

## Chapter 79

# Determinants of Corporate Social Responsibility Disclosure in Latin American Companies: An Analysis of the Oil and Gas Sector

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### ABSTRACT

*The oil and gas sector exerts a major influence on the global economy. However, its negative impact on the environment and society has provoked increasing concerns about its activities and consumption of natural resources. Therefore, and in view of the fact that Latin America has the world's largest conventional oil reserves, the aim of this paper is to analyse the voluntary disclosure of information on the corporate social responsibility (CSR) of oil and gas companies operating in Latin America, and to study the factors that may influence the provision of this information. The results obtained show that although companies in this sector are becoming more aware of the impact of their activity, greater efforts need to be made with respect to CSR. We find that the largest, most profitable oil and gas companies tend to publish the most complete CSR reports.*

## **INTRODUCTION**

In recent years, there has been growing interest in better understanding the environment in which firms operate and the implications of their business activities. The concept of corporate social responsibility (CSR) is viewed as a means of reducing the negative impact of business activity on human rights and the environment (Gill et al., 2008; Paredes et al., 2010).

According to Alazzani and Wan-Hussin (2013), the oil and gas sector is a strategic area of the economy and has global repercussions. This industry faces a major handicap, namely the characteristics of the regions in which it operates, which are often geographic areas of great bioclimatic importance, or inhabited by indigenous populations, or comprised of very low income rural sectors. In consequence, as indicated by Zamora and Ramos (2009), the exploitation of oil and natural gas resources can produce negative environmental or social effects. In addition, as a result of the increased global consumption of oil and gas, the activities of these companies are having a significant adverse impact on the environment (Frynas, 2010; Durange de C. Infante et al., 2013).

In light of this situation, international organizations, governments, pressure groups and stakeholders are paying ever greater attention to the social, natural and economic consequences of oil and gas sector activities. Furthermore, companies in this sector are becoming increasingly aware of the impact of their activities, and are drawing up plans to encourage environmental and social responsibility, developing projects to minimize their environmental impact and implementing social initiatives aimed at improving living conditions in the areas in which they operate.

Vaca et al. (2007) argued that the assumption of CSR practices and standards seeks, among other goals, to acquire social legitimacy. In this context, CSR reports provide a unique opportunity to legitimize decisions and actions carried out by organizations (Gamerschlag et al., 2011; Dong et al., 2012). Ideally, these reports should comply with certain standards, and the leading guide in this respect, which has provided a major boost to this activity, is published by the Global Reporting Initiative (GRI) (AECA, 2005; Coulmont et al., 2013). In view of the crucial importance of this industry, in 2012 the GRI published its Oil and Gas Sector Supplement.

Diverse theories have been proposed to explain why organizations provide information about their performance in the field of CSR, including institutional theory (DiMaggio & Powell, 1983), legitimacy theory (Dowling & Pfeffer, 1975) and stakeholder theory (Freeman, 1984). Each of these theories sets out reasons why factors present in the economy, governance, society and the cultural environment may affect the provision of information about CSR practices and standards. In accordance with the tenets of each of these theories, it is interesting to examine which factors may influence the disclosure of CSR information by companies in the oil and gas sector.

Taking as a starting point the potential benefits to be gained from acquiring information about disclosure of CSR information in the oil and gas sector, the main objectives of this chapter are, first, to quantify the CSR information disclosed voluntarily by oil and gas companies operating in Latin America in their CSR reports (Latin American countries possess the largest conventional oil reserves in the world) and, second, to specify the factors under which oil and gas companies may or may not act in socially responsible ways.

As CSR disclosure is an important instrument in the dialog between companies in the oil and gas sector and society, the approach adopted in this study may contribute significantly to the understanding of the development of CSR strategies in the oil and gas sector. In addition, new findings may be obtained

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