The New Framework for the Compulsory Publication of Sustainability Reports:
Evidence From Greek Companies

Dionysios E. Karaiskos
Hellenic Open University, Greece

Konstantinos I. Evangelinos
University of the Aegean, Greece

Panagiotis Vouros
University of the Aegean, Greece

Ioannis E. Nikolaou
Democritus University of Thrace, Greece

EXECUTIVE SUMMARY

This chapter examines how the changes from voluntary to mandatory corporate social responsibility (CSR) reporting influence the quantity and quality of disclosed CSR information. Furthermore, it examines the adaptation level for CSR reports in relation to the requirements of the regulatory regime. To do so, a research agenda is designed through the relative literature in order to make clear the challenges and barriers of the changes of the CSR reporting regime as well as a framework is developed to evaluate the progress of CSR reports within the new regime. This research is based on a scoring and benchmarking methodology which is tested in a sample of 23 Greek firms which systematically publish CSR reports the last five years. It is worth noting that a mandatory regime from CSR reporting has been lately introduced in Greece by integrating into Greek Law (4403/2016) the European Union Directive 2014/95/EU which requires Greek firms with over 10 employees to publish CSR reports on a mandatory basis.

INTRODUCTION

CSR reporting offers a common language for business community to make a clear and transparent debate with financial community in particular and other stakeholder groups in general (Nikolaou & Evangelinos, 2010). Several large firms have, either voluntarily or mandatory, disclosed information on an annual basis primarily to inform their stakeholders on their triple-bottom-line performance on financial issues, environmental protection and social equity. The behavior of firms to CSR reporting varies among countries, sectors, size of firms, quantity and quality of information due to the different regulatory regime and the pressure of stakeholders (Kolk, 2003; Perrini & Tencati, 2006).

The necessity for CSR reporting is usually examined through the costs and the benefits for firms and their stakeholders. On the one side, different stakeholders groups strive to gather appropriate CSR information in order to make safe decision making by avoiding potential financial risks which are accrued from environmental and social problems (Franks *et al.*, 2014). For example, financial community needs CSR information to eliminate potential financial losses either from physical and social risks (Herweijer *et al.*, 2009). It is known that financial performance of many industry sectors are vulnerable to climate change effects (e.g. floods and droughts) such as agricultural (Smit & Skinner, 2002), sport (Wolfsegger *et al.*, 2008), mining (Ford *et al.*, 2010) and tourism sector (Moreno & Becken, 2009). These potential environmental and social risks could bear high adaptation costs for firms which might be reasonably transferred to financial stakeholders (e.g. insurance companies, banking sectors and investors) who could obviously face these risky conditions by gathering ex ante suitable CSR information in order to make safer decision making and eliminate their potential financial losses. This is a significant reason which explain the voluntary movement of some sectors (e.g. mining industry) to offer CSR information in order to legitimate their operation and gain the social license to operate as well as to reduce themselves' and their stakeholders' risks (Moffat & Zhang, 2014).

On the other side, a large part of literature puts emphasis on the positive influence of CSR practices on corporate financial performance (Paul & Siegel, 2006). Particularly, several helpful techniques have been suggested to examine such positive influence which are drawn CSR information from annual reports and CSR reports (Gamerschlag *et al.,* 2011). The basic idea of these techniques is based on designing positive screening criteria and composite CSR indexes to evaluate the CSR performance and ranking firms with better CSR performance in order to facilitate the decision making of stakeholders.

The above mentioned reasons testifies proactively corporate strategies for CSR practices and disclosures aiming mainly to improve the relationship with stakeholders groups which directly or indirectly could affected from negative impacts of firms. However, another significant drift for CSR disclosures is their mandatory character which have been lately dispersed in various countries. In this field, a considerable attention of scholars has been paid on making comprehensible the ways of firms to address these challenges and the contents of mandatory CSR reporting. In this sense, some limited case studies have been conducted to examine the effects of mandatory character of CSR practices on CSR disclosures (Criado-Jiménez et al., 2008; Noronha *et al.*, 2013).

To this debate, the scope of this book chapter is twofold. Firstly, it examines the influence on the quantity and quality of disclosed CSR information as result of the change from voluntary to mandatory regime of CSR reporting. Secondly, it evaluates the degree of compliance of CSR reports with regulatory requirements. Thus, a research agenda is designed by utilizing the key findings of the relative literature mainly to make clear the potential challenges and barriers from the changes on the character of CSR reporting as well as to design a robust framework to evaluate the progress and degree of compliance of