In the light of Agenda 2030 awareness of sustainability is steadily growing all over the world. Devastating phenomena like pandemics (Sustainable Development Goal 3 (SDGs—Agenda 2030)), poverty (Sustainable Development Goal 1 (SDGs—Agenda 2030)) as well as climate change (Sustainable Development Goal 13 (SDGs—Agenda 2030)) threaten humanity, calling for more sustainable solutions. Although economic growth (Sustainable Development Goal 8 (SDGs—Agenda 2030)) is one of the principal goals for a sustainable future, little research has been devoted to the interface of corporate social responsibility (CSR) and sustainability and their contribution to the financial sector, in view of sustainable banking. Even fewer are the studies concerning sustainable banking in Greece. This paper attempts a comparative overview of sustainability integration into businesses, focusing on the banking industry. The current theoretical analysis initially provides an extended review of the CSR and sustainability concepts, which is followed by a comprehensive analysis of non-financial disclosures (NFDs) and their business value, providing some evidence from Greece.

Keywords: CSR commitment; ESG performance; financial performance; sustainability reporting; sustainable banking

1. Introduction

In 2004, Professor Wangari Maathai was awarded the Nobel Peace Prize “for her contribution to sustainable development, democracy and peace.” It was the first time the Nobel was given to supporting sustainable development pursuits, recognizing the contribution of sustainable development to global growth. Since then, “sustainable development” has gradually become the dominant model for development strategies and growth policies worldwide. The reference definition of sustainable development had been given much earlier by the World Commission on Environment and Development as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Sustainable development, as applied to economic development, intends to improve modern societies’ standards of living, without exclusive concentration on economic growth. In particular, the main objective of sustainable development strategies is to raise the quality of life for present generations to such an extent that neither the environment and resources are depleted at the expense of future generations, nor social cohesion is threatened by social inequalities and political instability. In short, sustainable development is represented by the so-called “triple bottom line development: economic–social–environmental.”

“Sustainability”, a term almost synonymous with sustainable development, classifies resources as environmental, social and economic. According to the definition of Mihelcic et al. (2003) “Sustainability is defined as the design of human and industrial systems, ensuring that the human resource’s use of natural resources and cycles does not lead to a diminished quality of life, due either to future economic opportunities or to adverse impacts on social conditions, human health and the environment.” Similarly, Jenkins (2009) argues that sustainability refers to the conservation of economy, society, and the environment, while Corporate Social Responsibility (CSR) represents the ability of business activities to maintain this sustainability.

CSR has fully entered global business strategies, via sustainability reporting, raising concerns about the performance implications of corporate sustainability, in terms of both short-term profit and numerous long-term benefits. Specifically, the performance potential of integrating sustainability initiatives into banks’ business models attracted major interest of the global business community. This new and alternative type of banking, named “Sustainable Banking”, claims to foster commitment to the principles of sustainable development while adding value to the whole value chain of transactions, raising financing from the investors.

2. CSR Meets Sustainability as an Integral Part of Core Business Strategy:
A Critical Perspective

Over the last few decades, there has been an emerging interest in the importance of CSR integration into the business context, as a value-adding process. Specific CSR policies are connected to strategic corporate goals, which are oriented to long—term performance benefits like social legitimacy, corporate reputation, brand image/equity, consumer loyalty/satisfaction, and better risk management.

Furthermore, empirical evidence has shown CSR commitment to building stronger relationships with stakeholders, through increased transparency and accountability, creating stakeholder value, which is important for business viability and, therefore, financial performance (short-term performance benefits). In addition, CSR-engaged firms seem to perform better risk management, recruiting more talented employees.

Furthermore, it is often alleged that many incentives are given to firms which undertake CSR initiatives, such as tax reductions. Therefore, these companies gain competitive advantage over others.

3. Sustainability Reporting

Provided that consumers’ perception seems to affect their behavior towards an organization, the more CSR commitment the firms communicate to their internal and external stakeholders, the more legitimacy they reap. For that reason, the managers who shape the corporate CSR strategy need to considering consumers CSR perception to include it into the company's CSR policy to meet consumers’ expectations. On the other hand, stakeholders look for tangible evidence of CSR, as a sign of transparency and accountability. However, in most cases, there is not enough relevant feedback between counterparties.

As a rule, companies express their CSR commitment through social or sustainability reporting, as the best way for communicating the required information publicly. Sustainability reporting is triple bottom line reporting, integrating information on a firm's economic, environmental and social performance into a single publication, also known as 'public disclosure', or 'non-financial disclosure/information'. A sustainability report is not just an official report composed by collected numerical data. In contrast, this is supposed to initiate a dynamic process, through which CSR commitment is properly articulated, so that both internal and external stakeholders could be engaged.

For years, due to shareholder and investor pressures, managers used to ignore the possible benefits of sustainability reporting, focusing on short-term profit. After concerns about corporate responsibility towards the environment and society were voiced by other stakeholders (employees, suppliers, customers, government, non-governmental organizations (NGOs), civil society), managers have been forced to redefine their priorities. Hence, ESG disclosures have been made to bring CSR and corporate governance together as a means for companies to demonstrate that their corporate activities do not harm the environment and society, with the board of directors being increasingly engaged in an open dialogue with civil society.

Under closer scrutiny, corporate social and environmental activities have been indirectly linked to corporate business performance, as expected outcomes are becoming evident in the long-term. For example, good governance enhances financial performance, through transparency, accountability, and ethical leadership. Moreover, there is growing empirical evidence that ESG-prone companies financially outperform their counterparts in the long-term, due to higher reputation and better risk management.

Increasing pressure for transparency and accountability by both shareholders and other stakeholders, led to the introduction of various metrics, which facilitate the measurement of ESG performance. Global Reporting Initiative (GRI) guidelines are the most frequently used sustainability reporting standards, which enable stakeholders to inspect companies’ footprint to global economy, environment, and society. Large organizations and small and medium enterprises (SMEs) in various sectors and regions are also prompted to deal with this reporting process.

GRI reporting acts as the declaration of ESG commitment. In other words, sustainability/ESG reporting (sustainability and ESG reporting are used interchangeably) is the ultimate tool for companies to demonstrate their CSR commitment to all their stakeholders, informing them in detail about their performance on specific targets. In practice, however, the situation is more complicated, because stakeholders need to compare reports to reach a consensus. For that reason, the GRI reporting framework promotes a common standardized metrics system, which can be accessible by everyone. Thus, the units concerned can use the report as a reference point for further, horizontal, or vertical, comparisons.
Nevertheless, some researchers are skeptical about the application of GRI to sustainability reporting. Particularly, in 2013, Ramanna observed that GRI measures are insufficient and lacking accountability, compared to metrics used in financial reports. Accordingly, Bonsón and Bednárová (2015) accuse GRI for being very complex and time-consuming, due to their numerous indices. Also, Panayiotou et al. (2009) argue that, although GRI are effective CSR performance indicators, they are not applicable to all industry sectors and cannot bridge the gap between business performance and CSR strategy.

Therefore, sustainability reporting is utilized by firms as a communication tool to transfer relevant information to consumers. The effectiveness of sustainability reporting depends on its accountability potential and transparency to provide stakeholders with the expected negative or positive information. However, materiality cannot not be expressed as a percentage, because either it exists or not. That is, some information can be disclosed, while other information is not accountable. Beyond this, it is important to mention that Grewal et al. (2016) found materiality to enhance a firm's value.

4. Performance Implications

4.1. Sustainability (Environmental, Social and Governance (ESG)) Performance

Despite the increasing level of interest in ESG and the ensuing performance of the committed firms, the focal point of business thinking has not been altruistic over time. As a matter of fact, the pursuit of profit is still the basic concern for corporations. To this aim, the corporate world has been engaged in numerous methods and practices of profit hunting. Since sustainability was considered as contributing to financial performance, organizations began to incorporate ESG practices into their core business strategy, especially after the institutionalization of reporting practices.

According to Freeman (1984), the nexus of various stakeholders constitutes the direct and indirect environment of a company, classified into shareholders, internal stakeholders (employees), external stakeholders (customers, suppliers, investors) and the overall society (Cummings and Patel, 2009). Certainly, shareholder interests are not equal to all the other stakeholders. The shareholder primacy approach of Milton Friedman (1970) permits shareholders to be directly involved in corporate strategy and decision-making, having a prominent role on the board of directors. Proponents of CSR argue that shareholder primacy is totally incompatible with the principles of sustainable development and corporate social responsibility, setting profit maximization as the primary corporate priority. Hence, shareholder theory fails to meet all the other stakeholders' expectations, underestimating the benefits of CSR commitment as intangible. Despite what the critics believe, CSR is considered to generate tangible profits for the committed companies, as discussed further below.

Provided that sustainability performance is influenced by the national institutional environment where the firm operates, a primary stakeholder may exercise more or less pressure to a firm—so as to implement CSR—leading to higher or lower sustainability performance, accordingly. Similarly, Rettab et al. (2009) confirm that the national institutional framework dictates the effects of CSR on organizational performance, even in emerging economies. Furthermore, Reverter et al. (2016) support the positive relationship between CSR and organizational performance, introducing the mediating factor of innovation, as an enhancing agent in a fertile institutional environment. Once more, the research of Eccles et al. (2014) displays national institutionalization as a benchmark for corporate social performance (CSP).

Nonetheless, Panayiotou et al. (2009) claim that CSR transforms into sustainability performance only after having been a part of corporate strategy. Given that sustainability performance constitutes the realistic aspect of CSR implementation, special indices and measures have been employed. In any case, ESG performance should be evaluated by qualified executives at regular intervals, for reasons of reliability. Nevertheless, reporting both on tangible and intangible assets may provide diversified information about business ESG performance. To put it in another way, disclosures consisting of accountable items are expected to show lower ESG performance than the non-accountables. Although non-financial disclosures are deemed to reflect ESG performance, Font et al. (2012) contest sustainability reporting as an unreliable sustainability indicator, pointing out the gap between the disclosed and actual sustainability performance, in case of “greenwashing” practices.

4.2. Financial Performance

Moving from shareholder priority to stakeholder value, Hsieh (2009) recalls Dunfee's theory of corporate purpose as an equilibrium point. Having shown that profit is sine qua non for a corporation, this theory accepts shareholder primacy, albeit defending stakeholder rights. That is, stakeholders' requirements can be effectively fulfilled through appropriate management, without harming shareholder value.
To explore this issue further, scholars began to investigate the business case for ESG, proving that an ESG engaged company can reap financial benefits, through competitiveness. Researchers all over the world have argued that CSR can increase profitability, if stakeholders react to specific ESG activities, creating business value. Additionally, Ramanna (2013) argues that CSR enhances shareholder value, if only sustainability reports internalized positive business externalities. Furthermore, Eccles et al. (2014) noticed that ESG committed firms tend to perform better than the non-committed ones. However, managers must be vigilant to ESG activities as they may harm firm performance, if they surpass a given limit.

### 5. Banking and Sustainability

#### 5.1. Sustainability Integration

Banks started to deal with sustainability during 1990s, increasing their interest in 2000s. Nowadays, sustainability is seen as an extra lever of economic growth by the banking sector. Practically, banks can stimulate sustainable development directing their financial policy towards sustainable companies.

Initially, social, and environmental policy used to be implemented by 'environmental management' in non-banking industries in banks, which has been replaced by the current ESG strategy. In practice, sustainability indicators and measures are proven to make environmental management systems more efficient, rewarding banks with better results (IFC, 2006).

In particular, commercial banks are the most important intermediaries between customers and investors in every national financial system, as they exchange deposits for investments. Considering the degree of sustainability penetration in industry, financial services have been proven to be the exemplary expression of CSR commitment, as credit presupposes trust, which is the ultimate prerequisite for successful sustainability implementation. As a matter of fact, banks display the most pragmatic approach concerning CSR.

#### 5.2. Returns on Sustainability

Evidence from the banking sector displays a strong positive relationship between sustainability and financial performance (FP). Similarly, Wu and Shen (2013) reveal that CSR enhances financial performance of strategic and altruistic banks, while not affecting the ‘greenwashing’ ones. The latter provide a virtual sustainability engagement, in contrast with the former, which have incorporated ESG initiatives into their core business strategy. On the contrary, Soana (2011) argues that there is no relevance between sustainability and financial performance in the banking sector.

Narwal (2007) observed a positive impact of CSR on Indian banks' financial performance. Carnevale et al. (2012) conducted a cross-country analysis for European banks' performance and found results to be positive in Italy, Ireland, Germany, and Spain, while in Portugal, Austria and France they were negative. The latter countries provide a virtual engagement, in contrast with the former, which have incorporated ESG initiatives into their core business strategy.

Concerning the Hellenic banking sector, although it seems that there is no relationship between CSP-FP, Eccles et al. (2014) observed a strong positive relationship between sustainability and financial performance, through their empirical evidence. Five years later, Riskos et al. (2019) showed that Greek banks were highly committed to sustainability issues, causing no damage to their financial profile.

#### 5.3. Sustainable Banking

In the context of sustainable development, commercial banks had expanded their activities in areas like green banking, rural banking, agri-banking, ethical and social banking before they reached sustainable banking. A typical example of social banking in emerging economies is microcredit/microfinance.

According to the International Finance Corporation (2005) survey, sustainable banking is a very promising business trend, which has been practiced overtime either form smaller banks (Triodos Bank, the Co-operative Bank of the UK) to larger ones (ING, UBS). However, sustainable banking is a dynamic concept, with banks passing from the traditional phase of “defensive banking (sustainability as cost generating process)”, to “preventive (sustainability as regulation)” and from this stage to “offensive (sustainability as novelty)” and “sustainable banking (sustainability as vision)”, in order to fully integrate sustainable development into their core strategy.

Bouma et al. (2001) define sustainable banking as a decision, taken by banks, to only finance customers (private and corporate) whose activities do not harm the environment and society. Sustainable banking ensures that internal and
external banking activities meet sustainability requirements of internal and external stakeholders, accordingly. In this context, every bank is accountable to both Board of Directors, shareholders, employees and customers, suppliers, competitors, mass media, NGOs, government, local community, society, environment.

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