (Loew, Ankele, Braun, & Clausen, 2004, p. 55)
[19] (Crane & Matten, 2007, p. 71ff)

Corporate Sustainability

Corporate sustainability (CS) or just sustainability is a term that is gaining increasing importance in business ethics. Its most common definition is derived from the Brundtland Report 1987 which defines sustainable development as the following: "Humanity has the ability to make development sustainable to ensure it meets the needs of the present without compromising the ability of future generations to meet their own needs."[20]

Even though CS initially only included the environmental dimension, it is much larger in scope nowadays than corporate social responsibility since it is viewed to include the three dimensions of economic, social and environmental sustainability. Furthermore the other dimensions were included because when corporations are considering the natural environment, their actions might also impact (negatively or positively) upon economic and social aspects.[21] Loew et al state even more drastically that in the long term sustainable development is not possible when pursuing only one of the three dimensions as the negligence of the other two dimensions will ultimately impact negatively on the original goals.[22] Hence to achieve real sustainable development all three dimensions need to be included which sometimes poses the problem of trade-offs in finding the best solution. One of the biggest distinctions to other concepts is that it does not only aim at the current situation and the stakeholders of the core business, but includes the wellbeing of future generations and the development of the industry and society as a whole.[23]

This concept is especially important in a time where the world uses more resources and pollutes the world more than ever before to ensure the worlds viability for future generations.

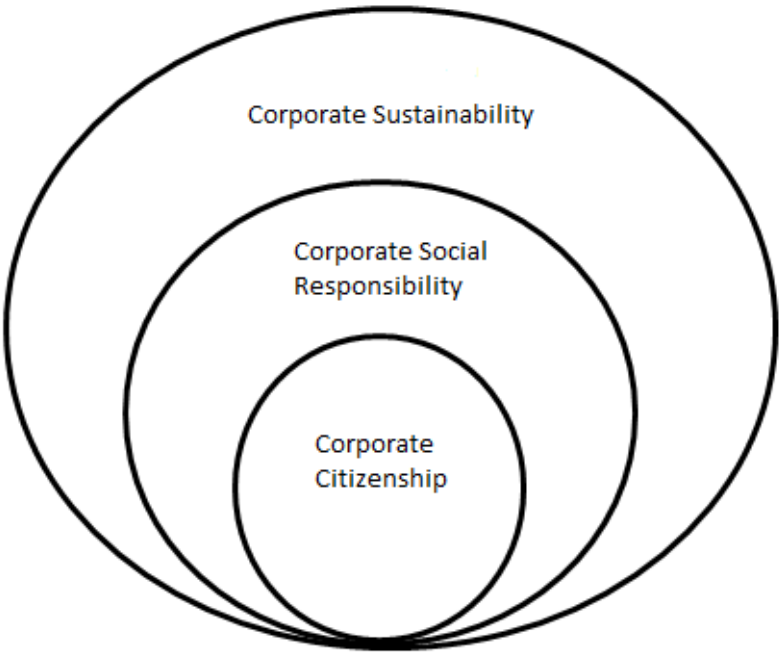
[20] (World Commission on Environment and Development, 1987, p. 16)
[21] (Crane & Matten, 2007, p. 21f)
[22] (Loew, Ankele, Braun, & Clausen, 2004, p. 58)
[23] (Bassen, Jastram, & Meyer, 2005, p. 234)

How CS, CSR and CC play together

Even though these three concepts are used often as synonyms and are confused in practice and even though they overlap they are very different in how far they are usually considered to reach. According to Filho et al[24] and also as used by many other scientists, CS is the most far reaching theory, since it encompasses social, environmental and economic concerns. CSR only encompasses the first two variables and CC is usually considered to be mainly philanthropic. All actions that are undertaken contribute to sustainable development. The following figure shows how those three theories play together and their connections:

Figure1

Dimensions of CC, CSR, and CS (adapted after Filho et al[25])



[24] (Filho & Pawlak, 2009, p. 66)
[25] (Filho & Pawlak, 2009)

Stakeholder Theory

This thesis will deal with CSR from a stakeholder point of view, meaning that CSR measures aim not only at the shareholders, which are the primary concern of any company, but at the much larger group of stakeholders. R. Edward Freeman who noted how intertwined and dependent firms are with the society around it mainly developed stakeholder theory. Firms can be seen as in a network and there are groups external of the firm having an interest in its activities. Management needs to consider these groups and their social demands when making decisions.[26]

Stakeholders can generally be defined as these groups that are interdependent of the corporation, meaning that they can influence and are influenced by the corporations business actions.[27] Another definition specifies them as those groups that are interested in the corporation, or who have rights connected to it as well as ownership rights and other claims.[28]

At the core of stakeholder theory are two ideas: stakeholders are all those groups with an interest in the company and not the other way around and their interests are important intrinsically and not because they enhance the interests of other groups such as the shareholders. Therefore, according to Garriga & Melé all these interest groups need to be considered simultaneously and their interests have to be balanced.[29]

According to the above definitions there are very large groups that may have an interest in a corporations actions and serving all these stakeholders may be difficult. However, literature argues that stakeholders affect a company's business and its success and therefore the main interest group, i.e. shareholders, can only be served successfully when considering stakeholders as well. Stakeholders may for example be employees, the community, customers or suppliers, the environment, etc. Even

[26] (Garriga & Melé, 2004, pp. 59, 60), (Jamali, 2008, p. 219)
[27] (Frynas, Beyond Corporate Social Responsibility, 2009, p. 15)
[28] (Snider, Hill, & Martin, 2003, p. 176)
[29] (Garriga & Melé, 2004, p. 60)

though, as stated before, in theory all stakeholders are important, in practice they cannot all be served equally at the same time, hence corporations often classify their interest groups according to priority to balance interests. Therefore stakeholder theory has helped to identify important groups that CSR needs to address and to distinguish them according to their relative importance for the firm.[30]

As stakeholder groups can end up being very large groups for international companies, serving such large and diverse groups can pose a great challenge to them and this is one of the reasons why the discussion of CSR programs is so vibrant, as there are many different ways how this difficult task can be managed.

Garriga & Melé sum up the importance of stakeholder theory as presenting a different view on CSR with ethically concerns as key issues.[31]

Carroll´s Pyramid

In this framework Archie B. Carroll developed a pyramid with four levels of responsibility that corporations have towards society. Basic responsibilities, the preconditions that are demanded by society, are the economic and legal dimensions. Corporations contribute to overall wealth by earning profits for their proprietors, providing employment with the corresponding wages, and by producing the goods and services society needs and wants. Hence an efficient and profitable business benefits all and therefore a corporation's economic responsibility is to be profitable. Legal responsibility means that society expects businesses to "play by the rules of the game" and, as the minimum of social behavior, to obey the law. [32]

[30] (Jamali, 2008, p. 217ff), (Garriga & Melé, 2004, p. 60f)
[31] (Garriga & Melé, 2004, p. 61)
[32] (Lantos, 2001, p. 596f), (Snider, Hill, & Martin, 2003, p. 176)

The third level of the pyramid encompasses a corporation´s ethical responsibility. To overcome the limited scope of the law, firms are expected to keep moral standards and to do "what is right," but also to protect society from harm, which may or may not be caused by the corporation. The pursuit of profit, at least in theory, has to keep morality in mind. The fourth and last level Carroll describes is philanthropic responsibilities or as it is sometimes also called humanitarian or altruistic CSR. Philanthropic involvement is, in contrast to the other levels, mostly voluntary even though demanded more and more by society and in short means being a good corporate citizen. Corporations are expected to give back some of their time and money through additional voluntary investments or different social activities benefiting society.[33]

The different levels in Carroll´s pyramid coexist; one does not have to complete one stage to move on to the next since a company can follow ethical guidelines or the law even when not making money. However the economic and legal responsibilities are clearly the most fundamental ones.

Lantos´ Extended Theory [34]

Noting that more distinctions are necessary, Lantos modified Carroll´s Pyramid into three categories: Ethical, Altruistic and Strategic CSR. Ethical CSR, in his view, is "morally mandatory"[35] and encompasses Carroll´s first three levels of the pyramid, i.e. economic, legal and ethical CSR. These are the minimum social responsibilities companies can be expected to follow, which entail for example correcting harm or staying away altogether from harming others. This includes harm to stakeholders, since for the generation of profits for shareholders also the means have to be

[33] (Lantos, 2001, pp. 597f, 600)
[34] cf. (Lantos, 2001), (Jamali, Safieddine, & Rabbath, 2008)
[35] (Lantos, 2001, p. 605)

considered. It also means to sometimes make a decision for the morally right action even at the corporation's expense. The base of Lantos model is what he considers any corporations moral responsibility, even if the business does not derive any financial benefits from it. He based his view on causal responsibility: The Corporation is responsible for issues caused by it. However, Lantos remarks that generally it can be observed, "good ethics is good business".[36]

Carroll´s level of philanthropic CSR is divided into altruistic and strategic CSR. The first one comprises truly good deeds that are not in the company´s usual realm of activities and are not expected by society. However businesses contribute to the higher goal of the common good by improving public welfare and society´s quality of life, even on their own expense and for incidents not caused by them. Lantos´ theory of altruistic CSR is based on what he calls capability responsibility: Since the corporation with its resources and special capabilities is able to alleviate public deficiencies, it must do so. According to Lantos few companies employ truly altruistic CSR, most are actually active in strategic CSR.[37]

Strategic CSR on the other hand are actions not only good for societal welfare but also benefits business. According to this view of CSR, corporations also give back to society, though this is done to achieve or in line with its strategic goals. The expenses for strategic CSR can be justified with long-term benefits; goodwill is generated. Lantos explains out that the present expenditure generates goodwill, which ultimately yields gains in the long term.

[36] (Lantos, 2001, p. 606f)
[37] (Lantos, 2001, p. 609)

2. CSR in the Oil Industry

Introduction

Investigating the oil industry regarding its CSR measures for the environment is specifically interesting since the oil sector is a large global polluter. As Frynas mentions “Oil and gas operations pose a threat to the environment at each stage of the process – construction, exploration, production, transportation, and refining.”[38] Levy and Kolk even go as far to say “the combustion of oil-based fuels accounts for nearly half of greenhouse gas (GHG) emissions in industrialized countries.”[39] The amount of pollution from just one industry is not insignificant and along with some major disasters that took place continues to receive great attention. Environmental activist groups use disasters for protests and try to force a change in the MNC´s behavior, which puts great pressure on the companies, since the negative effects of this kind of publicity can be devastating. All those incidents greatly increase public awareness of environmental problems.

Occurences

As seen in the oil spill in the gulf of Mexico in 2010 the disaster did not only entail devastating consequences for the environment like the sea, birds, fish but also to local communities who survive on fishing and tourism. As shown all over the news even two years later there are still major environmental problems as mutations of seafood and hundreds of dolphins dying every year due to the controversial heavy use of chemicals in the aftermath.

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[38] (Frynas, 2009, p. 64)
[39] (Levy & Kolk, 2002, p. 276)

Besides the effects such catastrophes have on the environment, they usually also entail major negative consequences on a companies stock prices. This can be seen with BP´s stock prices after the oil spill 2010. Stock prices plummeted with the bad news of the crisis.

These Consequences are still a major issue in BP´s Sustainability Report as well. Six full pages are dedicated to topics such as the restoration of the environment and the economy, wildlife monitoring, legal claims and the new conditions under which they started working in the Gulf of Mexico again.[40] In the report is furthermore illustrated how much this incident has cost BP, as they have not only set up a $20 Billion trust fund for legal claims etc., but are also investing millions of dollars into the promotion of tourism and other issues important to the affected area.

However, the long-term negative consequences that will affect generations are why the discussion of CSR is so important. Additionally, as stated by Skjaerseth & Skodvin the oil industries products, which are oil, natural gas, and coal are the biggest contributor to the emission of greenhouse gases.[41]

Industry description

Oil companies are among the largest companies worldwide with a high degree of globalization. Both Forbes Global 2000 and Fortune Global 500 list several oil & gas companies among the world´s biggest companies. Forbes current list from April 2012 even lists an oil company, namely Exxon Mobil as the world´s biggest public company.[42] Several other oil multinationals are also among the top 100 in the current list. This thesis will concentrate mostly on the strategy of oil companies from the western world, since there is not much documentation on those from

[40] (BP, 2012, pp. 7-11)
[41] (Skjaerseth & Skodvin, 2001, p. 44)
[42] (Global 2000: Forbes, 2012)

emerging countries. Furthermore oil is usually in the hand of the state in those countries and therefore strategies are different from public companies.[43]

As argued by Levy & Kolk the oil industry is quite comparable. They find that the oil industry´s environment, as well as the competition, capabilities and resources is very similar for most oil multinationals.[44] The product is undifferentiated and most are large MNCs with production sites and distributing in similar places, i.e. North America, Europe and the Middle East.[45] They continue saying that even though national requirements differ from country to country, environmental issues are often regulated at an international level, hence there are certain legal requirements regarding for example climate change that are applicable in the whole world.[46] Therefore at a first look, oil MNC´s strategies on how to deal with environmental challenges should be similar. However, very different strategies are developed, with differences especially found between companies based in Europe and the US.[47]

Results of Literature

Today climate change and other environmental issues are the concern of societies in the whole world, however they were an issue in the U.S. far earlier than in Europe. The American response was the formation of the Global Climate Coalition (GCC), an organization lobbying against climate science, fighting against regulative policies, challenging the reliability of climate science and opposing actions to meet climate goals. European oil MNCs were also part of the GCC, nevertheless not as long, as they recognized the existence of a climate problem years before the U.S.

[43] (Frynas, 2009, p. 30)
[44] (Levy & Kolk, 2002, p. 279f)
[45] (Levy & Kolk, 2002, p. 276)
[46] (Levy & Kolk, 2002, p. 277)
[47] (Kolk & Levy, 2001)

based oil MNCs. As a consequence they also left the GCC earlier, while many U.S. oil companies stayed until its disbandment in the year 2002.[48]

American and Europe based oil and gas MNC´s also differ at a next crucial step: While most European companies support the Kyoto Protocol a study from the year 2002 finds that many U.S. based companies did not only reject but even challenged the existing climate science at that time.[49] Because of these very different points of views, actions taken differ greatly too. European oil companies invest a lot of money and resources to reduce emissions, develop new, "green" or renewable sources of energy and they are in general more willing to cooperate.[50]

A study from the European Union investigating European Oil companies finds that most of them have some form of written CSR statement nowadays, covering, among others, environmental issues. [51] What the authors of this study investigated furthermore is what they call the "dimensions of responsibility". Their findings indicate that CSR is first and foremost seen as a tool to achieve compliance with what is mandatory, i.e. the legislation. Only as a second step, after fulfilling legal requirements, most questioned companies perceive the dimension of going beyond legislation as fairly important and furthermore CSR as a tool to meet government's recommendations is considered fairly relevant as well.[52]

Comparing these results with some widely accepted definitions of CSR it can be seen that they stand in contrast to the essence of the concept of CSR, namely going beyond legal requirements as the most important factor. However CSR still reaches its goal of companies rethinking their actions and effects on their surrounding.

As much as different terms are used in literature to describe the concept of CSR, the same goes for firms since they also employ many different terms. Most frequently used terms to describe business responsibility towards the environment and society

[48] (Kolk & Levy, 2001, p. 502f)
[49] (Levy & Kolk, 2002, p. 275)
[50] (Kolk & Levy, 2001, p. 501ff)
[51] (Boasson, Wettestad, & Bohn, 2006, p. 4f)
[52] (Boasson, Wettestad, & Bohn, 2006, p. 4)

are "CSR" and "Corporate Responsibility" followed by "Corporate Citizenship" and "Business Ethics". [53] Further corporations show great creativity with their terminology by implementing terms that are ranging from "Sustainable Value Creation", over "Viability", "Triple Bottom Line", etc. to "The Hydro Way".[54] This diversity of concepts employed makes it challenging to compare performances among companies, since varying concepts may target different issues and put different emphasis on them.

Important as a next step is that these nice sounding concepts are implemented into the business strategy and specific policies on how to protect the environment are developed. Boasson et al[55] find that many oil companies have done both of the above and really incorporated environmental issues into their strategy, which is not surprising given the importance of appearing as a responsible actor. What is difficult to compare though is how far reaching the policies employed are, since policies can range from very simple things, as switching off the lights when not needed, to far further reaching and much more costly measures.

To be able to trace progress within the corporation it is crucial to set targets that may apply for the company itself and sometimes even for suppliers and other business partners. For the implementations of CSR activities, performance tracking and reporting a vast variety of CSR instruments is being employed. Multinational corporations have the choice between numerous standardized instruments developed by organizations promoting environmental and social protection as e.g. the European Union (EU) or the Organization for Economic Co-Operation and Development (OECD) or developing company specific CSR instruments. The advantage of standardized instruments is the easier comparability of outcomes for any stakeholder interested in the company. Standardization may also be of assistance in creating guidelines or as a basis for implementing CSR strategies into the company, making it simpler for companies engaging in CSR activities. On the

[53] (Boasson, Wettestad, & Bohn, 2006, p. 3)
[54] (Boasson, Wettestad, & Bohn, 2006, p. 3)
[55] (Boasson, Wettestad, & Bohn, 2006, p. 7f)

other hand company specific instruments can be adapted to the special needs and requirements of the corporation as well as its environment and the main stakeholders.

CSR Instruments:[56]

A study identifies some main categories of CSR instruments, namely codes of conduct, management systems, forms of stakeholder engagement and cooperation, non- financial accounting and reporting. Companies often implement not just one, but, as one oil company did, even up to 24 different CSR instruments. [57]

Codes of Conduct:

Codes of conduct refer to a set of rules predefined either by the company itself or other organizations that oil MNCs choose to comply with. One of the most popular codes of conduct followed by most oil companies is the Global Conduct, which consists of 10 principles governing the areas of human rights (Principle 1 and 2), labor (Principle 3-6), environment (Principles 7-9, see below), and anti-corruption (Principle 10).[58]

> Global Conduct´s Guidelines governing the environment: [59]
> "Principle 7: Businesses should support a precautionary approach to environmental challenges;
> Principle 8: undertake initiatives to promote greater environmental responsibility; and
> Principle 9: encourage the development and diffusion of environmentally friendly technologies. "

The Global Conduct is rather generally worded, so that it can be applied by any industry. Notwithstanding it is a step into the right direction and can serve as a starting point for any firm to respect human rights, the environment, etc.

[56] (Boasson, Wettestad, & Bohn, 2006, p. 10ff)
[57] (Boasson, Wettestad, & Bohn, 2006, p. 10f)
[58] (Boasson, Wettestad, & Bohn, 2006, p. 10f), (United Nations Global Compact, n.d.)
[59] (United Nations Global Compact, n.d.)

Besides company specific codes of conduct, which are of considerable importance, the OECD guidelines are applied.[60]

> OECD guidelines:[61]
>
> "The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards."
>
> The OECD guidelines provide principles not only regarding the environment but also other areas such as combating bribery, human rights, etc.

Management Systems:

One of the most important management systems worldwide and also employed frequently by Oil companies is the ISO 14000 by the International Organization for Standardization (ISO).[62] The ISO develops international standards for different industries and covering all kind of business aspects. The ISO 14000 series is dedicated to the environment and is a framework supposed to help setting up an environmental management system. This management system is not legally binding, but can be used as a tool to comply with legislation and furthermore to go beyond and fulfill important aspects of CSR. The ISO 14000 is one of the most important environmental management systems worldwide.

> "The ISO 14000 family of standards addresses various aspects of environmental management including: labeling, performance evaluation, life cycle analysis, communication and auditing." [63]

Another management system developed by the European Commission is the Eco Management and Audit Scheme (EMAS), which is quite important within Europe going even further than the ISO. With EMAS the framework for developing an environmental management system is the same as with ISO 14000 but on top of that expects corporations to continually improve their environmental performance.

[60] (Boasson, Wettestad, & Bohn, 2006, p. 10f)
[61] (OECD, 2011, p.3)
[62] (Boasson, Wettestad, & Bohn, 2006, p. 10f)f
[63] (International Organization for Standardization, n.d.)

Before being certified an environmental test will take place. After that regular reviews take place to test progress towards achieving goals, compliance with the rules, and actual performance, which are verified by an independent examiner. These environmental reviews are unique and help secure certain standards for environmental performance of firms. Furthermore, certified corporations are allowed to use the EMAS logo to promote their "green" company.[64] The EMAS is used by about half the European oil companies and company specific management systems are of considerable importance as well.[65]

Forms of Stakeholder Engagement and Co-Operation:

Stakeholder engagement and consultation is a very important tool for oil companies today since they can and do exert their power by protesting, striking, informing the public and so forth when they feel treated unfairly or feel like their needs are not taken seriously.[66] Negative publicity can cost corporations great amounts of money and therefore collecting information about stakeholders and consulting with them becomes more and more important.

Reporting:

Reporting plays a central role in connection with CSR, since this is the way to communicate to the public about all the good the firm is doing and how it is advancing. Frynas finds that the oil industry reports publishes more elaborate reports than other industries, which may be due to their greater environmental impact.[67] Additionally he lays out that, besides 80 per cent of all oil companies publishing reports in 2005, a high percentage of oil companies lets their reports be verified by independent sources, which adds credibility to these.

Company specific reports play a major role in the oil industry, as virtually every company publishes their own report. However, those are most generally based on

[64] cf. (Europäische Organisation für Umweltmanagement, n.d.)
[65] (Boasson, Wettestad, & Bohn, 2006, p. 10f)
[66] (Boasson, Wettestad, & Bohn, 2006, p. 12)
[67] (Frynas, Beyond Corporate Social Responsibility, 2009, p. 68)

the Global Reporting Initiative (GRI), or as a study finds 78% of their sample adheres by their standards however to varying degrees.[68] The GRI "is a non-profit organization that works towards a sustainable global economy by providing sustainability reporting guidance" with sustainability being described as consisting of the four parts of economic, environmental, social, and governance performance.[69]

An issue in connection with non-financial reporting is the provision of auditing standards to validate these reports. The International Standards on Assurance Engagements (ISAE) 3000 provides international principles and guidelines with procedures for reports about sustainability issues, internal control systems, corporate governance processes, etc.[70] Researchers have found that about 55% percent of oil MNCs have been received assurance statements that were achieved in accordance with this guidance.[71] The AA1000 Assurance Standards are principles similar to the ISAE 3000 guiding the audit of non-financial reporting and used by less than 25% of all audits.[72]

The Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions provides guidelines and recommendations to help oil and gas companies to report about their greenhouse gas emissions.[73] They are implemented by about 55% of the sample. [74]

[68] (Boasson, Wettestad, & Bohn, 2006, p. 12)
[69] (Global Reporting Initiative, n.d.)
[70] (International Federation of Accountants, n.d.)
[71] (Boasson, Wettestad, & Bohn, 2006, p. 12)
[72] (Boasson, Wettestad, & Bohn, 2006, p. 12), cf. (AccountAbility, 2008)
[73] (International Petroleum Industry Environmental Conservation Association, 2011)
[74] (Boasson, Wettestad, & Bohn, 2006, p. 12)

Differences between US and EU

Even though one could expect very similar approaches to environmental CSR among oil MNCs, many scholars have found considerable differences in strategies.[75] Despite of these substantial discrepancies it can be noted over time that corporations adjust their behavior to one another. Frynas states, "…once CSR tools and practices become more sophisticated and developed, they spread across an industry via professional meetings, memberships of the same associations and joint ventures, and then become accepted norms."[76]

Nevertheless there are many causes with one reason for divergent strategies being the home country environment since cultural values and norms influence managerial decision making to a great degree.[77] Another reason is that customers in Europe for example seem to be more concerned about the environment than customers in the US and as a consequence also exert considerably more pressure on "non-behaving" corporations through strikes, NGOs, negative publicity etc. Scholars have come to this conclusion as well remarking "Non-governmental pressures were stronger in Europe than in the US."[78]

Another scare for competitors was that when BP was one of the first movers towards a more sustainable company behavior they have attracted sarcasm for their "Beyond Petroleum" campaign as well as negative attention from NGOs and environmental activists as they were much more in the center of attention.[79] This kind of vulnerability originating from a decision to take on responsibility let other oil companies think harder if they should follow such a rough path.

[75]Cf.: (Levy & Kolk, 2002), (Kolk & Levy, 2001), (Skjaerseth & Skodvin, 2001)
[76] (Frynas, Beyond Corporate Social Responsibility, 2009, p. 35)
[77] (Levy & Kolk, 2002, p. 280f)
[78] (Frynas, Beyond Corporate Social Responsibility, 2009, p. 25)
[79] (Kolk & Levy, 2001, p. 507)

Empirical Analysis

For the empirical analysis of what oil companies do today to fulfill their responsibilities towards society a selection of 10 major oil companies was chosen. All these corporations are major players with operations all over the world, but more specifically they are all active in Europe and the US, which was important to verify if the differences found by literature still exist.

Most of them are part of the “supermajors” as some of the biggest public oil corporations are sometimes collectively called.

The following table 1 shows which oil companies were chosen, with their according rank in the Global 2000 list of the World´s Biggest Public Companies (as of April 2012) and their sales to have an estimation of their size and significance in the global economy.

Table 1:

List of Oil Companies selected

Company	**Country**	**Global 2000 Rank**	**Sales billion $**
Exxon Mobil Corporation	USA	1	433,5
Royal Dutch Shell plc.	Netherlands	4	470,2
BP plc.	UK	11	375,5
Chevron Corporation	USA	12	236,3
Total S.A.	France	18	216,2
Conoco Phillips Company	USA	27	230,9
Eni S.p.A.	Italy	29	143,2
Statoil ASA	Norway	41	111,6
Repsol S.A.	Spain	140	72,8

To verify their activities and engagement in environmental CSR only publicly available information was included as found on the companies homepages. This information should be reliable and it can be argued that when a company does something good, they want to share it with the world and promote it. Included in this study was only the relevant information and management instruments concerning the environment.

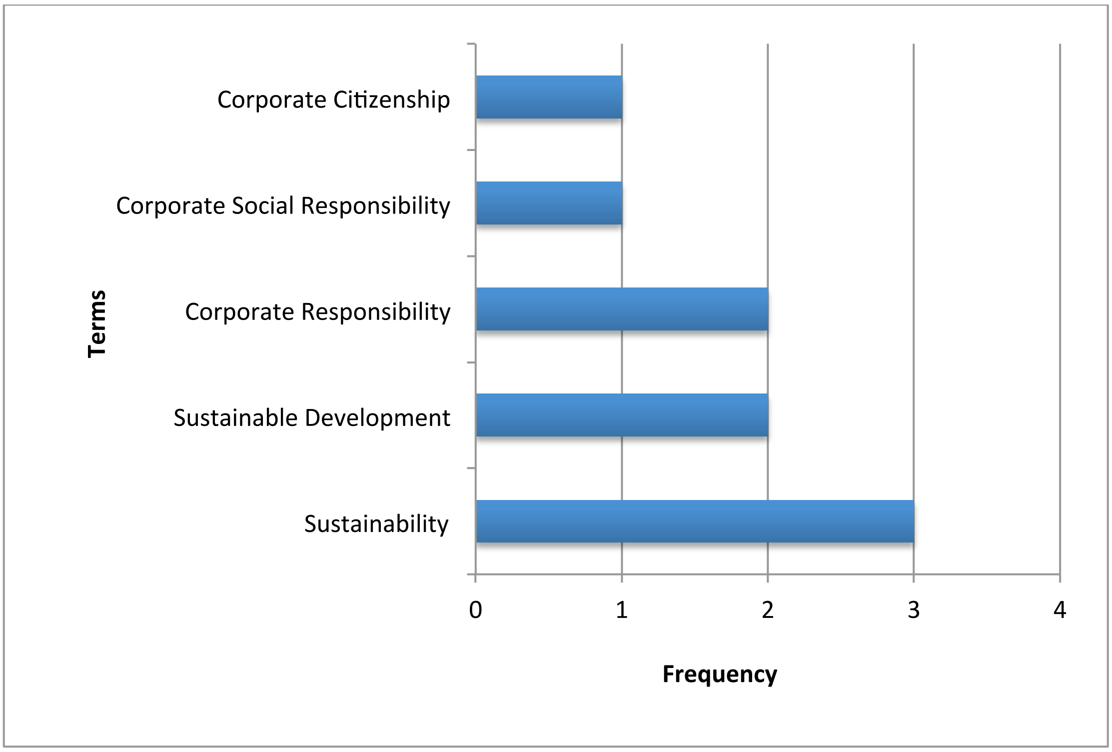
Scholars have found that some oil MNCs have resisted pressures to engage in environmental protection for a very long time, hence as a first step it was necessary to test if all included corporations have employed some sort of environmental CSR program, which they all did.

As discussed above, there is a great variety as to the terms used to describe these activities firms engage in. Figure 2 "Terms to describe Responsibility in the Oil Sector" shows the terms employed. It turned out that modifications of "Sustainability" and "Corporate (Social) Responsibility" were favored and there is little variety besides that. This is good news for scholars and the broad public since as Boasson et al[80] argue "Diverging concepts and understandings make it more difficult to compare their performance and difficult to hold them responsible for their actions." Comparability for stakeholders is easier when just one term is used, but also the recall value increases. If corporations use many creative diverging terms to describe the same thing it might get missed by investors etc., however when one already knows a term it can associate something with it, especially when something positive is associated it has a positive effect on the firm too. One further advantage of the term of "sustainability" being employed is that it includes the dimension of social, environmental and economic responsibility and with that is one of the most holistic expressions. Interesting to note is that, no matter which concept was chosen, mostly they were described to include all three dimensions of sustainability: economic, social, and environmental responsibility.

[80] (Boasson, Wettestad, & Bohn, 2006, p. 3)

Figure 2:

Terms to describe Responsibility in the Oil Sector



CSR Instruments

Codes of Conduct

As evidence that firms don't only promote good sounding concepts for marketing strategies but that there is actual commitment they were investigated if codes of conduct were in place. It appears that all companies have some sort of code of conduct for the whole firm and its employees. More than half of the selected companies follow the Global Compact´s principles and in addition to that have all have set up their own company specific code with different names and contents as seen in Figure 3 "Codes of Conduct in the Oil Industry". 45% of the companies are following the OECD Guidelines and 11% the Principles of the Rio Declaration on Environment and Development. The latter comprises 27 principles defined by the

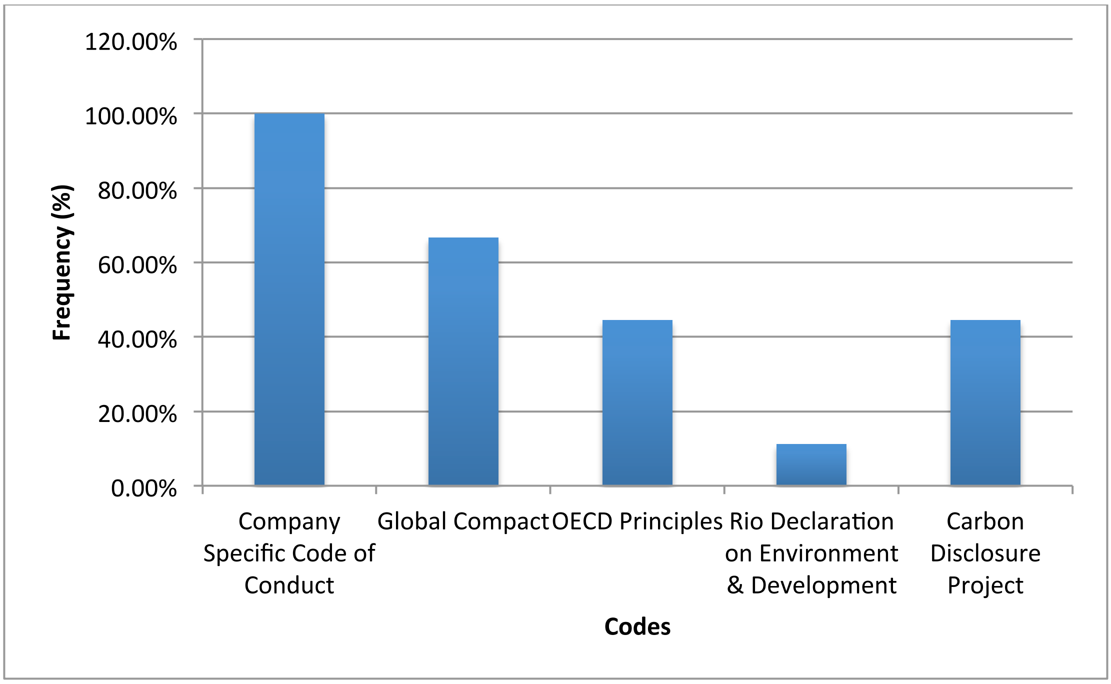
United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992 aimed at "Working towards international agreements, which respect the interests of all and protect the integrity of the global environmental and developmental system."[81] The Carbon Disclosure Project seems to be gaining relevance as well, since 45% of the oil MNCs is participating.

About the Carbon Disclosure Project[82]:

„The Carbon Disclosure Project (CDP) works to transform the way the world does business to prevent dangerous climate change and protect our natural resources. We see a world where capital is efficiently allocated to create long-term prosperity rather than short-term gain at the expense of our environment.“

Figure 3

Codes of Conduct in the Oil Industry



Management Systems

Another CSR instrument inspected was management systems that provide a framework of procedures for any given corporation to meet its goals. All oil

[81] (United Nations Conference on Environment and Development, 1992)
[82] (Carbon Disclosure Project, n.d.)

companies have a company specific management system, the majority has ISO 14001 certifications for most of their locations and two claim that their company specific management system complies with the ISO 14001. One European corporation is getting started setting up the EMAS in their European subsidiaries. It is definitely a positive sign that more and more embrace environmental management systems making environmental concerns an essential part of their philosophy. However binding systems as the EMAS are accepted considerably less as it goes much further by being legally binding with compliance audits etc.

Reporting

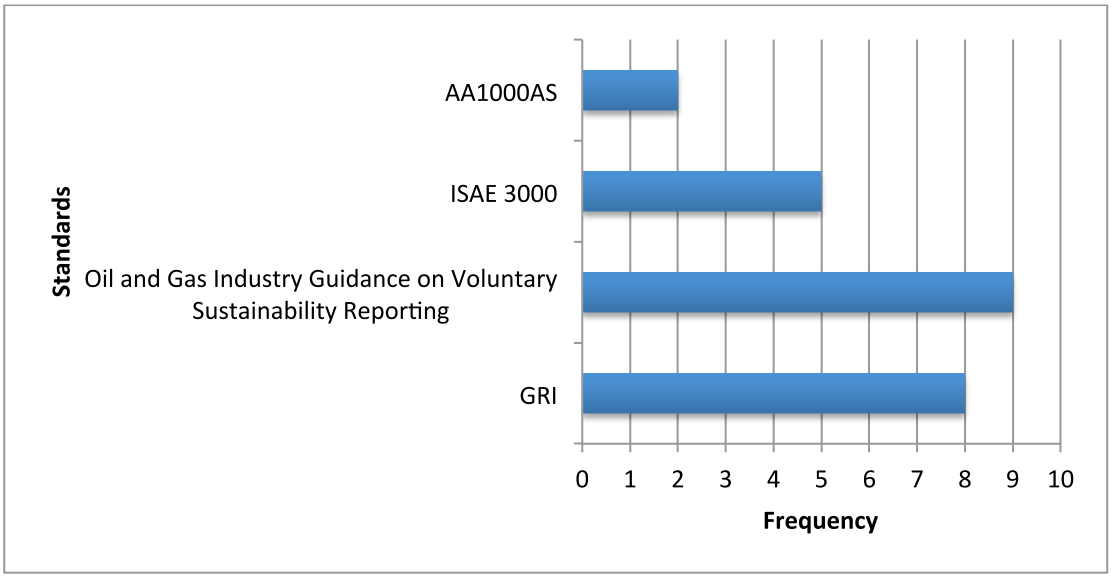
Reporting standards were examined since they are an essential way of informing interest groups about corporate environmental engagement and standards that are applied. Especially when examining reports, a higher degree of standardization increases comparability to see how far oil MNCs dedication really goes. All, except for one company, who only publishes regional reports without stating which standards they are following, adhere to the GRI standards. Out of these six report on A+ level, which is the highest level. Besides these, all companies claim to follow the "Oil and Gas Industry Guidance on Voluntary Sustainability Reporting". This is another fairly new reporting guide, but relevant in the oil sector, as it was developed in 2005 by the International Petroleum Industry Environmental Conservation Agency (IPIECA), the American Petroleum Institute (API), and the International Association of Oil and Gas Producers (OGP).[83] This guide was developed by industry specialists, the involvement of stakeholders as well as the public providing performance indicators for the different areas of CSR (such as health, environment, etc.) together with guidelines and specified measurement units. A big advantage of this guidance is that it was developed specifically for the oil and gas industry, which simplifies benchmarking and drives performance through greater comparability.[84]

[83] (Frynas, Beyond Corporate Social Responsibility, 2009, p. 68f)
[84] (International Petroleum Industry Environmental Conservation Association, 2011)

Five corporation reports in line with the ISAE 3000 and two follow the AA1000AS (2008) assurance principles. As mentioned before, one company is excluded, since it does not publish a companywide report, only regional ones without stating which standards, with the exception of the Voluntary Sustainability Reporting Guidance, were employed. It can be assumed that this company uses individual reporting standards, considering that firms usually want to promote the tools they use. All information is shown in Figure 4 "Reporting standards in the Oil Industry".

Figure 4

Reporting standards in the Oil Industry



Stakeholder Engagement

In regards to stakeholder groups companies nowadays look much further than just serving their shareholders and by that go beyond than just increasing profits but rather try to balance the needs of different groups. One company defined local stakeholders for each site, but all others usually have predefined a general list of stakeholders for the whole company. Those generally include employees, consumers, shareholders, suppliers and business partners, NGOs and governments, communities, etc. as important stakeholder groups. Some even mention the media, or research. It can be seen that the view, where businesses only felt responsible towards the direct owners and legislation is changing towards broader groups as suggested by CSR theory. All investigated oil MNCs state that they engage in stakeholder dialogue in different ways from inviting interest groups, to stakeholder forums etc.

3. CSR in the Banking Industry

Introduction

Banks are not generally known for the amount of their pollution and probably don't receive much negative attention for being inconsiderable to the environment. However, banks, especially large global banks, have come to the focus of the public again in the worldwide crisis and the meltdown of major banks in 2008. Many large banks do have environmental programs and most likely benefit from them in some way.

Within the banking industry there is several different segments in which they may be active. A classification by the Global Reporting Initiative subdivides banks according to their activities into retail banks, commercial and corporate banks, asset management and insurance activities.[85] Very big banks, which are of relevance in this analysis, are commonly operating in several different banking activities.
Unlike the oil industry, where many differences could be found between regions, in the banking industry this does not seem to be the case.[86]

Industry description

The banking industry is a very global industry as well. The Global 2000 currently ranks the bank JP Morgan Chase as number two of the World's Biggest Public Companies but even though there are many global actors there are also many smaller regional banks.[87]

[85] (Global Reporting Initiative, 2008, p. 5)
[86] (Scholtens, 2009, p. 173)
[87] (Global 2000: Forbes, 2012)

As opposed to the oil industry, the banking industry is a very clean industry. Its core business mainly takes places in offices without much danger of creating an environmental hazard. Even though the banking industry cannot be involved directly in such extreme environmental disasters as the oil industry, they play a central role in our economies greatly impacting society and, due to their size the whole world, as could be seen in the last global economic crisis which is believed to be caused, at least partly, by the banking industry´s irresponsibility.

As Scholtens states banks are financial intermediaries with tasks ranging from pricing and evaluating assets over risk management, the organization of a payment system to the supervision of borrowers.[88] They are involved in daily life and processes for business and private people. It has been established that the finance sector indeed does affect CSR and sustainable development and furthermore these issues are influenced to a greater degree by lending and private equity than the stock market.[89]

Despite of the huge impact that can be made, banks started considering CSR issues relatively late, with first concentrating on direct environmental and only later on social problems. Direct environmental problems and risks refer to the pollution caused by the bank itself, whereas indirect risks emerge with the banks activities, as for example financing shady enterprises ultimately sheds a bad light on the bank itself. A bank's risk assessment nowadays must not only include financial risks, but also environmental and social risks.[90]

The degree to which a bank can make the world a "greener" place through direct CSR is likely to be limited; however impacting upon others is also limited due to the indirect role financiers' play as they only impose additional requirements for

[88] (Scholtens, 2009, p. 159)
[89] Cf. (Scholtens, 2006), (Scholtens, 2009)
[90] (Viganó & Nicolai, 2006, p. 5)

financing. Responsible for the execution, whether good or bad, is the entrepreneur.[91]

All the above conditions create an interesting area of tension as to how and to which extent banks actually can affect CSR.

Occurrences

Environmental scandals such as the BP Deepwater Horizon oil spill are basically non-existent; hence there should not be much pressure by stakeholder groups regarding behavior to the environment. However, the banking industry is in the focus of attention for many scandals, as they are the ones being held responsible for the global economic crisis, which started in 2008.

Results of Literature

By analyzing more than 30 institutions in the banking industry Scholtens finds that the great majority of the banks release a sustainability report by 2005, compared to only five years earlier where just one third of the same institutions published reports.[92] This study furthermore illustrates perfectly how fast CSR matters are changing in the banking industry as well as the positive trend towards more responsible behavior, even in the "non-polluting" industries.

Regarding to the title banks use to describe their responsibilities, a smaller variety was employed than in the banking industry. A study[93] (allowing multiple answers) finds that the most common terms used are Corporate Social Responsibility (82%), followed by Corporate Responsibility (53%), Corporate Sustainability (41%) and

[91] (Scholtens, 2009, p. 161f)
[92] (Scholtens, 2009, p. 165)
[93] (Viganó & Nicolai, 2006, p. 10f)

Corporate Citizenship (35%). Only very few companies denominate this topic as Business Ethics, Corporate Accountability or the Triple Bottom Line.

Just as in the oil industry the dimension of responsibility is an important indicator for the relevance of CSR issues. Through a questionnaire banks indicated that compliance with legislation is most relevant to them, only after that 82% see their commitment beyond legal requirements as fairly and for half of them even very important. [94] Furthermore they indicated that following government's recommendations are also fairly relevant for the majority of the sample, as these recommendations often are incorporated in legislation later on. Finally the sample is split in half when it comes to the evaluation of political contributions for forming mandatory legislation and the assessment of suppliers activities, which half the sample considers at relevant and the other half poses little relevance on it, however with suppliers activities being somewhat more important. Another study comes to the conclusion that supplier's activities are so important that virtually every bank has a supply chain management policy installed.[95]

As stated before, in the banking industry there is direct and indirect CSR. Apparently banks are very conscious about this role since more than half the questioned institutions place greatest importance on indirect CSR activities, i.e. environmental and social issues that can be influenced via the customers. Less than one third considers direct environmental issues as very important.[96]

Business strategy & policy[97]

The strategic importance banks place on environmental issues was tested on the example of mitigating climate change, which led to rather obvious results. 76% of the sample placed high or rather high importance on this issue area, while only the

[94] (Viganó & Nicolai, 2006, p. 12)
[95] (Scholtens, 2009, p. 165)
[96] (Viganó & Nicolai, 2006, p. 15)
[97] All information taken from (Viganó & Nicolai, 2006, p. 15f)

remaining 18% stated they place low importance (6% did not answer this question). These results show that even in a clean industry such as the banking industry climate change and environmental issues are of considerable relevance.

As a next step it is crucial that these important topics are also incorporated into the companies strategy or new policies are developed. Interestingly also for this topic most institutions either incorporate climate issues into corporate strategies, or, the majority has developed self-standing policies.

CSR instruments

Codes of Conduct

Codes of conduct are an important instrument to achieve environmental goals in the banking industry as well and a number of codes are implemented. One study investigating European banking institutions finds the company specific codes as the most important one.[98] Also within Europe the Global compact´s principles are very important and followed by many in contrast to North America where it was of no relevance at all as a study investigating the year 2005 finds.[99] Further insights of this study show that many institutions all over the world adhere to the United Nations Environment Programme Finance Initiative (UNEP FI) which is a very unique association between the financial sector and the United Nations Environment Programme (UNEP) providing a framework specifically for the finance sector. More than 200 global financial institutions participate in this association, which promotes sustainable development of the banking, insurance and investment sector.[100]

> About UNEP FI:[101]
>
> "UNEP FI works closely with over 200 financial institutions who are Signatories to the UNEP FI Statements, and a range of partner organizations to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research

[98] (Viganó & Nicolai, 2006, p. 22)
[99] (Scholtens, 2009, p. 166)
[100] cf. (UNEP Finance Initiative, 2011) and (UNEP Finance Initiative, n.d.)
[101] (UNEP Finance Initiative, n.d.)

> and training, UNEP FI carries out its mission to identify, promote, and realize the adoption of best environmental and sustainability practice at all levels of financial institution operations."

Members must follow the statement of Commitment and furthermore get actively involved besides paying a membership fee. Publications provide help to implementation of sustainability principles into daily business actions. As presented in the UNEP FI overview 2010[102] investors backing climate issues manage funds totaling US $ 15 trillion and with that can have tremendous impact, both negative and positive.

Another framework for the determination, assessment and management of social and environmental risks of project finance are the Equator Principles, which are prominent among worldwide finance institutions.[103]

> About the Equator Principles:[104]
>
> "The Equator Principles Financial Institutions (EPFIs) have consequently adopted these Principles in order to ensure that the projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices. By doing so, negative impacts on project affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately."

These principles highlight the banks important indirect role that they have on society, as these principles are specifically developed for banks to decide whether to lend money and through that shape and direct which good projects are funded and conversely which ones with negative impacts cannot receive funding. Of course as long as not everyone participates, there are always other possible ways to finance projects; nevertheless it is one step into the right direction. Currently almost 80 members are registered and it seems that the importance is particularly great within Europe, as almost half the members are from Europe and the rest is made up by institution from all over the world.[105]

[102] (UNEP Finance Initiative, 2011)
[103] (Scholtens, 2009, p. 165f)
[104] (Equator Principles Association, 2006, p.1)
[105] (Equator Principles Association, 2011)

Management Systems:

Certified management systems to govern environmental performance are also adapted by the banking industry, however to a lesser degree than within the oil industry. A European study[106] finds that about 70% of the banks in their sample comply with the ISO 14000 series and 50% furthermore have a company specific management system in place, however the EMAS system developed by the European Union is adopted much less frequently among banks. Within the US certified management systems seem to play a much lesser role than within Europe even though more institutions are picking up on them in 2005 as compared to the year 2000.[107] Even so, all this information about management system does not tell whether at all and how these implemented systems deal with the most important aspect in the banking industry, namely the indirect CSR activities, hence the meaningfulness and importance of these systems in place is restricted.[108]

Stakeholder engagement:[109]

This instrument seems to be of high importance in the banking sector too as most banks state that they not only collect information from and about their stakeholder, but furthermore consult with them and are actively involved in various stakeholder initiatives. Especially climate issues are essential topics in stakeholder dialogue since these issues are less frequently translated into corporate strategies and policies. Interesting is the comparatively high percentage of banks of 65% stating that they are not only active in this area but also include stakeholders into their corporate decision making.

[106] (Viganó & Nicolai, 2006, p. 23)
[107] (Scholtens, 2009, p. 165f)
[108] (Viganó & Nicolai, 2006, S. 24)
[109] All information taken from (Viganó & Nicolai, 2006, S. 24)

Reporting

Reporting about social and environmental issues, besides financial issues seems to be an integral part of the banking industry. Viganó and Nicolai find that all institutions have developed company specific reports and most of these (90%) are following the GRI´s framework. 70% furthermore apply the GRI Financial Services Sector Supplement (FSSS).[110]

The FSSS[111] are GRI´s reporting guide specifically for all financial institutions to report better on their social and environmental goals, challenges and performance. A working group made up by a great number of different and international stakeholders develop, elaborate and continuously improve these sector specific reporting guidelines. For banking institution to receive a GRI application level A it has become mandatory to apply the FSSS, providing a great incentive for institutions. This supplement is another step to standardizing reports to achieve greater comparability for various stakeholder groups, while still adapting to the needs of this specific sector.

> About the FSSS:[112]
>
> "It includes the original Guidelines, which set out the Reporting Principles, Disclosures on Management Approach and Performance Indicators for economic, environmental and social issues. The Supplement's additional commentaries and Performance Indicators, developed especially for the sector, capture the issues that matter most for companies in the financial services sector. "
> and
> About FSSS[113]
> "The Supplement provides guidance for retail, corporate and commercial banking, insurance and asset management on how to report on the environmental and social performance of their products and services. The indicators of the revised Supplement are now integrated and built upon the existing G3 reporting framework of the GRI."

Employed by about 30% of the banks in 2005 is the International Standards on Assurance Engagements (ISAE) 3000.[114] The ISAE 3000 provides international

[110] (Viganó & Nicolai, 2006, S. 24)
[111] cf. (Global Reporting Initiative, n.d.) and (UNEP Financial Initiative, n.d.)
[112] (Global Reporting Initiative, n.d.)
[113] (UNEP Financial Initiative, n.d.)
[114] (Viganó & Nicolai, 2006, S. 24)

standards for audits of non-financial reports; hence these guidelines with procedures and principles are for reports about sustainability issues, internal control systems, corporate governance processes, etc.[115]

Only within Europe the Internal Environmental Performance Indicators for the Financial Industry are of some relevance. Almost one quarter of the banks[116] adhere by these indicators that provide standards for environmental reporting, as well as tools for the calculation of ecological key figures to improve the quality of stakeholder dialogue. The aim is the global application of these standards, however, so far their relevance is limited to mainly Europe.[117]

Empirical Analysis

For the empirical analysis of banking institutions ten of the major players, according to the Forbes Global 2000 list of the World´s Biggest Public Companies, were analyzed.[118] They are all based in Europe or the US and have operations in both. In the following table 2 shows a list of all banks included in this study, the country of origin, the ranking in the Forbes Global 2000 list, and the assets under their control in Billion Dollars. Institutions included engage in different kinds of banking activities such as corporate or retail banking, etc. Most are active in several areas, however the main field of engagement might vary from bank to bank. Just as for the oil companies only publicly available information from the banks homepages was included in this study.

The results of my research support literature that CSR and environmental CSR are an important topic even in the banking industry. Not one of the big banks

[115] (International Federation of Accountants, n.d.)
[116] (Viganó & Nicolai, 2006, S. 24)
[117] (Verein für Umweltmanagement und Nachhaltigkeit in Finaninstituten e.V., n.d.)
[118] (Global 2000: Forbes, 2012)

apparently can or wants to skip this theme and they all make it an issue dedicating whole sections on their homepages and many resources for CSR.

Table 2

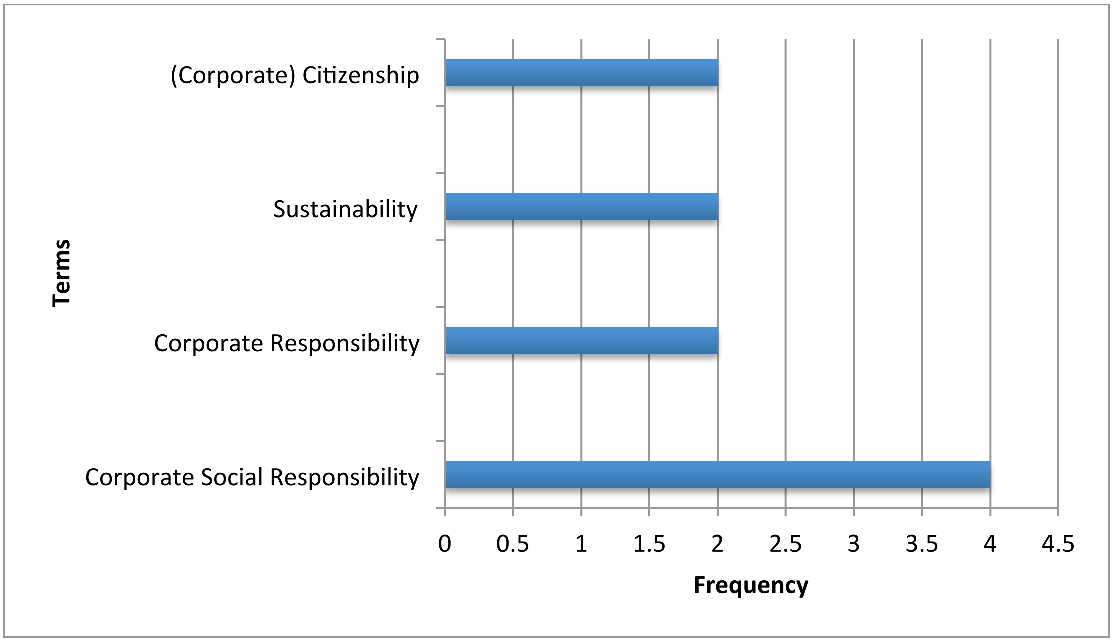
Major Banks chosen for sample

Company	**Country**	**Global 2000 Rank**	**Assets Billion $**
JP Morgan Chase	US	2	2.265,8 B
HSBC Holdings	UK	6	2.550 B
Wells Fargo	US	9	1.313,9 B
Citigroup	US	14	1.873,9 B
BNP Paribas	France	20	2.539,1 B
Deutsche Bank	Germany	52	2.809,4 B
Barclays	UK	53	2.425,2 B
Bank of America	US	83	2.129 B
BBVA-Banco Bilbao Vizcaya	Spain	83	767,7 B
Societe Generale	France	94	1.531,1 B

Regarding the main terms that were applied to describe companies responsible role in the society, there is not too much variety, just as research suggests. Favored was the concept of Corporate Social Responsibility (40%), followed by Corporate Responsibility (20%) which together already account for 60% of the sample. Of equal importance were the terms Sustainability and (Corporate) Citizenship as shown in Figure 5. However, despite the heterogeneous meaning of all the above concepts, according to literature, almost all banks describe their social, environmental and economic responsibility with the term that they have chosen. One bank, namely BNB Paribas, added civic responsibility as a fourth dimension, others, such as Barclays describe their responsibility as “contributing to growth”, "supporting communities" and "the way we do business" as the pillars of Citizenship in their Citizenship Report 2011.[119]

Figure 5

Main Terms used to describe Responsibility of Banks



Interestingly many banks juggled with several concepts. Even though they had one concept, such as CSR in place as a catchphrase, others were used besides or as sub terms of the main notion. Citigroup for example has a Citizenship Program describing and defining the responsibilities they have. For example JP Morgan Chase calls their responsibility program Corporate Responsibility and under this heading they describe the social, economic and environmental responsibilities towards society. However, when referring more specifically to their environmental responsibility, they name it environmental sustainability, hence sustainability here is employed like a sub-concept. Figure 6 shows all the terms banking institutions use. It appears that banks cannot agree on the meanings of these concepts (just as scholars) and therefore it is sometimes confusing to the interested reader.

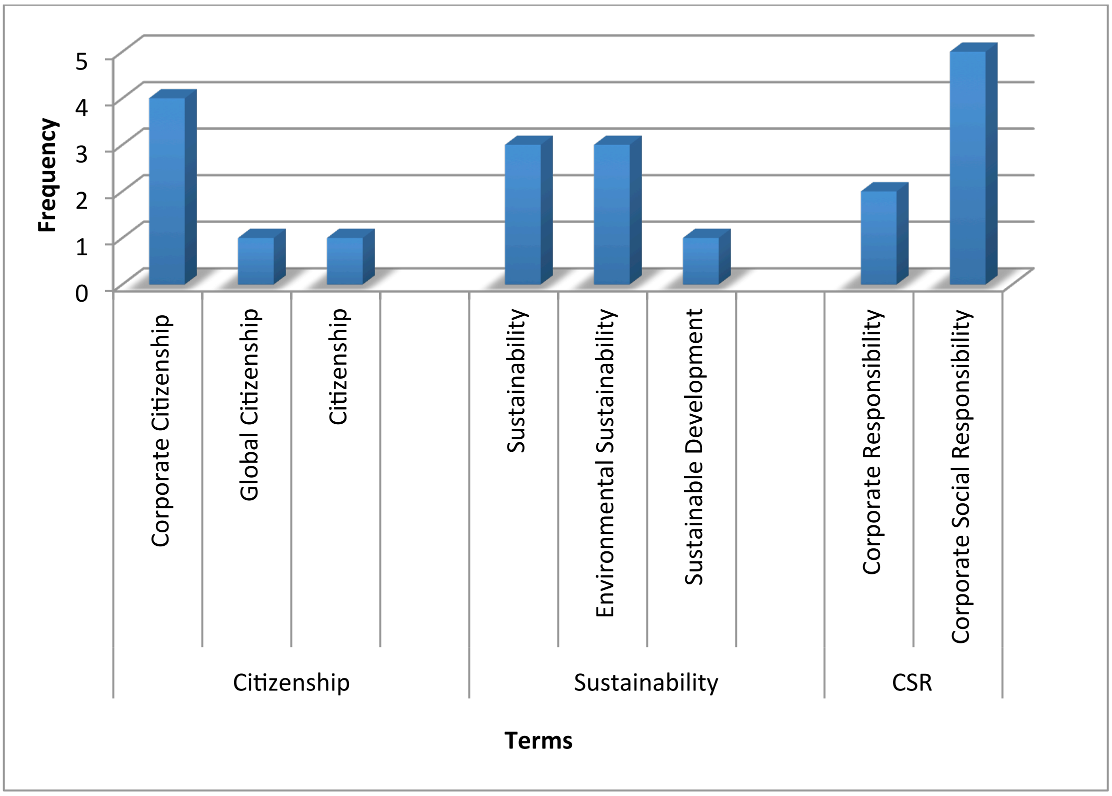
[119] (Barclays, 2011)

CSR Instruments

A large number of CSR instruments can also be found in international banks.

Figure 6

All Terms applied by banks

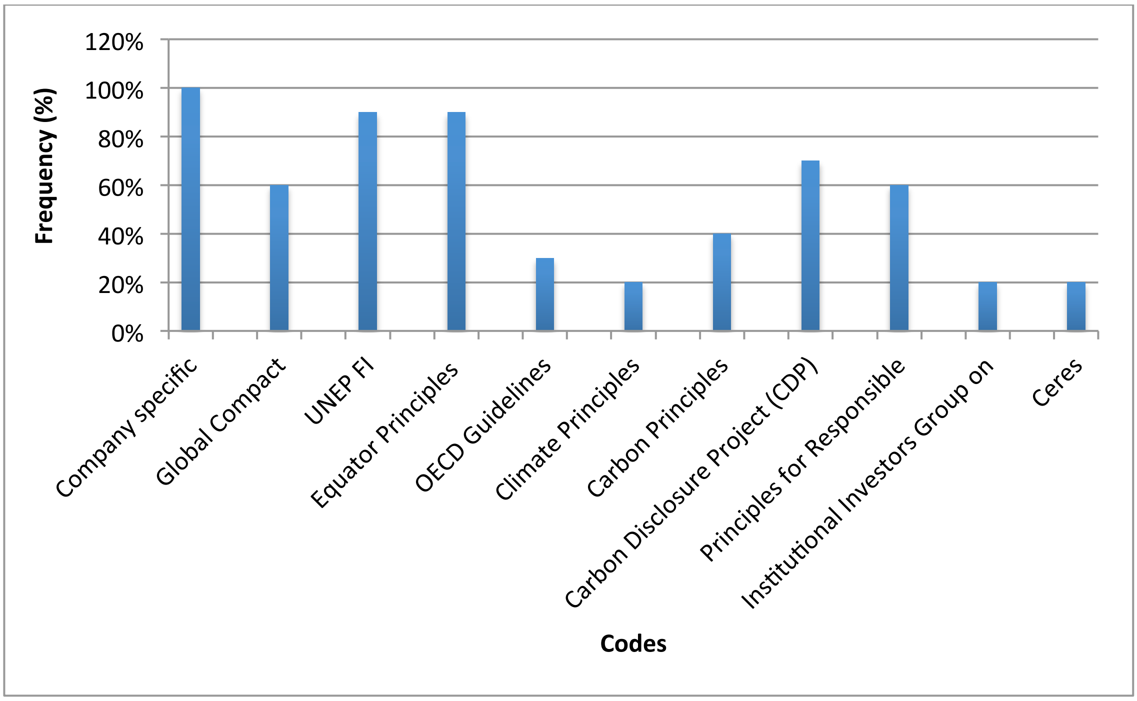


Codes of Conduct

There is many code of conducts available specifically designed for the banking industry recognizing its important role in the economy and furthermore the influence that can be exerted through indirect CSR. Nevertheless, besides all the standardized instruments applied as shown in Figure 7, every single bank has its own company specific code of conduct in place which makes them still the most important one.

Figure 7

Codes of Conduct employed by banks



All banks except for Well Fargo are registered signatories of the UNEP FI statements. Furthermore 90% adhere to the Equator principles; and the only bank that is not a registered member, Deutsche Bank, declares that they have implemented a policy that follows the Equator principles. 60% and 30% of the banks implement the Global Compacts principles and the OECD guidelines respectively, however mainly European ones. Furthermore there are two carbon initiatives, the Carbon Principles and the Carbon Disclosure Project (CDP). The first one is an American project, which only US banks (40% of the sample) adhere, whereas the second appears to be international as it is implemented by 70%.

> About the Carbon Principles[120]:
>
> "The Carbon Principles provide a consistent approach for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects. The

[120] (The Carbon Principles, n.d.)

> Principles and the accompanying Enhanced Environmental Diligence Process strive to create industry best practice for evaluating options to meet the electric power needs of the United States in an environmentally responsible and cost effective manner in an uncertain policy environment."

Another set of important principles are the Principles for Responsible Investment (PRI), which are followed by 70% as well, however only one US bank states its commitment. The UNEP Finance Initiative and the UN Global Compact with the help of investors, governmental organizations, civil society, etc. developed the principles rather recently, from 2005-2006. They were designed to include environmental, social and corporate governance (ESG) issues into daily investment decision-making since these issues greatly affect portfolio performance. The goal is that these principles make a valid contribution to sustainability within the finance system and bring higher returns when taking lower risks in the long term.[121]

Less important seem to be the Institutional Investors Group on Climate Change (IIGCC) Initiative as well as the CERES.

Management Systems

For the management of their environmental impact all banks have a certain kind of system in place. Unlike the oil industry, where almost every company has a certified management system such as the ISO 14001 series or EMAS by the European Union, certification in the banking industry is very rare. Only three European banking institutions have the ISO 14001 system installed, however one of them states that the accreditation needs to be renewed and another states the system is in use only for some branches. Besides these 3 another European company has a management system based on the ISO 14001 series, and no US bank describes any connections to ISO. The EMAS system is not applied by any of the banks included in this study. Company specific systems play the largest role as eight out of the ten banks have their own system in place. As already remarked before, it is good news that banks

[121] (UN Principles for Responsible Investment, 2006)

have management systems to control their impact on the environment. Nevertheless it is not known how far reaching these company specific systems are and to what extent these really do have a positive impact or are just good as a marketing strategy. Neither can be ensured if they cover only the direct or also indirect impacts, which are the most important ones in this industry.

Reporting:

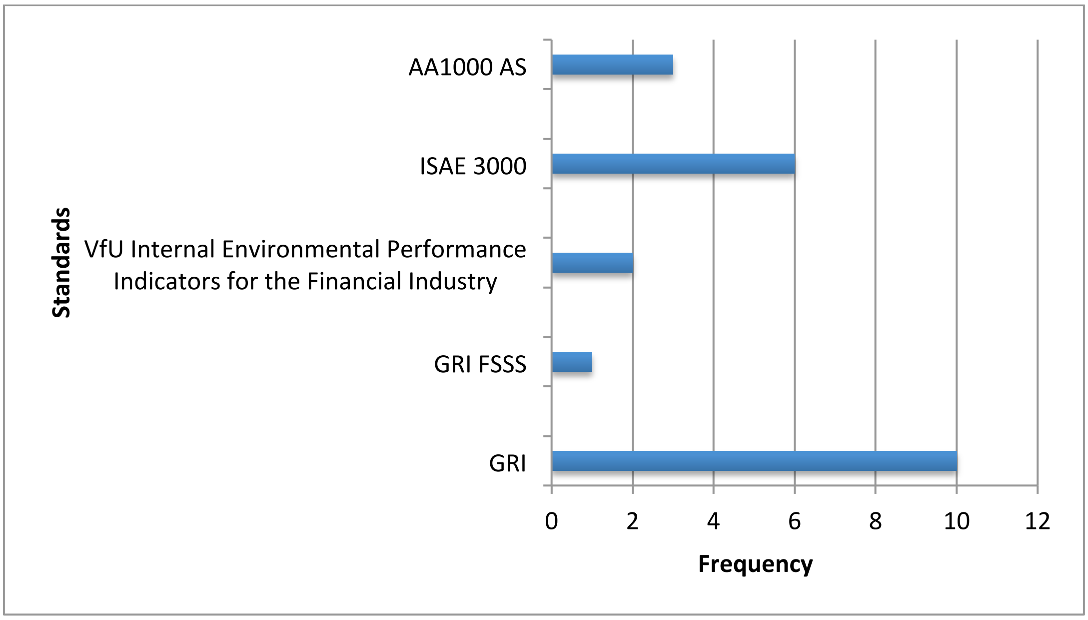
Certainly all banks report on the good they are doing for the environment. All but one, even publish separate CSR reports and they all claim to comply with the sustainability reporting framework published by GRI. Four banks declare that they report on level B or B+, five don´t reveal the level and one declares to comply with an A+ level. To achieve that A+ level this bank must also comply with the Financial Services Sector Supplement (FSSS), which one more bank also complies with and another one was guided by the FSSS. Hence it can be said that 30% comply with or base their reports on the FSSS.

All reports published by the six European institutions (60%) have been audited based on the ISAE 3000 assurance standards and for half of these auditors stated that they additionally complied with the AA1000 AS assurance standard. There were no statements as to the assurance standards applied for the US based companies, since they usually don´t seek external assurance.

The VfU Internal Environmental Performance Indicators for the Financial Industry were only mentioned by one third of the European based banking institutions and therefore it seems that they are loosing importance when compared to findings in literature. Furthermore the goal of becoming an important international standard seems rather unrealistic, as there are many more important standards. The results are shown in Figure 8.

Figure 8

Reporting standards in the banking industry



Stakeholder Engagement:

Stakeholder Engagement cannot be foregone by the banking industry and therefore they all promote their commitment. Stakeholders are clearly identified and named and also many examples on how they are included in business life are shown on websites. For example many banks engage in multi stakeholder forums, they host sustainability events, and of course as one of the most important, but also least clearly defined tools, banks engage in dialogues with their stakeholders.

4. Reasons to protect the environment

A great number of studies have investigated the potential benefits for companies that protect the environment with sometimes contradicting results. It appears that there is an especially strong correlation between integrating environmental issues and business benefitting from it, as compared to the integration of social matters.[122]

There is a lot of literature that has been written on whether CSR is profitable and whether these environmental investments pay of or not. Two researchers find in a study of firms in the S&P 500 shows that especially poor performance in the environmental area leads to a lower value of firm's assets; hence this bad performance is punished.[123] Furthermore this effect is stronger in high pollution industries such as the oil industry as compared to the cleaner ones.

Also Lenox and King have found reason to believe that the reduction of pollution and better financial performance are connected, even though the effect might vary over industries and firms.[124]
A study by Ron Bird et al finds that companies are affected negatively when not meeting certain environmental standards, however interestingly going too far with voluntary environmental protection seems to be punished by the market too.[125]

Oil companies

One very obvious reason for doing good is if something good in return can be expected. Lodwrick Cook, the CEO of ARCO, now a daughter company of BP, has stated openly that in his opinion "Good deeds are wonderful - but I like good

[122] (Frynas, 2009, p.78)
[123] (Konar & Cohen, 2001, p. 281)
[124] (King & Lenox, 2001, p.113)
[125] (Bird, Hall, Momenté, & Reggiani, 2007)

numbers even more."[126] He has led his company through environmental inventions by reformulating gasoline, making the environmental strategy the basis for financial success. Reasons underlying his decision are not primarily to show his responsibility, but to gain a competitive advantage and to be profitable.

Cooks success might be outdated; his inventive way of leading business has started over 20 years ago; however the idea of gaining an advantage through successful CSR management is not. Exxon Mobil explains in its Citizenship Report of the year 2011 that in their opinion a competitive advantage can be obtained when managing environmental issues carefully.[127] Another study comes to the same conclusion, analyzing BP who has estimated savings of $ 0,65bn just through the prevention of flaring in the year 2000.[128] Arco´s former CEO Cook has also noticed this point before stating that sometimes "When one changes strategy, good deeds and good numbers are one and the same."[129] In literature this positive connection has been well discussed too and several other authors confirm this effect between environmental innovations and competitive advantages.[130]

Brown, who analyzed the origin of CSR programs, proposes another reason for why oil companies engage in CSR, which is CSR as a way to actively work through great crisis that might threaten corporate viability.[131] He states that the birth of such programs "…was not originally an expression of corporate proaction, but a nervous reaction to political and cultural threat."[132] This view is in sharp contrast with what companies often try to promote, which is conform with the theoretical background, to go beyond of what is legally required, to do something voluntary, even at an additional cost. Brown´s view might be closer to the reality in many cases than firms

[126] (Piasecki, 1995, p. 37)
[127] (Exxon Mobil, 2011, p. 13)
[128] (Frynas, 2010, p. 3)
[129] (Piasecki, 1995, p. 60)
[130] cf. (Frynas, 2009, p. 79)
[131] (Brown, 2008)
[132] (Brown, 2008, p. 2)

would want to admit and therefore could pose the question of the legitimacy of CSR programs.

Negative effects on the environment are often know beforehand by companies and usually these cannot be hidden for a very long time, or as Piasecki argues “eventually, all environmental issues are public.[133] Whenever irresponsible behavior comes to light it usually entails great costs for the corporation, be it restitution or compensation payments, damages in reputation or similar.

Furthermore not only good management but also the adoption of higher quality of materials, machinery and facilities can lead to great reductions of environmental disasters and even to lower maintenance costs in the long run. This effect of a “convergence of environmental and business interests” has been observed by Frynas.[134]

Avoiding all these damages in the first place through good management of corporate social responsibility therefore might prove to be a great incentive for banks to follow this trending movement.

Banks

Maybe not at first sight, but after a closer look, there are good reasons for the banking industry to consider environmental issues too.

One important reason for banks to engage in CSR practices is because successful CSR management has been linked to higher customer satisfaction.[135] As found by scholars, banks customers’ discontentment is the major reason for them to switch to a different bank, which banks certainly want to avoid since loosing customers

[133] (Piasecki, 1995, p. 39)
[134] (Frynas, 2010, p. 3)
[135] (Luo & Bhattacharya, 2006, p. 3)

entails losses.[136] Another research paper analyzing the impacts of CSR on satisfaction as well comes to the conclusion that "… studies provide evidence to suggest that socially responsible companies are likely to be viewed more favorable by consumers than less socially companies."[137]

Indirect issues:

A banks reputation, and subsequently their business, is more and more affected by their clients' reputation and that is the reason why banks are looking more to invest and support clients who meet certain standards.[138] These negative effects seem to be very strong, since several banks call their environmental management systems (EMS) often "environmental risk management system" and they utilize environmental risk policies.

Also Kerschbaummayer and Alber discuss the importance of environmental policies within the banking sector already in the year 1996.[139] They find that banks, as for example the World Bank and the International Monetary Fund (IMF), who ignored social and environmental criteria in their lending decisions have received much criticism. This is because banks are so big and have a tremendous impact and even lending decisions can lead to irreversible damage and much harm.

Darabaris has classified these environmental risks of banking institutions into three groups, namely "Liability from the banks´ own operations", "Risk of loan default by debtors", and "Investment (equity) risks".[140] He especially discusses the likelihood of loan default, where customers are, in the worst case, not able to pay back their debts, due to legal liabilities after poor environmental performance. Also the

[136] (Manrai & Manrai, 2007, p.209)
[137] (McDonald & Rundle-Thiele, 2008, p.174)
[138] (Cuesta-González, Munoz-Torres, & Fernández-Izquierdo, 2006, p.289)
[139] (Kerschbaummayr & Alber, 1996, p.236f)
[140] (Darabaris, 2008, p.148)

probability to pay fines for bad environmental behavior is increased, which might decrease the value of collateralized property.[141]

Furthermore especially important within the banking industry is the incredible rise of importance of ethical investments; since the eco-money-market is booming and huge amounts of money are collected for ethics funds this area builds a profitable market banks cannot forego.[142]

Differences

As pointed out before, the preconditions for the two industries of this study are very distinct. One, the oil industry is a large global polluter, yet very essential for the industrial world. The second one is the banking industry with little direct impact on the environment, but also a very important industry worldwide. However the banking industry has an enormous indirect impact on this world´s environment, which is one of the first major differences. Therefore both industries are important to consider when talking about protecting and conserving the environment, because they are able to make a difference, however in a different fashion, i.e. direct vs. indirect.

As a consequence the measures for environmental protection differ substantially and industry specific instruments to protect the environment are crucial. The oil industry seems to prefer the terms “Sustainability” and “Sustainable Development” for describing their environmental responsibility which are very broad terms encompassing all three dimensions of social, environmental and economic dimensions. The banking industry favors variations of the term “Corporate Social Responsibility” which is more limited in scope, however even though there is one main term, also a great number of other terms are mentioned.

[141] (Darabaris, 2008, p.147)
[142] (Kerschbaummayr & Alber, 1996, p.238)

In the codes of conduct that are employed especially the banking industry adheres by a great number of different codes and out of these many industry specific ones. This is very valuable because they guide this important industries behavior with money and the world's economy. Both industries adhere by certain reporting standards, however in this area especially the oil industry adheres by industry specific ones, whereas the banking industry mainly reports in accordance with the GRI, which is a general reporting framework. Also the banking industry´s reports are barely certified, which is an essential part within the oil industry, where reporting is an essential part of their business and the certification adds much credibility.

Even though the oil industry also states that they expect their suppliers to act according to certain standards and this is gaining importance, this point naturally is still much more important within the banking industry. However, CSR is becoming more than ever an integral part of any business reaching to influence more and more parts of the business and including suppliers and clients etc.

One problem arises with the measurability of the indirect influence of banks. Oil companies nowadays publish about their carbon emissions, quantity of oil spills, energy reduction efforts etc. with precise numbers, therefore, assuming those numbers are correct, they can be compared within the industry and the corporation´s own performance can be traced over the years. Within the banking industry also a banks own performance can be traced, however the much larger and more important part of indirect impacts is generally not quantified and therefore not measureable and comparable. The effectiveness of their measures therefore can often hardly be proven and therefore more research and standardized reporting instruments, etc. is needed in this area.

Conclusions

There are considerably different preconditions for the two industries that were analyzed, which are the banking and the oil industry. Both are very large with great impacts on our economy, however just the latter is a major contributor to greenhouse gases, as not just the production, but also the use of its products is hazardous. Therefore Corporate Social Responsibility as a way to positively manage all that exposure and criticism that comes with business, was welcomed rather fast, even though in the beginning more by European countries than the US. Oil companies employ a great variety of CSR instruments for different categories such as `Codes of Conduct´, `Management Systems´, etc. and furthermore they are all an active Citizen consciously managing their role in this world.

CSR has become an issue for the banking industry even more recently than for oil companies. Within the banking industry a completely different matter is of great importance, which is the indirect influence they can exert on others. As their own impact on the environment is not even comparable to the oil and gas industry, they can do much for the environment by making others comply with high standards. This has been called indirect CSR and is a major issue in the banking industry. However the measurement and comparison to compare how responsible banks are managing this indirect exposure and how effective it is, is fairly difficult. Further research is suggested in this area.

Comparing these two industries it seems the case that companies nowadays try to impact the world and the environment "wherever and however they can", i.e. with their means they try to do something. The reasons for this may be very different, but it seems that any industry can derive an advantage through this kind of engagement.

One major reason for their engagement, within any industry, is the monetary benefits that can be derived, but also on the other hand the monetary punishments for nonperformance.

Within the oil industry especially the avoidance of even worse consequences seems to be a major issue while for the banking industry avoiding to loose customers as well seems to be very important.

Both Industries use a good variety of industry specific instruments, which helps to compare corporations of the same industry among each other and also ensures certain minimum standards of conduct or reporting etc.

ANNEX

Abstract Englisch

This thesis investigates environmental CSR measures in the oil and banking industry. Since these industries are very contrary, a very dirty one vs. a rather clean one, the approach to CSR might be expected to be highly individual. However interestingly both are very active in measures protecting the environment and reporting about it, because they have very different approaches:

- Within the oil industry any direct measures are of great importance, since it affects the environment directly through all its activities from the production process and refining to the use of their end products. Reporting about the progress to keep the environment safe and clean is a crucial part of any oil major within the US and Europe. The public keeps an eye on all activities and especially nonperformance with their expectations is punished highly negatively. Historically corporations based in the US have shown very different behavior as the European based oil corporations; due to globalization they have become very comparable though as corporate behavior has been converging gradually.
- Within the banking industry the *indirect* environmental protection is most important, since the nature of the banking business is rather clean. Not much can be done to lower small environmental impact, however through their size and importance the banking industry can exert much pressure on other groups. Society expects bank to fill this role responsibly and to actively influence good environmental behavior through credit risk analyses etc. Industry specific codes of Conduct are a very important tool for banks that help them guide their actions.

Environmental CSR within these two industries underlies many changes over time, meaning that each year CSR is integrated more into corporate thinking and acting, may it be through policies, management systems etc. One major reason for both

industries to engage heavily in CSR is monetary. The derivation of potential benefits, such as first mover advantages, is a part of this just as the avoidance of potential harm through lawsuits or compensation payments.

It seems though, that for all different kinds of industries there might good reason to not forego environmental CSR and to include it into corporate strategy.

Abstract German

Diese Diplomarbeit untersucht welche CSR Maßnahmen zum Umweltschutz von verschiedenen Industrien angewendet werden. Die untersuchten Industrien sind zum einen die Öl-Industrie welche als sehr umweltbelastend gesehen wird und zum anderen die Bankenindustrie welche bezüglich ihrer Umweltperformance wenig im Rampenlicht ist. Den konträren Ausgangsvoraussetzungen zum Trotz sind beide Industrien sehr aktiv im Bereich des freiwilligen Umweltschutzes allerdings in verschiedenen Arten:

- In der Öl-Industrie kommt *direkten* Maßnahmen die größte Bedeutung zu, da diese auch die Umwelt in vielerlei Art direkt bedroht und verschmutzt. Vor allem die Berichterstattung durch firmeneigene CSR Berichte ist ein wesentlicher Bestandteil jeder größerer Ölfirma in Europa und den USA. Die Gesellschaft beobachtet das Verhalten vieler großer Unternehmen sehr genau und jedes Fehlverhalten wird sofort bestraft. Obwohl in der Vergangenheit große Unterschiede bezüglich des Verhaltens von europäisch und US-stämmigen Unternehmen beobachtet wurden konnte, kann festgehalten werden, dass sich die Verhaltensweisen aneinander angepasst haben.
- Im Gegensatz dazu kommen in der Bankenindustrie vor allem indirekte CSR Maßnahmen zum Einsatz da ihr direkter Einfluss auf die Umwelt relativ gering ist. Durch die Natur der Bankgeschäfte kann durch

> indirekte Einflussnahmen allerdings viel bewegt werden und die Gesellschaft erwartet immer mehr dass diese Rolle auch verantwortungsvoll ausgeführt wird. Durch beispielsweise Umweltrisikoanalysen und strengere Kreditvergaberegelungen kann viel bewegt werden und Banken verwenden eine große Anzahl an industriespezifischen Verhaltenskodizes um ihre Arbeit von moralischen Überlegungen leiten zu lassen.

Die ergriffenen Maßnahmen und auch die Erwartungen der Gesellschaft unterliegen einem stetigen Wandel, allerdings wird umweltpolitisches CSR immer wichtiger und wird auf verschiedene Arten in Unternehmen integriert. Einer der wichtigsten Gründe für die Integration dieser Aspekte ist oft vor allem ein finanzieller, um entweder negative Folgen zu vermeiden oder einen finanziellen Vorteil zu erlangen. Diese Vorteile bzw. Schäden scheinen groß genug zu sein dass kein Industriezweig mehr an umweltpolitischen CSR Maßnahmen herumkommen kann.

CV Barbara Lopez Suazo

Nationality: Austrian

E-Mail: a0304373@univie.ac.at

Education:

Since 2005 **CLS Austria**
Education of Diplom Lebens- und Sozialberaterin

Since 2003 **University of Vienna**
Study of Economics and Business Administration (Internationale Betriebswirtschaft) at the University of Vienna with focus on: "International Management" and "Corporate Finance"
Seminars included Corporate Finance Seminar, Seminar in International Strategy and Organization, Seminar in International Business Management, Seminar in International Personnel management

2003 **Gymnasium Bernoulli**
High School Degree

Professional Experience:

Since 2010: Moore Stephens Schwarz Kallinger Zwettler Wien

Languages:

German, English, Spanish

Acronyms

API	American Petroleum Institute
CC	Corporate Citizenship
CDP	Carbon Disclosure Project
cf.	Confer/compare
CS	Corporate Sustainability
CSR	Corporate Social Responsibility
e.g.	For example
EMAS	Eco Management and Audit Scheme
EMS	Environmental Management System
etc.	Etcetera
EU	European Union
ff.	And the following
FSSS	Financial Services Sector Supplement
GCC	Global Climate Coalition
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IPIECA	International Petroleum Industry Environmental Conservation Agency
i.e.	Id Est, which is
IMF	International Monetary Fund
ISAE	International Standards on Assurance Engagements
ISO	International Standards Organization
MNC	Multinational Company
NGO	Non-Governmental Organization

OECD	Organization for Economic Co-Operation and Development
OGP	International Association of Oil and Gas Producers
PRI	Principles for Responsible Investment
UK	United Kingdom
UNCED	United Nations Conference on Environment and Development
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
US(A)	United States (of America)

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