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Much ado about nothing? Sustainability disclosure in the banking industry

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Other titles: Viel Lärm um nichts? Nachhaltigkeitsberichterstattung im Bankensektor

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CSR zwischen Greenwashing und ethischer Reflexion

hrsg. von Michael S. Abländer und Alexander Brink

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Much Ado About Nothing?*

Sustainability Disclosure in the Banking Industry

KATRIN HUMMEL UND DIANA FESTL-PELL**

This paper examines the sustainability disclosure in the banking industry with respect to potential greenwashing. We build a theoretical framework to assess the sustainability disclosure along materiality criteria in the banking industry and apply this framework to the corporate sustainability reporting of two global systemically important banks. The results of our case study point toward the existence of greenwashing, mainly in the most material areas of the sustainability disclosure of our sample banks, but also highlight the shortcomings of existing disclosure guidelines to adequately account for material sector-specific sustainability issues.

Keywords: Greenwashing, Corporate Sustainability Disclosure, Banking Industry, Materiality

Viel Lärm um nichts? Nachhaltigkeitsberichterstattung im Bankensektor

Der vorliegende Beitrag untersucht die Nachhaltigkeitsberichterstattung im Bankensektor im Hinblick auf potentiell Greenwashing. Wir entwickeln einen theoretischen Bezugsrahmen zur Beurteilung der Nachhaltigkeitsberichterstattung im Bankensektor entlang von Wesentlichkeitskriterien und wenden diesen Bezugsrahmen auf die Nachhaltigkeitsberichterstattung von zwei global systemrelevanten Banken an. Die Ergebnisse unserer Fallstudie deuten darauf hin, dass insbesondere in den für Banken wesentlichsten Bereichen der Nachhaltigkeitsberichterstattung wenige Informationen bereitgestellt werden, wohingegen in den für den Bankensektor eher unwesentlichen Bereichen sehr viele Informationen publiziert werden. Dieses Muster deutet auf Greenwashingaktivitäten bei den untersuchten Banken hin, muss jedoch auch vor dem Hintergrund unpräziser, branchenübergreifender Regelungen zur Nachhaltigkeitsberichterstattung eingeordnet werden.

Schlagwörter: Greenwashing, Nachhaltigkeitsberichterstattung, Bankensektor, Wesentlichkeit

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1. Introduction

Over the last decades, reporting on corporate sustainability has evolved from focusing primarily on environmental issues to the triple bottom line approach of environmental, social and financial performance (see Elkington 1997). Corporate sustainability disclosure today is no longer only the domain of those firms that belong to environmentally sensitive industries but has become common practice for firms of all types of industries regardless of their ecological impact. Firms are expected to operate responsibly toward their environment and demonstrate their conformance with these expectations through non-financial disclosure. Previous research has shown that establishing *legitimacy* is a primary motive for a company's voluntary sustainability disclosure (see e.g. Cho et al. 2012; Cho/Patten 2007). Firms disclose information on non-financial topics to ensure that their actions are perceived as legitimate, i.e., in accordance with society's expectations on sustainable business conduct (see e.g. Suchman 1995). Since detailed and legally binding regulations on non-financial reporting are currently missing in most countries, companies are granted leeway in determining both quantity and quality of their sustainability reporting. Due to this leeway, companies may use sustainability disclosure rather as a tool for positive self-presentation than for the presentation of objective, comparable and comprehensible information on their true sustainability performance. Practitioners and academics term this disclosure style "greenwashing" and "bluwashing", respectively.

While there is a substantial amount of research in the area of corporate sustainability disclosure in general (for a recent literature review across industries see Fifka 2012; for studies particularly focused on the banking industry see Herzig/Moon 2013; Herzig et al. 2012; Scholtens 2009), research on the precise nature and determinants of greenwashing is relatively scarce. This paper fills this research gap by providing a comprehensive framework for the assessment of sustainability disclosure with respect to greenwashing utilizing an industry-specific materiality focus. We apply this framework to an in-depth analysis of the sustainability disclosure of two global systemically important banks. In addition, we perform a structured media search to identify third-party criticism of these two banks with respect to the issues covered by our framework and exemplarily link this criticism to the banks' sustainability disclosure.

There are basically two reasons why we focus on the banking industry. Firstly, in the aftermath of the financial crisis in 2007/2008, the banking industry faced significant increases in mandatory risk disclosure regulations (see Bischof/Daske 2013; Herz 2010). However, research has mainly neglected the consequences of this regulation on corporate sustainability disclosure although information and communication on these risks are of substantial importance to all groups of stakeholders. Secondly, the assessment of materiality as a basic principle for the determination of both content and focus of a firm's corporate sustainability report is particularly important for (financial) service companies. Commonly applied sustainability disclosure guidelines, in particular the Global Reporting Initiative (GRI) sustainability reporting guidelines (GRI 2011a; 2011b), focus on environmental and social impacts of a company which are generally less material for (financial) service companies. Drawing on a framework for the materiality assessment of sustainability-related issues in the banking industry we assess the disclosed information with respect to its materiality to stakeholders. Our framework

thereby distinguishes between three main disclosure areas: financial and economic system stability, sustainable business activities and sustainable workforce and infrastructure. For each area, we analyze the banks' sustainability disclosure against the background of materiality and regulatory guidelines which yields valuable insights into the existence and nature of greenwashing in banks' corporate sustainability reporting.

Although our findings point toward the existence of greenwashing mainly in the highly material areas of the sustainability disclosure of our sample banks, it is important to interpret these findings against the (self-)regulatory background in the banking industry. Notably, the most commonly used standards on corporate sustainability disclosure, the reporting guidelines published by the GRI, offer only limited guidance for the reporting of *material* sustainability-related issues in the banking industry. The GRI Financial Services Sector Supplements (FS-SS) refer to very specific product and service impacts and are thereby limited in their scope of reflecting a complete picture of sustainable business conducts of diversified banks (see GRI 2013c; GRI 2011b). The disclosure guidelines on market discipline (Pillar 3 of the Basel II accord) by the Basel Committee on Banking Supervision offer more detailed guidance with respect to risk disclosures which are material for the core business of globally operating banks. However, these regulatory guidelines mainly apply to banks' financial reports with investors as the major group of audience and clear legal boundaries. They may therefore not be sufficient with respect to both the broader scope as well as the longer timeframe targeted by sustainability reporting.

The paper is structured as follows. The next section presents the theoretical background of our study. Based on a brief review of related disclosure literature a framework for the materiality assessment of sustainability-related issues in the banking industry is presented. This framework guides our case study on the sustainability disclosure of two global systemically important banks. The methodology, sample as well as results from this case study along with a discussion of our major findings are described in the third section. The final section concludes the paper.

2. Theoretical Background and Literature Review

2.1 Sustainability Disclosure and Greenwashing

There are primarily two theoretical concepts in the literature which explain the existence of sustainability reporting. Following voluntary disclosure theory, it is argued that firms disclose information on their corporate sustainability performance to increase their market value (see Verrecchia 1983). Socio-political theories, in particular the legitimacy theory, on the other hand, posit that firms engage in sustainability reporting to ensure that their actions are perceived as legitimate, i.e., in accordance with stakeholders' expectations on sustainable business conduct (see e.g. Suchman 1995; Dowling/Pfeffer 1975; Davis 1973). Both theories offer explanations of why companies' sustainability disclosure differs in both quantity and quality. For instance, Hummel and Schlick (2015) show that particularly poor sustainability performers provide low-quality sustainability disclosure to disguise their true performance and to maintain a sustainable image at the same time. Building on previous research (see Lyon/Maxwell 2011: 9) we extend the applica-

bility of the concept of greenwashing beyond its original focus on environmental aspects and define greenwashing as *a company's selective disclosure on sustainability issues without full reporting of material sustainability issues to overstate its true sustainability performance*. Thus, our definition is linked to the concept of materiality and does not merely distinguish the pure type of information (negative vs. positive).

Due to the huge body of research on sustainability disclosure, our literature review is focused on two primary areas of interest: studies on sustainability disclosure in the banking industry and studies on greenwashing. The first area of research is characterized by predominantly descriptive investigations on banks' sustainability disclosure regarding environmental and social issues (see e.g. Khan et al. 2011; Evangelinos et al. 2009; Scholtens 2009). None of these studies address the banks' role and disclosure with respect to the stability of the overall financial system, despite its emphasis by both stakeholders and financial regulators. To the best of our knowledge, there are currently only two studies that examine banks' sustainability disclosure against the background of the financial crisis. Herzig et al. (2012) investigate the sustainability reporting of ten German banks for the reporting year 2007/2008. The authors show that reporting on bank-specific sustainability issues is relatively poor and conclude that "a structural reform with the aim of a 'strongly embedded' sustainability" (p. 204) is needed. Although the authors discuss the importance of sustainability reporting for the re-building of trust and confidence in the financial sector, they do not consider the overall financial system stability for their analysis. This aspect is more explicitly addressed in Herzig's and Moon's (2013) discourse analysis of newspaper articles on the financial crisis. The study reveals four distinct discourses on corporate social responsibility in the financial sector and the economic crisis, yet the authors do not match the external perspective of media coverage with the banks' own disclosure. Taken together, while previous studies provide valuable insights into sustainability disclosure in the banking industry, none of these studies systematically address the issue of greenwashing against the background of the materiality of banks' own sustainability disclosure.

The second area of research on the nature and determinants of greenwashing includes normative approaches (see Bowen/Aragon-Correa 2014; Laufer 2003) as well as empirical studies (see Mahoney et al. 2013; Kim/Lyon 2011; Ramus/Montiel 2005).¹ Empirical research yields ambiguous findings with respect to the existence of greenwashing which may primarily stem from difficulties in the measurement of greenwashing. For instance, Mahoney et al. (2013) concentrate on the relationship between corporate sustainability performance and the decision to issue a stand-alone sustainability report as an indicator for the existence of either greenwashing (indicated by a negative relationship) or signaling (indicated by a positive relationship). They report evidence for signaling. On the other hand, Kim and Lyon (2011) compare reported reductions in greenhouse gas (GHG) emissions to actual GHG emissions for participants of a voluntary GHG registry. They interpret differences between reported and actual emissions as evidence for greenwashing activities. Analytical studies (see e.g. Lyon/Maxwell 2011: 23) recommend extending the empirical setting to additional drivers of disclosure behavior,

¹ In addition, Boiral (2013) investigates the existence of "simulacra", a concept that is closely related to, yet not identical with, greenwashing.

such as enforcement pressure. This approach of studying the explicit effect of regulatory enforcement has lately gained ground in the empirical literature of bank disclosure regulation (see Bischof et al. 2015). Disclosure regulation of banks encompasses the specificity that banks have to prepare their reporting according to two different regulators with non-identical reporting goals. Goldstein and Sapra (2014) report a trade-off between providing decision-useful information for the capital market and reassuring a broad set of stakeholders on the long-term stability of the financial system.

While a broad set of stakeholders is typically addressed by corporate sustainability disclosure, research has so far neglected the role of both voluntary and mandatory disclosure regulations with respect to corporate sustainability disclosure and greenwashing. In addition, research in the field of greenwashing is primarily concentrated on firms that belong to environmentally sensitive industries, although corporate sustainability disclosure has become common practice for firms of all types of industries.² In particular, the banking industry yields an interesting setting for an in-depth investigation of the existence of greenwashing against the background of mandatory and voluntary disclosure regulations on material issues. A framework for the assessment of sustainability disclosure in the banking industry is presented in the next section.

2.2 Framework for the Assessment of Sustainability Disclosure in the Banking Industry

Due to their role as financial intermediaries banks are central for the functioning of a modern economy. Through their capacity to make loans to the private, public and corporate sector, banks are able to fund the growth of the real economy. In this role, banks serve a very diverse group of stakeholders who need the credit provided by the banks or are indirectly linked with the borrowers of the banks' credit. Banks themselves mainly borrow the funds they need for the credit creation business. This distinguishes banks from most other business sectors as these are mainly funded by shareholder's equity rather than debt. Bank debtors include private depositors, corporations, governments or other financial institutions with surplus funds. Banks are therefore special for having a very large group of stakeholders with very diverse information needs. Despite their central role in the economy, there is – to the best of our knowledge – no widely accepted materiality assessment of sustainability-related issues for the banking industry.³ According to the GRI (2013a: 7; 2013b: 11) material aspects “reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders”.⁴

² In 2013, 93 percent of the largest 250 companies worldwide published stand-alone or integrated sustainability reports (see KPMG 2013: 22).

³ The Sustainability Accounting Standards Board (SASB) has recently published industry-specific reporting guidelines for sustainability disclosure (see SASB 2015). However, these reporting standards define materiality according to the Securities and Exchange Commission's definition of materiality focusing on investor decision-useful information. This approach therefore differs from the broader and more long-term oriented materiality concept applied in this paper.

⁴ Under the newest version of GRI sustainability reporting guidelines (G4), which were launched in May 2013, organizations have to report on the process and outcome of the assessment of material aspects and boundaries (see GRI 2013a: G4-17 to G4-23).

From a conceptual point of view, Porter and Kramer (2011: 66) have recently introduced the concept of “shared value” as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities”. While this idea is not entirely new (see Beschorner 2013), such a proactive strategic approach comes along with the rise of new business opportunities. Likewise, Beschorner and Hajduk (2013: 295) describe a “methodological switch” from “products to needs”. With respect to the banking industry, the “need” for financial system stability and long-term oriented and inclusive business activities has become ever more important to all kinds of stakeholders in the aftermath of the financial crisis. As a consequence, global systemically important banks are expected to actively address these “needs” to create shared value and maintain a sustainable business, which should be correspondingly reflected in the sustainability disclosure.

Based on these theoretical considerations, Table 1 provides a framework for assessing global banks’ sustainability disclosure that builds on the GRI (2013a) definition of materiality.⁵ We identify three major areas of sustainability disclosure: financial and economic system stability, sustainable business activities, and sustainable workforce and infrastructure. The first area particularly relates to significant economic impacts, the second area comprises economic, environmental and social impacts, and the third area includes primarily environmental and social impacts. Along these three areas the materiality of topics decreases from a high materiality of financial and economic system stability, to a moderate materiality of sustainable business activities to a low materiality of sustainable workforce and infrastructure. Within each area we identify four major disclosure categories that guide our assessment of sustainability disclosure in the third section of the paper.⁶ These disclosure categories are closely linked to commonly used disclosure guidelines thereby ensuring the existence of quantitative indicators and measures for each category.

The first area of the materiality framework – financial and economic system stability – refers to the measures taken and reported by a bank with respect to fostering the stability of the overall financial system. As banks play a major role in facilitating the credit demand and supply of the real economy, the stability of the financial system has a direct impact on the stability of the total economy. This holds true especially for global systemically important banks which are particularly prone to market risk through their investment bank’s trading activities (see Freixas/Rochet 2008). We argue that the sustainability disclosure on financial and economic system stability is highly material. The externality potential of this area is high due to the high monetary as well as fiscal costs which have to be borne by the society in case of a breakdown of the financial system. Such costs include, but are not limited to, high interest rates on mortgages and corporate

⁵ With respect to disclosure guidelines we concentrate on the version G3.1 of the GRI sustainability reporting guidelines (see GRI 2011a; 2011b) because only few companies have already adopted the latest version G4 in their 2013 sustainability reporting and there are no substantial differences in the performance indicators with respect to the disclosure categories addressed in our framework.

⁶ While we consider the four categories in each area as particularly material and comprehensive with regard to the topics covered in the sustainability reports, there are many additional topics which could be addressed within each area.

	Financial and Economic System Stability	Sustainable Business Activities	Sustainable Workforce and Infrastructure
Materiality	high materiality: <ul style="list-style-type: none"> ▪ high externality potential on society ▪ all groups of stakeholders are concerned ▪ multiplication function 	moderate materiality: <ul style="list-style-type: none"> ▪ moderate externality potential on society ▪ many groups of stakeholders are concerned ▪ multiplication function 	low materiality: <ul style="list-style-type: none"> ▪ low externality potential on society ▪ few groups of stakeholders are concerned ▪ limited multiplication function
Disclosure categories	high complexity: <ul style="list-style-type: none"> ▪ early adherence to rules ▪ long-term focus ▪ broad stakeholder focus ▪ assessment of systemic risk 	moderate complexity: <ul style="list-style-type: none"> ▪ sustainable investment ▪ micro-finance ▪ problematic sectors and business activities ▪ product responsibility and customer satisfaction 	low complexity: <ul style="list-style-type: none"> employees: <ul style="list-style-type: none"> ▪ turnover and satisfaction ▪ health and safety ▪ training ▪ gender equality ecological: <ul style="list-style-type: none"> ▪ energy ▪ water ▪ greenhouse gas emissions ▪ waste
Disclosure guidelines	mandatory (for financial report): <ul style="list-style-type: none"> ▪ Basel accords ▪ Accounting rules voluntary: <ul style="list-style-type: none"> ▪ GRI sustainability reporting guidelines 	voluntary: <ul style="list-style-type: none"> ▪ GRI sustainability reporting guidelines ▪ GRI Financial Services Sector Supplements ▪ Equator Principles 	voluntary: <ul style="list-style-type: none"> ▪ GRI sustainability reporting guidelines ▪ United Nations Global Compact

Table 1: framework for the assessment of sustainability disclosure along materiality criteria in the banking industry (source: own research)

loans as well as an overall low availability of credit to the economy. As a basis for the proper functioning of the whole economy, financial and economic system stability concerns all potential stakeholders of a bank. Besides the stakeholders directly involved in the business conduct of a bank, there are additional groups of stakeholders such as taxpayers and the society at large. Due to their core business to create and trade credit with money received by depositors, banks possess a multiplication function which is only limited by regulatory imposed reserves which have to be held against the deposits received (see Freixas/Rochet 2008). We argue that the disclosed information in this area

is very complex since it requires the understanding of the banks' core business processes, their interconnectedness with the macro-economy as well as the prevailing national and international legislation the bank has to adhere to. There are no mandatory or voluntary disclosure guidelines specifically targeted to address financial and economic system stability issues in sustainability reports. The regulatory and accounting rules which guide the mandated disclosure of the financial report of a bank provide the most suitable quantitative measures for assessing the sustainability reporting. In addition to these guidelines, selected economic performance indicators of the GRI sustainability reporting guidelines cover parts of the disclosures needed in this area (see GRI 2011a). Based on timing and scope of the disclosure our framework distinguishes between four disclosure categories. These categories comprise early adherence to newly imposed regulation, the disclosure of a long-term focus and a broad stakeholder focus as well as the assessment of systemic risk.

Sustainable business activities refer to the sustainability of a bank's core business activities. Compared to financial and economic system stability, the materiality of topics within this area is lower, yet still moderate. Depending on the business model of a bank, this area relates to business activities such as corporate and retail banking, wealth and asset management, and investment banking. The externality potential of this area is moderate as it comprises mainly external benefits, yet costs to society are limited. Such benefits arise for instance from providing access to financial services for small businesses in underdeveloped regions (micro-finance). Similar to financial and economic system stability, this area also concerns the multiplication function of a bank and thus affects a high number of stakeholders, such as shareholders, investors, customers, NGOs and local communities. The complexity of disclosed information is moderate, i.e., a basic understanding of the banking business is needed to be able to reach a reflected opinion upon reading the disclosed information. With respect to disclosure categories we distinguish between information on sustainable investment, micro-finance activities, engagement in problematic sectors and business activities, such as conducting business with the defense and armaments industry and agricultural commodity trading, and product responsibility and customer satisfaction. Disclosure guidelines in this area are voluntary and mainly include the GRI performance indicators on product responsibility (see GRI 2011a), the GRI FS-SS (see GRI 2011b) and the Equator Principles (see EP 2013). The GRI FS-SS consist of 16 financial services sector-specific disclosures and performance indicators that account for sustainability-related issues with respect to the product and service portfolio of banks. Besides, they include adjustments on G3.1/G4 guidelines content and performance indicators. The Equator Principles (latest version: EP3) are a baseline and framework for the management of environmental and social risks which apply to project financing by financial institutions (see EP 2013). Signatories commit to implement the Equator Principles in their internal policies and procedures and report annually on completed transactions.

The third area – sustainable workforce and infrastructure – relates to a bank's performance with respect to employees and the ecology. The externality potential on society is low since it is limited to external costs that stem from banks' ecological impacts. Compared to production industries, banks' ecological impacts are low as they consume relatively few scarce resources. With respect to the employee sub-area we argue that

even in case of layoffs the externality potential is relatively low due to the high qualification of the workforce, which is a critical success factor in the job search. Therefore, we assess a higher materiality for the employee sub-area compared to the ecological sub-area. Overall, only few groups of stakeholders, in particular employees and NGOs, are concerned. Both sub-areas do not involve any multiplier effect as they are not related to the core financial intermediary business of banks. With respect to the disclosed information we assess a low complexity because the information can be easily understood by economic laymen. In each sub-area we consider four core disclosure categories that are included in the GRI performance indicators on labor practices and on the environment (see GRI 2011a) and (partly) in the United Nations Global Compact.

3. Case Study on Sustainability Disclosure in the Banking Industry

3.1 Sample and Methodology

Our sample consists of two global systemically important banks, namely Credit Suisse (CS) situated in Switzerland and Deutsche Bank (DB) situated in Germany. These two banks are typical representatives of the 30 global systemically important banks (see FSB 2014) and exemplary both for their involvement in the global financial crisis and for their detailed sustainability reporting. We assess and record the bank's sustainability disclosure for the reporting year 2013 with respect to the disclosure categories of our materiality framework. In addition, for each bank we perform a Factiva search of major German and Swiss newspapers for the same year.⁷ In total, the results list includes 418 news entries for DB and 268 news entries for CS. We manually assess the content of each news entry and exclude news that do not directly relate to the respective banks. The remaining news is linked to one of the three areas of our framework or to the categories "general financial information and company strategy" or "information regarding the Kirch scandal"⁸. Overall, the distribution of news across the three areas of our framework is consistent with the materiality assessment provided in the framework. In particular, 43 (DB) and 55 percent (CS) of the news concern the first area (financial/economic system stability), 20 percent (DB) and 15 percent (CS), respectively, concern the second area (sustainable business activities), and 1 percent (DB) and 4 percent (CS) concern the third area (sustainable workforce and infrastructure). With respect to the other categories, 22 percent (DB) and 26 percent (CS) relate to "general financial information and company strategy" and 14 percent of the news on DB concern the "Kirch scandal". Based on the results of this media search we identify material cases of

⁷ Factiva is a proprietary international news database that covers worldwide news from 200 countries in 28 languages. German newspapers include Berliner Zeitung, Die Welt, Die Zeit, Der Tagesspiegel, Frankfurter Allgemeine Zeitung, Frankfurter Rundschau, der Spiegel, Stuttgarter Zeitung and Süddeutsche Zeitung. Swiss newspapers include Aargauer Zeitung, Basler Zeitung, Die Weltwoche, Neue Zürcher Zeitung, NZZ am Sonntag, Sonntagszeitung, Tages-Anzeiger and wirtschaft.ch.

⁸ The "Kirch scandal" accused Deutsche Bank's senior management to deliberately foster the collapse of the Kirch media empire. It has been settled in 2014 when DB announced a legal settlement payment of more than €775 million to Kirch's heirs.

third-party criticism which target both sample banks and assess the banks' disclosure with respect to this criticism.

The sustainability disclosure taken into account includes the corporate sustainability report as well as references to additional resources within the report. The baseline for a comprehensive assessment within each (sub-) area is defined as the disclosure of both quantitative and non-quantitative (verbal) information. Quantitative information is particularly necessary to facilitate comparability across different companies. Such quantitative information needs to be accompanied by verbal explanations and discussions. The necessity of this verbal information increases with the materiality of the disclosure areas and thus with the complexity of the information. We argue that the sustainability disclosure is free from greenwashing if quantitative and non-quantitative (verbal) information are tailored to the specific reporting needs of each disclosure category with the intent to provide a true and full picture of its sustainability performance.

3.2 Results

3.2.1 Overview

Both banks' sustainability reports follow the GRI sustainability reporting guidelines G3.1. Their disclosure levels are classified as "A+" thereby indicating comprehensive reporting according to the GRI guidelines (application level A) and external assurance of the sustainability report (indicated by "+"). The reports differ in their overall length (CS: 66 pages; DB: 106 pages), yet the shorter CS sustainability report includes references to websites that provide additional in-depth information on certain topics. While the reports' structures do not adhere to our distinction of the three major disclosure areas, both reports contain information with respect to these disclosure areas. DB's report is organized into an introduction, containing the report's contents, a foreword and some general information on the bank's divisional structure, strategy and values, a chapter "Our Controls", a chapter "Our Business", a chapter "Our Commitment" as well as supplementary information. The CS report consists of an introduction, including the report's contents, a foreword and some general information on corporate responsibility, a chapter "Responsibility in Banking", a chapter "Responsibility in Society", a chapter "Responsibility as an Employer", a chapter "Responsibility for the Environment" as well as supplementary information. Besides information that falls into one of our three disclosure areas, both banks additionally provide comprehensive information on corporate citizenship and sponsorship. Remarkably, none of the reports contain a section that explicitly deals with the banks' responsibility with respect to the stability of the financial and economic system. Thus, information with respect to the financial and economic system stability is spread over the whole report. However, the CS report contains information on the process and outcome of a materiality assessment. While the materiality assessment of sustainability-related issues is predominantly in accordance with our framework, in particular with regard to highest materiality being assigned to financial system stability, the content and structure of the reports do not adequately reflect this assessment.

3.2.2 Financial and Economic System Stability

Table 2 summarizes the sample banks' disclosures in the area of financial and economic system stability according to the four disclosure categories of our framework. The focus of the two banks with respect to the first disclosure category, early adherence to rules, differs widely. CS provides quantitative as well as verbal information on its early transition to the new Basel III guidelines and the thereby applicable, national capital regulation six years before they will actually become effective (see e.g. CS 2013: 4f., 11f., 59). DB on the other hand does not report any quantitative information on its compliance with proposed new banking regulation, but concentrates the discussion on internal measures taken to monitor potential legal and reputation risks as well as to adapt its business strategy to their new code of conduct (see e.g. DB 2013: 4ff., 12, 19). Both sample banks also emphasize different topics and vary in the way of reporting this information in the second disclosure category, long-term focus. Only CS reports quantitatively on its strategic actions to reduce regulatory costs and mitigate costs arising from systemic risk. However, quantitative as well as verbal information is limited to the alignment of CS's business model to the changing regulatory environment: "As part of the bank's growth strategy, we aim to achieve a balanced distribution of capital between our two divisions" (CS 2013: 4). DB discusses new performance indicators for measuring DB's long-term value creation to clients, but does not explain how value is created for shareholders "by putting long-term success over short-term gain" (DB 2013: 12). Both CS and DB do not provide any quantitative information on the third disclosure category in this area, i.e., broad stakeholder focus. While CS presents general facts about its role as a financial intermediary providing credit to their clients, DB provides detailed verbal information of how they implement a client-centric business focus. DB also presents illustrative examples on its product assessment process (see *ibid.*: 24) as well as its customer protection programs (see *ibid.*: 42). However, without any quantitative information, the reader cannot assess the materiality or the efficiency of these measures. The sample banks' information provided with respect to the fourth disclosure category (assessment of systemic risk) is again very heterogeneous. Only DB reports quantitatively about its employee training programs covering a wide range of risk awareness, financial crime and compliance topics (see DB 2013: 17–22). As in the other three disclosure categories, CS emphasizes its risk management approaches in line with applicable and proposed laws and regulations. Whereas CS discusses the management and ongoing monitoring approach of its credit risk exposure, DB focuses merely on non-financial risks such as reputation risk as it suggests that "traditional financial risks (are) intrinsic to our business" (*ibid.*: 25) and therefore monitored by law. Interestingly, both banks do not provide any explanation about their control measures to manage market risk, even though both CS (2013: 29) and DB (2013: 25) acknowledge their active role in managing this risk measure.

	CS	DB
Early adherence to rules	<ul style="list-style-type: none"> ▪ quantitative information on early compliance with capital requirements under new Basel III framework and Swiss regulations for 2013 ▪ limited discussion of measures taken to adapt business model besides adherence to regulatory requirements ▪ definitions according to Basel Accord ▪ general verbal information on adoption of new (self-)regulation ▪ very limited verbal information on litigation cases due to former non-compliance 	<ul style="list-style-type: none"> ▪ no quantitative information on early compliance with capital requirements under new Basel III framework ▪ some discussion of measures taken to adapt business model (e.g. examples of embedding values and beliefs) ▪ definitions according to internal Code of Conduct ▪ some verbal information on adoption of voluntary risk controls ▪ very limited verbal information on litigation cases due to former non-compliance
Long-term focus	<ul style="list-style-type: none"> ▪ some quantitative information on strategic actions to reduce costs and potential damages due to systemic risk ▪ no quantitative information on strategic actions to use systemic stability for positive value creation ▪ verbal information on alignment of business model to changing regulatory environment ▪ very limited verbal information on strategic growth opportunities 	<ul style="list-style-type: none"> ▪ no quantitative information on strategic actions to reduce costs and potential damages due to systemic risk ▪ some discussion of new key performance indicators for measuring long-term performance for clients ▪ verbal information on alignment of business model to new long-term strategy ▪ limited verbal information on strategic growth opportunities
Broad stakeholder focus	<ul style="list-style-type: none"> ▪ general verbal information on main business focus of credit supply to clients ▪ brief discussion of engagement in stakeholder dialogue ▪ detailed information on negative consequences of tight regulation ▪ very limited verbal information on active business alignment for broad stakeholder benefit 	<ul style="list-style-type: none"> ▪ detailed verbal information and explanation of client-centric business focus ▪ brief discussion of engagement in stakeholder dialogue ▪ very limited information on non-financial factors for value creation ▪ detailed examples on product assessment process and customer protection

Assessment of systemic risk	▪ detailed verbal information of risk management in compliance with mandatory regulation	▪ quantitative information on employee risk and compliance training
	▪ discussion of monitoring of credit risk exposure	▪ no discussion of monitoring of credit risk exposure
	▪ brief verbal information on employee risk management training and assessment	▪ detailed verbal information on employee risk management training and assessment
	▪ no explanation of control measures to manage market risk	▪ no explanation of control measures to manage market risk

Table 2: overview of disclosures in the area of financial and economic system stability by disclosure category and sample bank (source: own research)

Furthermore, the discrepancy between disclosure and materiality becomes even more apparent when analyzing the banks' reporting with respect to third-party criticism. The major cases of third-party criticism in the area of financial and economic system stability of the two banks are highlighting outright violations of national legislation and international standards. Scandals, such as the manipulation of benchmark interest rates and foreign exchange rates (see e.g. Tages-Anzeiger 2013) or the misrepresentation of the performance of securities (see e.g. Die Welt 2013) have led to financial and economic instability as they have enriched the colluding banks to the detriment of the global economy. Both sample banks selectively disclose their positive achievements with regards to fraud and corruption awareness trainings and highlight their participation in industry standards which should prevent future misconducts (see CS 2013: 6, 14, 57; DB 2013: 18ff.). However, both banks remain silent about the reasons why their membership in voluntary self-regulation initiatives against fraud and corruption is needed to prevent them not only from unsustainable, but also from presumably unlawful business conduct. Corporate scandals are disclosed only when legal litigation is already ongoing. There is no ex-ante disclosure or assessment of systemic risk which may arise from financial innovations and interbank relationships. Misconduct, such as fraud and corruption, is treated as "legacy" (CS 2013: 13) which has to be resolved, but is not reported as material risk for the future: "With regard to ongoing investigations by regulatory authorities into whether financial institutions engaged in an effort to manipulate LIBOR and other reference rates, Credit Suisse has seen no evidence to suggest that it is likely to have any material exposure in connection with the LIBOR matter" (ibid.: 13).

3.2.3 Sustainable Business Activities

Table 3 presents an overview of the banks' disclosures with respect to sustainable business activities. For the first disclosure category, sustainable investments, both sample banks provide some quantitative and verbal information. However, quantitative information for this disclosure category is very limited and precise definitions are missing. Moreover, only DB additionally provides relative values indicating the importance of sustainable investments relative to the bank's total investments. Without such information it is difficult for the reader to assess statements such as: "At Credit Suisse, we

offer a broad range of products and services that give investors access to sustainable investment opportunities” (ibid.: 22). Similar findings are obtained for the second disclosure category. Both banks provide predominantly cumulative and no yearly information on their micro-finance activities. Only DB provides this information for a reporting period of more than one year, thereby allowing for an assessment of the recent development in this area. Despite this lack of comparable quantitative information, both banks emphasize their pioneering role in microfinance: “Credit Suisse has been a leader in microfinance since 2002 (...)” (ibid.: 23). “We were the first global bank to launch an investment fund supporting the microfinance sector in 1997, and since then we have pioneered standards to promote ethical behavior in the industry and protect its clients” (DB 2013: 54). Disclosure in the third disclosure category of this area – problematic sectors and business activities – is very heterogeneous. While CS is a signatory of the Equator Principles and thus reports pre-defined quantitative information on project finance transactions in accordance with the Equator Principles, DB’s disclosure primarily concentrates on the management of reputational, environmental and social risks. In addition, both banks provide verbal information on problematic sectors and business activities. Such information includes statements⁹ as well as policies, guidelines (see CS 2013: 21 with reference to website) and key positions (see DB 2013: 33). Many guidelines are detailing the increased scrutiny and in-depth due diligence processes in the business continuance case. CS exemplifies its policy regarding hydraulic fracturing (see CS 2013: 18). DB illustrates its risk review process for two exemplary environmental and social sensitive projects, mono-cultural farming and coal mining. Explaining both its critics’ standpoints and its internal review process as well as actions taken forward, DB provides a transparent learning process towards a more sustainable business conduct (see DB 2013: 31). At the same time, both banks are not very explicit on their process of how they decide and go about discontinuing such sensitive businesses. Remarkably, DB explicitly reports having ceased to adhere to self-imposed restrictions with regards to agricultural commodities trading beyond regulatory boundaries in 2013 (see ibid.: 33). With respect to the fourth disclosure category, both banks present only general verbal information on product responsibility, such as: “We regularly review the suitability and appropriateness of the advice we offer clients as part of our efforts to inspire them with confidence.” (CS 2013: 14) and “We do not offer incomprehensible product bundles or products that do not include clear benefits for the client” (DB 2013: 44). With respect to customer satisfaction, CS presents only very limited verbal information as part of their stakeholder dialogue while DB discloses and discusses findings from a client satisfaction survey for 2011–2013.

⁹ Such as: “We are not involved in proprietary trading in agricultural commodities” (CS 2013: 21) and “ [...] we support increased transparency and appropriate regulation” (DB 2013: 33).

	CS	DB
Sustainable investment (FS7, FS8, FS11)*	<ul style="list-style-type: none"> ▪ quantitative information on volume of “assets under management with high social and environmental benefits” for 2012 and 2013 ▪ rough definition is provided ▪ no discussion of quantitative information ▪ additional verbal information 	<ul style="list-style-type: none"> ▪ quantitative information on “ESG assets under management” by active management, passive and alternative investments for 2011–2013 ▪ quantitative information on proportion of “ESG assets under management” relative to total assets under management for 2013 ▪ rough definition is provided ▪ discussion of quantitative information ▪ additional verbal information
Micro-finance (FS13)*	<ul style="list-style-type: none"> ▪ quantitative information on volume of “assets under management in the area of microfinance” for 2013 • quantitative information on “local employees trained”, “people with access to improved financial services” and “electronic transactions completed” for 2013 ▪ definitions and estimations not provided ▪ brief discussion of quantitative information ▪ additional verbal information 	<ul style="list-style-type: none"> ▪ quantitative information on “estimated cumulative financing to micro-borrowers since 1997” for 2011–2013 ▪ quantitative information on “estimated cumulative number of microloans financed since 1997” for 2011–2013 ▪ quantitative information on volume of “assets under management in the area of microfinance” for 2013 ▪ definitions and estimations not provided ▪ brief discussion of quantitative information ▪ additional verbal information

Problematic sectors and business activities (FS1, FS2, FS3, FS9)*	<ul style="list-style-type: none"> ▪ quantitative information on number and volume of project finance transactions to be reported according to the Equator Principles (by risk category, sector, region etc.) for 2012 and 2013 ▪ definitions according to the Equator Principles ▪ brief discussion of problematic sectors and business activities ▪ detailed information on sector policies and guidelines provided on webpage 	<ul style="list-style-type: none"> ▪ quantitative information on “transactions escalated due to reputational risks” for 2011–2013 ▪ quantitative information on “transactions assessed within ES Risk Framework” for 2011–2013 ▪ definitions are partly provided ▪ discussion of selected problematic sectors ▪ key positions on problematic sectors and business activities
Product responsibility (PR3, PR4, FS15)* and customer satisfaction (PR5)*	<ul style="list-style-type: none"> ▪ general verbal information on product responsibility ▪ very limited verbal information on customer satisfaction 	<ul style="list-style-type: none"> ▪ general verbal information on product responsibility ▪ quantitative information on “client loyalty index” for 2011–2013 ▪ rough definition provided ▪ discussion of quantitative information ▪ additional verbal information

* GRI sustainability reporting guidelines performance indicators in parentheses (see GRI 2011a; 2011b).

Table 3: overview of disclosures in the area of sustainable business activities by disclosure category and sample bank (source: own research)

Taken together, the sustainability disclosure of both banks in the area of sustainable business activities is predominantly general and critical reflections are provided only with respect to some distinct issues. Therefore, it is difficult to assess from an outsider’s perspective to what extent third-party criticism is related to certain business decisions such as the temporary (and later revoked) ban of soft commodity speculation at DB in the year 2013 (see *ibid.*: 33). Similar to the sample banks’ disclosures, media news in the area of sustainable business activities is characterized by controversial, non-conclusive viewpoints. Some news articles highlight the advantages of commodity speculation, such as increased liquidity and decreased price volatility which might even reduce risks (see e.g. *Neue Zürcher Zeitung* 2013a). Other news articles criticize speculation on agricultural commodities for their potential to contribute to food shortages and price increases in third-world countries (see e.g. *Frankfurter Allgemeine Zeitung* 2012). By the time of publication of CS’s and DB’s sustainability reporting, academics and financial regulators have not agreed on any common rules regarding those problematic business activities. Both banks therefore pronounce their achievements in unanimously sustainable business activities such as sustainable investments and micro-finance. In contrast, both CS and DB are less explicit about their sustainability objectives in those controversial business areas that are mainly discussed by the media.

3.2.4 Sustainable Workforce and Infrastructure

An overview of the banks' disclosures in the employee-related sub-area of sustainable workforce and infrastructure is provided in Table 4. Overall, the disclosures in each category are very similar between the two sample banks. With respect to the first disclosure category CS provides information on both voluntary and non-voluntary turnover for 2012 and 2013 by region while DB provides information on voluntary turnover for 2011–2013. In both cases, definitions of the indicators are missing and there is no verbal discussion of the quantitative information. In addition, both banks provide rough quantitative information on employee commitment along with a brief discussion. However, for DB information is only provided for the years 2011 and 2012. Quantitative information in the second disclosure category is very limited and only provided for the country of domicile. In both cases, there is no additional discussion of the quantitative information. With respect to the third disclosure category, the information provided by CS is in accordance with the GRI reporting guidelines, yet the disclosure covers only the current reporting year 2013 and thus a chronological comparison of the information is not possible. The information provided by DB on this indicator does not correspond to the GRI performance indicator. Both banks provide additional verbal information as well as statements on training. However, a discussion, which is clearly related to the disclosed quantitative information, is only present for the fourth disclosure category, gender equality. Both banks report the information on LA13 in accordance with the GRI guidelines, yet none of them report quantitative information on the ratio of remuneration of women to men (LA14).

Results from the Factiva search reveal the controversial fact that there are no female members on DB's Management Board in 2013 (see e.g. Die Zeit 2013). However, the sustainability disclosure of the bank itself does not address this critical issue. On the other hand, CS appears to respond to media criticism about cost savings programs which involve significant employee layoffs (see e.g. Neue Zürcher Zeitung 2013b). In particular, CS highlights its endeavor to minimize the impact of cost reduction measures on employees through internal transfers (see CS 2013: 47). However, the bank does not disclose the reasons why the involuntary turnover rates still remain relatively high (see *ibid.*: 44).

With respect to disclosure in the ecological sub-area, both banks provide comprehensive and detailed quantitative information for a reporting period of three years (2011–2013) in each disclosure category. The quantitative information is in accordance with the GRI performance indicators and is presented both on an absolute as well as per employee basis which facilitates comparability across companies of different sizes. In both cases, the quantitative information is accompanied by additional verbal information with a strong focus on climate change and GHG emissions. Both banks are GHG-neutral, i.e., offset remaining GHG emissions through the purchase of emissions reduction certificates. While the environmental section of the DB sustainability report prominently starts with “neutralizing our carbon footprint” (DB 2013: 82), CS presents this information only on the second page of the environmental section of the report and not in the headline (see CS 2013: 51).

	CS	DB
Turnover (LA2)* and satisfaction	<ul style="list-style-type: none"> quantitative information on voluntary and non-voluntary turnover rates for 2012 and 2013 by region definition not provided no discussion of quantitative information quantitative information on employee commitment for 2013 only; brief general discussion 	<ul style="list-style-type: none"> quantitative information on voluntary turnover rates for 2011–2013 definition not provided no discussion of quantitative information quantitative information on employee commitment for 2011 and 2012 only; brief general discussion
Health and safety (LA7)*	<ul style="list-style-type: none"> quantitative information on absenteeism for 2011–2013, only provided on webpage, only for Switzerland no discussion of quantitative information 	<ul style="list-style-type: none"> quantitative information on lost working days for 2011–2013, only provided for Germany no discussion of quantitative information
Training (LA10)*	<ul style="list-style-type: none"> quantitative information on average hours of training per year per employee for 2013 by employee category discussion of quantitative information additional verbal information on training 	<ul style="list-style-type: none"> quantitative information on total training expenses for 2011–2013 no discussion of quantitative information brief verbal statements on training
Gender equality (LA13, LA14)*	<ul style="list-style-type: none"> quantitative information on proportion of female employees by category for 2013 discussion of quantitative information additional verbal information no quantitative information on LA14 (ratio of remuneration of women to men) is provided 	<ul style="list-style-type: none"> quantitative information on proportion of female employees by category for 2011–2013 discussion of quantitative information additional verbal information no quantitative information on LA14 (ratio of remuneration of women to men) is provided

* GRI sustainability reporting guidelines performance indicators in parentheses (see GRI 2011a).

Table 4: overview of disclosures in the sub-area of employees by disclosure category and sample bank (source: own research)

The results from media search reflect the low materiality of the direct ecological impact. The results list contains not one single news post related to the ecological disclosure categories energy, water, greenhouse gas emissions and waste. This finding stands in

contrast to the detailed reporting of both banks on ecological aspects of their infrastructure. Third-party criticism on environmental issues exclusively relates to banks' indirect impact through investments and financing of ecologically questionable projects and business sectors which belong to the area of "sustainable business activities". For instance, DB has been criticized for funding South-East Asian rubber planting corporations which do not consider any ecological aspects in their production lines and are therefore responsible for environmental disasters (see e.g. Der Spiegel 2013). Indirect impact on the environment through the banks' core business activities is mentioned only briefly by CS (see *ibid.*: 50) and not at all by DB. Similar to their reporting strategy in the area of sustainable business activities, both CS and DB pronounce their commitments to voluntary initiatives such as the "Roundtable on Sustainable Palm Oil (RSPO)" (see *ibid.*: 57) or achievements in sustainability rankings like the "Climate Performance Leadership Index" (see DB 2013: 82) while failed controls in their ecological supply chain are not disclosed at all.

3.3 Discussion of Major Findings

Our findings on the banks' reporting in the first area of financial and economic system stability are ambiguous. Despite the high materiality of this area for sustainability reporting we find only limited disclosure of both quantitative and qualitative information. Overall, neither CS nor DB report comprehensively in this most material area of sustainability which indicates the existence of greenwashing. Instead, both banks highlight their endeavors for "compliance" or "cooperation towards regulatory reforms" as material objectives. This result becomes even more apparent when linking third-party criticism to the reporting of both banks. While the news search reveals the involvement of both banks in major corporate scandals, such as the manipulation of benchmark interest rates and foreign exchange rates, the banks' own reporting on these scandals is very brief and remains rather boilerplate.

It is important to interpret these findings against the regulatory background of mandatory as well as voluntary disclosure guidelines. The GRI sustainability guidelines along with its sector supplements for financial service companies offer very limited assistance with respect to the integration of financial and economic system stability into banks' sustainability reporting. The mandatory disclosures in this area which are required by bank regulators as well as international accounting standards for banks' financial reports are not compulsory for sustainability reporting and explicitly focus on the information needs of financial investors. Due to this lack of disclosure guidelines targeted at sustainability reporting, the two sample banks choose very different reporting approaches in the area of financial and economic system stability. The CS sustainability disclosure in this area is focused on the compliance with mandatory rules, while the DB sustainability report predominantly concentrates on internal procedures to enhance systemic stability. As a result of missing homogeneous quantitative measures, a comparison of the two banks along the pre-set disclosure categories is difficult. In addition, both reports demonstrate the importance of verbal information with respect to a bank's reporting on financial and economic system stability due to the high complexity of the disclosed information. CS highlights its early adopter's role of newly proposed regulation without explaining its own business misconduct which may have contributed to this new rule

set. The reporting of DB, on the other hand, pronounces its focus on putting “the client” at the center of its business model without providing a clear definition of who this client actually is and whether this client would potentially have the market power to actively affect the bank’s business model. Both banks mainly concentrate their sustainability reporting on non-financial risk factors, such as measures to mitigate reputational risk, while completely leaving out more complex information on material market risk issues which arise from the banks’ involvement with global investment banking activities. Taken together, these findings do not suggest an adequate disclosure in the highly material area of sustainability as none of the banks provide a true and full picture of its sustainability performance.

Similarly, our findings point toward the existence of greenwashing activities by both banks with respect to sustainable business activities. Although this disclosure area covers the banks’ core business, disclosure with respect to sustainable business activities is predominantly qualitative in nature, while quantitative reporting on key performance indicators is limited. This discrepancy partly reflects greenwashing activities, but also limited guidance by the GRI sustainability reporting sector supplements. Even if there is quantitative information, information is often presented for a single reporting year only, thereby hampering an assessment of the progress. Moreover, definitions on the reported tables are often imprecise or missing, which hinders comparisons across companies. While both banks explicitly address and discuss some distinct critical issues, mainly litigation cases, the results from our news search reveal further criticism the banks remain silent about.

We find the most detailed and comprehensive information in the area of sustainable workforce and infrastructure which is remarkable considering the relatively low materiality of this disclosure area. This low materiality is also consistent with the results from our news search that reveal only a limited number of articles on employee-related issues and no articles at all on ecological issues. Overall, the banks’ ecological disclosures comprise quantitative information in line with the GRI performance indicators while disclosures with respect to the workforce are limited and do not fulfill the scope recommended by the GRI performance indicators. Given the higher materiality impact of employee-related information, this result is at odds with the materiality assessment of the two sub-areas. Although we concentrate on core GRI performance indicators in each sub-area, quantitative information in the employee sub-area is limited in scope, imprecise or missing which hampers the comparability of the disclosed information. Moreover, explanations and discussions on the quantitative information are limited and third-party criticism is only partly addressed by the banks. Taken together, these discrepancies between actual reporting and disclosure requirements in the employee sub-area point toward some greenwashing activities by our sample banks.

4. Conclusions

This paper presented the results of an in-depth analysis of the sustainability disclosure of two global systemically important banks. By this, we were able to detect potential greenwashing, i.e., a company’s selective disclosure on sustainability issues without full reporting of material sustainability issues to overstate its true sustainability performance.

Drawing on a framework for the assessment of sustainability disclosure along materiality criteria in the banking industry, we distinguished three major disclosure areas: financial and economic system stability, sustainable business activities, and sustainable workforce and infrastructure. Based on the externality potential on society, the group of stakeholders involved and the multiplication function of banks we concluded that the materiality of sustainability disclosure is highest in the financial and economic system stability area, moderate in the area of sustainable business activities and low in the area of sustainable workforce and infrastructure. For each disclosure area we assessed the banks' sustainability disclosure along four disclosure categories by taking into account mandatory and voluntary disclosure guidelines. Each disclosure category thereby comprised both quantitative and qualitative (verbal) information. While quantitative information is particularly necessary for an objective and comparable assessment of a bank's sustainability activities in each area, we argued that the necessity of related qualitative information, i.e., explanation and discussion of the quantitative information, increases with the materiality of each area and thus with the complexity of the disclosed information. Hence, the complexity of information is highest with respect to the financial and economic system stability since it requires a deeper understanding of the banks' interconnectedness with the macro-economy, moderate with respect to sustainable business activities and lowest with respect to sustainable workforce and infrastructure. In addition, we conducted a structured news search to capture third-party criticism on the two sample banks in the reporting year 2013. The distribution of articles among the three areas of our framework is consistent with the materiality assessment of each area. Based on the results from this news search we exemplarily identified third-party criticism in each area of sustainability and investigated the sustainability disclosure with respect to these critical issues.

We found evidence for greenwashing in each disclosure area which also has to be interpreted against the background of existing mandatory and voluntary disclosure guidelines. Despite the high materiality of the first disclosure area, none of the reports contain a comprehensive reporting on financial and economic system stability. Moreover, both banks only briefly comment on their role in major corporate scandals, such as the manipulation of benchmark interest rates. This discrepancy between disclosure and materiality indicates greenwashing, but it also reflects the current state of voluntary sustainability reporting guidelines. In particular, we found that the GRI sustainability reporting guidelines offer no guidance on the integration of financial and economic system stability into banks' sustainability reporting. In addition, our analysis indicates that mandatory disclosure rules under banking regulation and financial reporting regulation may not be helpful for determining the content of sustainability reporting since they do not address all groups of stakeholders. Our analysis also revealed that reporting of quantitative information in the second disclosure area is very limited, yet mainly accompanied by further discussions and explanations. Banks respond more openly toward third-party criticism, yet the disclosure is rather general in nature. We interpreted this finding as a further indication for greenwashing by our sample banks, but also accounted for the absence of a broad set of GRI performance indicators on banks' sustainable business activities. Only with respect to the third disclosure area, sustainable workforce and infrastructure, we found detailed and comprehensive information which is in contrast to

the low materiality of this disclosure area. Hence, this disclosure style which overstates an immaterial disclosure area points toward greenwashing but also reflects the banks' adherence to the GRI sustainability reporting guidelines. Overall, our findings highlight the fact that these voluntary guidelines do not account for the sustainability disclosure specificities needed for the banking industry, despite the existence of sector-specific reporting adjustments. Our critical evaluation of banks' disclosure in this area is also supported by the banks' limited responsiveness with respect to third-party criticism, such as turnover or gender equality issues.

From a regulatory perspective, our findings therefore suggest that the integration of financial and sustainability reporting as recommended by the International Integrated Reporting Council may especially help mitigate greenwashing endeavors of banks and reward banks' transparent self-reflection on financial stability and sustainability. Besides this integrated reporting form, a focus on material sector-specific sustainability topics as targeted by the new G4 sustainability reporting guidelines may add value. By aligning sustainability ratings and indices with these material sustainability guidelines, it may become easier to screen and reward companies which highlight material areas in their sustainability disclosure and thereby go beyond pure compliance with mandatory and voluntary reporting rules. This may also contribute to the "shared value" and needs-based concepts proposed by Porter and Kramer (2011) and Beschorner and Hajduk (2013), respectively.

While an in-depth assessment of banks' sustainability disclosure is particularly appropriate for studying the existence and nature of greenwashing, some caveats apply to this case study approach. Our findings may be limited to service companies with generally lower material impact with respect to employees- and ecology-related issues. Moreover, our framework for the assessment of sustainability disclosure in the banking industry is particularly useful for global systemically important banks. We have shown that the sustainability reporting guidelines are especially detailed in subject areas with low materiality for these type of banks. Further studies may utilize the framework of our study and investigate the research question for a larger sample or time period. Moreover, a comparison between the sustainability disclosure in the banking sector and other financial service providers across different countries might enable researchers to explicitly assess the costs and benefits of mandatory and voluntary disclosure guidelines on the quality of sustainability disclosure. The efficiency of voluntary, industry-specific sustainability networks with regards to a high-quality sustainability disclosure as well as enforcement capability in cases of business misconducts may thereby provide an interesting venue for further research. Generally, a better understanding of the drivers behind sustainability reporting of financial service companies is needed to be able to assess the applicability of voluntary disclosure theory and legitimacy theory for this business sector. This, ultimately, enables an efficient combat of greenwashing activities and implementation of a true and full reporting on companies' sustainability performance.

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