

Corporate Social Responsibility of the Financial Sector – Strengths, Weaknesses and the Impact on Sustainable Development

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ABSTRACT

This study analyses the performance of the financial sector with respect to corporate social responsibility and sustainability. Because this sector has a strong influence economically and on sustainable development, both risk management issues and stakeholder pressure drive the financial sector into a more sustainable direction. In contrast to polluting sectors, the financial sector does not affect the environment and society by direct emissions or the use of resources like other industries. To compare the financial sector with other sectors regarding their sustainability performance, we analyzed the performance in the fields of sustainability reporting, business ethics and product responsibility, labor issues, environmental performance, community issues, and corporate governance. The study is based on more than 1800 firms including 400 organizations from the financial sector. We link CSR to sustainability and define it as corporate self-regulation in order to manage sustainability risks and opportunities. The results suggest that financial sector performance is relatively low regarding corporate social responsibility (CSR) in general. Weaknesses of the financial sector with regard to CSR are reporting, business ethics and product responsibility, and labor issues. Strengths of the financial sector regarding CSR can be located with respect to community relations. Further research is needed with respect to the factors influencing CSR performance. It is still not clear what influences regulations, stakeholder pressure or potential financial benefits have on sustainability performance in the financial sector. Copyright © 2012 John Wiley & Sons, Ltd and ERP Environment.

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Introduction

THROUGH THEIR FINANCIAL ACTIVITIES FINANCIAL INSTITUTIONS EXERT A DOMINATING INFLUENCE ON THE economy, society (Scholtens, 2008, 2011) and sustainable development (Mezher *et al.*, 2002). They are an intermediary that is able to channel capital to different markets, regions, sectors or projects.

We define sustainability as a development that meets the needs of the present generation without compromising the needs of the future generation (Brundtland, 1987). In addition, sustainability is characterized by an intragenerational equity between north and south (Barkemeyer *et al.*, 2011) and by taking environmental, societal (Vifell and Soneryd, 2012) and economical issues equally into account (Elkington, 1998). Similarly to Moon (2007) we see corporate social responsibility (CSR) as a vehicle for achieving sustainable development. CSR should strive to make profits, to obey the law, to be ethical and to be a good corporate citizen (Carroll, 1979, 1999). In relation to sustainability performance, Benabou and Tirole (2010) argue quite similarly, as they state that sustainability performance may be driven by the expectation of a win-win situation, by stakeholder delegation or by internal motivation of company leaders. On the one hand sustainability fits into the ethical category of CSR (Moon, 2007), and on the other hand, from a resource-based view, sustainable business activities may lead to competitive advantage and increase profits (Chang and Kuo, 2008; Hart, 1995).

Regarding the relation between the financial sector and sustainable development, there are three important aspects to mention. First, the sector may influence environmental and sustainability impacts of financed projects or borrowers (Baranes, 2009; Egede and Lee, 2007; Scheire and de Maertelaere, 2009; Thompson and Cowton, 2004). Second, the introduction of environmental regulations affects the financial sector in many ways (Scholtens, 2008, 2011; Scholtens *et al.*, 2008; Weber *et al.*, 2010). Risks and opportunities connected with sustainability arise and the financial sector has to respond to them (Hogue, 2002; Labatt and White, 2007; Richardson, 2009; Twining, 2008). Third, stakeholder pressure influences the reputational risk of financial institutions (Berman *et al.*, 1999; Brown and Whysall, 2010; Crane *et al.*, 2008; Evangelinos and Nikolaou, 2009; Matten and Crane, 2005) and stakeholder relations may have an impact on the financial performance (Scholtens and Zhou, 2008).

These influences may explain adaptation processes of organizations (Jennings and Zandbergen, 1995). It is argued that organizations respond to institutional pressures toward sustainability and CSR (Oliver, 1991; Shrivastava, 1995). For the financial sector the external pressure to be better corporate citizens increased especially during and after the financial crisis (Robins and Krosinsky, 2008; Yeoh, 2009). This sector as well as others may demonstrate corporate citizenship by contributing to sustainable development (Baumgartner and Ebner, 2010).

It is not clear how financial institutions perform with respect to CSR compared with other sectors. Some authors found evidence that the financial sector performs less well than others (Belu, 2009; Cerin and Dobers, 2001). In contrast, Simpson and Kohers (2002) found a significant positive relation between CSR and financial performance in the financial sector, while Coulson (2009) emphasizes the problem of measuring CSR in the sector because of the indirect impact on society and sustainable development.

Corporate Social Responsibility in the Financial Sector

The first activities in the financial sector concentrated on the internal environmental management (Jeucken and Bouma, 1999). Though the activities around reducing the direct environmental impact resulted in some positive public reputation (Babiak and Trendafilova, 2011), the main link between the financial sector and sustainable development is indirect, through lending or investing, insurance or project finance (Schmidheiny and Zorraquin, 1996; Scholtens, 2008). Thus as a next step the sector concentrated on managing environmental risks in their business by integrating the evaluation of sustainability risks in their credit risk management processes (Evangelinos and Nikolaou, 2009; Hugenschmidt *et al.*, 1999; Scholz *et al.*, 1995; Thompson and Cowton, 2004; Weber, 2005). Environmental risks and environmental regulations had and still have a significant influence on the risk of a credit portfolio of a bank and thus have to be managed thoroughly (Bacow, 1998; Labatt and White, 2002; Weber *et al.*, 2008). The same is valid for insurance that has to manage environmental risks as well. With the introduction of socially responsible investment (SRI) products and services, financial institutions started to influence sustainable development through their core business (Cerin and Scholtens, 2011; Weber *et al.*, 2011).

The insurance industry is facing risks especially connected with weather events caused by climate change or losses on business disruption policies originating from environmental risks (Labatt and White, 2007; Mills, 2005). There is a need for environmental insurance on the one hand (Alviggi and Avena, 2008), but on the other hand the market for environmental liability insurance is relatively risky because of the uncertainties of environmental regulations (Abraham, 1988). Though insurance is more affected by environmental risks than banks its impact on sustainable development is still rather indirect. The industry provides insurance for activities and projects of their clients but the latter have the more direct impact on sustainable development (Scholtens, 2011) and insurance only has limited opportunities to influence the sustainability performance of its clients.

Compared with other industrial sectors, the financial sector is not that much exposed to stakeholder pressure (Darnall *et al.*, 2010; Kassinis and Vafeas, 2006) or regulations regarding community, labor issues or the environment (Boyd, 1997; Egede and Lee, 2007; Ertugrul and Hegde, 2009; Helleiner and Thistlethwaite, 2009; Rodriguez-Dominguez *et al.*, 2009). Nevertheless, many financial sector organizations are on the radar of non-government institutions with respect to financing projects or borrowers with businesses that are harmful to the environment or sustainable development (see, e.g., Noor and Syumanda, 2006; van Hasselt, 2010). Generally, it seems that the pressure on the financial sector to perform well regarding CSR is lower than in other, especially non-service, sectors and therefore in general CSR performance is lower as well. The study will analyze the assumption that the CSR performance in the financial sector is lower compared with other sectors.

Methods

To compare the financial sector with other sectors regarding their CSR we analyzed the following fields and issues.

1. *Reporting* (four indicators). Public communication on CSR issues and external verification of reports; compliance with reporting.
2. *Business ethics and product responsibility* (27 indicators). Policies on bribery and corruption, competition, insider trading and money laundering, reporting channels, quality certifications and customer satisfaction monitoring.
3. *Labor issues* (41 indicators). Policies on non-discrimination, diversity programs for employees, health and safety certifications for employees and contractors, working conditions, compliance with international labor norms for employees and contractors.
4. *Environment* (53 indicators). Environmental policies including procurement, position statement on climate change, targets and programs and data on GHG and other air emissions of operations and products, targets and programs and data to reduce the use of natural resources, targets to reduce the environmental impact, programs to increase the use of environmentally friendly products, assets managed according to SRI criteria, detailed environmental examination of loans, credits or mortgages.
5. *Community issues* (21 indicators). Policies on human rights, position statement on access to basic needs, philanthropic activities and charitable donations, guidelines and programs for engagement or consultation with communities.
6. *Corporate governance* (14 indicators). Board composition and accountability, remuneration policy and disclosure and shareholders rights.

The indicators are categorized into performance criteria and controversies. Performance criteria measure the performance of a company regarding specific sustainability policies, strategies and operations. Controversies measure whether a company is mentioned negatively by media or NGOs regarding specific sustainability issues such as controversies over products and services, discrimination, freedom of association, health and safety, lobbying activities etc.

Because no general accepted accounting standards exist (Ngwakwe, 2012), data was gathered using company reports, databases (Reuters, Factiva), media and NGO information and direct contacts to the analyzed companies. The reason to use different sources of information is so as not to be solely dependent on company information provided by company reports. Data was analyzed by an analyst team from Inrate and controlled by specialized analysts for specific topics such as financial services. This process guarantees the reliability and the validity of the data. Let us explain the analysis using the example of policies on conflicts of interest. If there is no policy mentioned in any reports or other sources of information of a company, the issue is scored with 0. If there is a general policy issued the company is valued with 0.25. A publicly disclosed general policy is evaluated with 0.5. The firm receives the full

point for a disclosed policy that takes the board of directors, different management levels and all employees into account. The procedure by which to translate qualitative information into a scale is described in a handbook that is used by every analyst.

The Inrate database on environmental and social responsiveness of companies (see www.inrate.ch) includes more than 2500 securities across all major markets. The data is used by leading financial service providers to analyze the CSR performance of securities. The data sample comprises data from the fiscal year 2009, as the newest available data at the time of conducting the study.

Sustainability performance criteria were rated on a scale from 0 to 1, with 0 indicating 'not at all' and 1 indicating 'to full extent'. Controversies were rated on a scale between 0 and 1 as well, with 1 indicating no controversies and 0 indicating major controversies without credible steps for improvement. The six fields listed above were created by equi-weighting the respective items in the field. Thus, CSR performance includes both performance ratings and controversy ratings.

The indicators were tested with respect to homogeneity regarding their respective sustainability fields using Cronbach's alpha and principal component analysis (PCA) (Tarling, 2009). Reporting scored 0.73, business ethics and product responsibility scored 0.82, labor issues scored 0.81, environment scored 0.91, community issues scored 0.71 and corporate governance scored 0.77. Values higher than 0.70 are considered satisfactory (Cronbach, 1951). Thus the results of the Cronbach's alpha tests suggest that the six sustainability fields may be regarded as homogeneous. The relatively low value of community issues results from the heterogeneity of the indicators. The field comprehends indicators such as human rights related indicators or indicators describing local community relations. Additionally, we conducted a PCA, which is similar to factor analysis but tries to account for the first component for the maximum variance possible. Using this method we could achieve 55.25 percent of variance for the first component for reporting (four components), 18.87 percent for business ethics and product responsibility (27 components), 16.51 percent for labor issues (41 components), 21.5 percent for environment (53 components), 15.07 percent for community relations (21 components), and 34.13 percent for corporate governance. The results of the PCA show the ability of the indicators to explain a significant part of the variance of the sustainability fields.

Through this rigorous, multi-step process of data gathering and control we analyzed the CSR performance of the respective firms in a certain time frame. However, it is obvious that the data cannot be used to predict the future performance of the analyzed firms (Chatterji *et al.*, 2009).

Multinomial logistic regression was used to analyze the influence of the sector on the sustainability performance with the sectors as response variable and the CSR fields as dependent variables. The method accommodates data without restrictions of scale and distribution. Furthermore, it accepts response variables that are categorized in more than two groups (Tarling, 2009). Additionally, we introduced the region of the companies (Asia-Pacific, Europe and North America) as an independent control variable. Regional effects could be found in earlier analyses (Chan and Welford, 2005; Li and Zhang, 2010; McCammon, 1995) and are related to different social, economic, cultural, legal and political contexts (Gjølberg, 2009; Ioannou and Serafeim, 2010). They were analyzed using a non-parametric Kruskal–Wallis test based on ranked data (Siegel and Castellan, 1987). The model for the analysis is presented in Figure 1.

Results

We analyzed the CSR performance including controversies of 1822 companies for the reporting period 2008/2009 using different sources. 700 companies were from North America, 629 from Europe and 493 from Asia-Pacific. A table with the number of companies per country can be found in Appendix I. A table with basic descriptive statistics for the CSR indicators is presented in Appendix II.

The sector and regional distribution is presented in Figure 2. The sectors were classified using the Global Industry Classification Standard (GICS).

In the financial sector 32.9 percent are banks, 23.9 percent are diversified financials, 22.8 percent are insurance companies and 20.4 percent are real estate financiers.

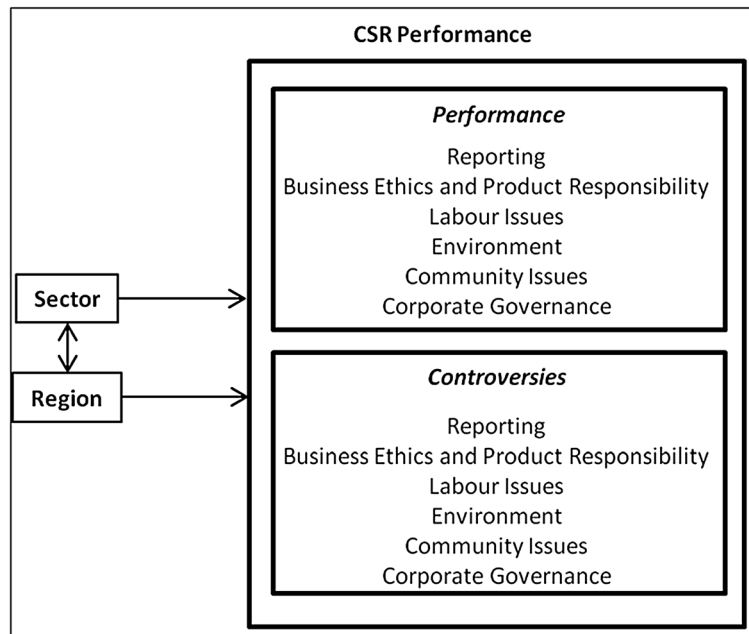


Figure 1. Formal model of the analysis

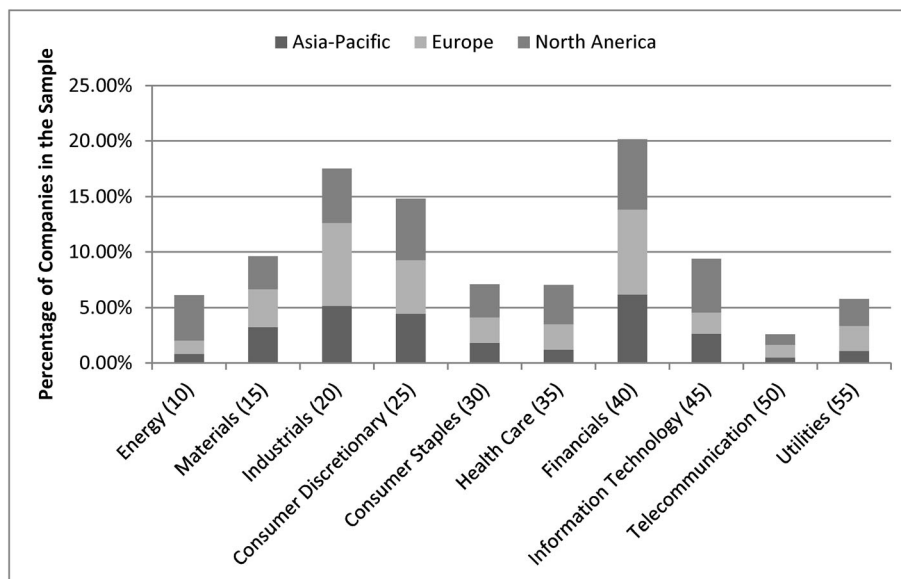


Figure 2. Percentage of firms in the sample split by sector and region

Regional Influence

The Kruskal–Wallis test resulted in significant differences ($p < 0.0001$) between the three regions regarding the six CSR fields that are in line with other studies (Gjølberg, 2009; Ioannou and Serafeim, 2010). While North American companies seem to perform less well than European and Asia-Pacific companies regarding their reporting and the environment, they perform better than the latter with respect to corporate governance, and business ethics and product responsibility. Asia-Pacific firms perform least well regarding corporate governance, while European firms

seem to perform well with respect to community relations. A Kruskal–Wallis test for the overall performance in all sustainability fields was significant as well ($p < 0.0001$, $\chi^2 = 30.6$). European companies had the highest median (0.521), before North American (0.483) and Asia-Pacific firms (0.480). A post hoc Kolmogorov–Smirnov test for two-group comparisons suggests that every two-group combination differs significantly ($p < 0.0001$ respectively). Generally, the results suggest introducing a regional factor into the further analysis.

Sector Influences

We categorized all companies in the sample into the ten sub-industries of the Global Industry Classification Standard (GICS). The averages for the sustainability performance of the different sectors are presented in Table 1. Additionally, we conducted t tests to compare the performance of the financial sector with all other sectors and ANOVAs to test differences between regions. The financial sector performed significantly less well than the average of all other sectors in the fields of reporting, business ethics and product responsibility, and labor issues. This results in a significantly lower performance overall compared with the average of all other sectors.

As a next step, we conducted a multinomial logistic regression with Europe and North America as dummy variables to take the regional effect into account. For the dummy variable ‘Europe’ European companies were coded 1 and firms from other regions were coded 0. The same principle was used for the two other regional dummy variables (see Tarling, 2009). Because multinomial logistic regression predicts all categories of the dependent variable (sector) except the reference category (financial sector), the financial sector was used as the reference category. Thus significant B -weights indicate a significant difference of other sectors from the financial sector regarding the respective field. A positive B -weight indicates a performance higher than that of the financial sector. To make the weights comparable we used z -scored values for the explanatory variables.

The regression for the overall CSR performance was significant ($p < 0.0001$, $r^2 = 0.03$). The financial sector performed significantly less well than energy, materials, consumer staples and utilities. There was no significant difference between financials on the one side and consumer discretionary, health care, information technology and telecommunication services on the other side. Regional influences were found for energy, information technology and utilities. Thus, as expected, the financial sector performed less well than industrial sectors with higher direct impacts on sustainable development and similarly to other service sectors. The weights of the CSR indicators and for the regional dummies are presented in Table 2. Positive or negative significant B -weights indicate that the respective sector performs better or less well than the financial sector (Tarling, 2009).

Sector	Reporting	Bus. ethics & prod. resp.	Labor issues	Environment	Community relations	Corporate governance	Total
Utilities	0.52	0.72	0.48	0.46	0.54	0.72	0.57
Materials	0.48	0.73	0.47	0.46	0.44	0.69	0.55
Energy	0.43	0.75	0.45	0.34	0.44	0.78	0.53
Consumer staples	0.46	0.68	0.46	0.39	0.44	0.69	0.52
Telecommunication	0.47	0.68	0.44	0.33	0.42	0.72	0.51
Industrials	0.39	0.70	0.44	0.43	0.40	0.67	0.50
Information Technology	0.33	0.74	0.42	0.41	0.38	0.70	0.50
Health care	0.33	0.70	0.42	0.37	0.41	0.71	0.49
Consumer discretionary	0.36	0.69	0.44	0.37	0.39	0.68	0.49
Financials	0.34**	0.66**	0.39**	0.40	0.43**	0.69**	0.48**
Asia-Pacific	0.42**	0.68**	0.43**	0.45**	0.41**	0.53**	0.49**
Europe	0.45**	0.66**	0.46**	0.44**	0.45**	0.68**	0.52**
North America	0.32**	0.70**	0.43**	0.40**	0.42**	0.69**	0.51**
Average without financials	0.40	0.71	0.44	0.40	0.42	0.69	0.51
Total average	0.39	0.70	0.43	0.40	0.42	0.69	0.51

Table 1. CSR averages of the different sectors

**Significant difference between financials and other sectors or between the regions.

Sector	B-weight sustainability performance	p	B-weight dummy Europe	p	B-weight dummy North America	p
Energy	5.486	<0.001	-0.062	0.866	1.486	<0.001
Materials	6.359	<0.001	-0.441	0.055	-0.205	0.380
Industrials	2.089	<0.001	0.078	0.674	-0.123	0.539
Consumer discretionary	0.405	0.626	-0.152	0.450	0.185	0.356
Consumer staples	3.874	<0.001	-0.124	0.644	0.399	0.124
Health care	0.367	0.735	0.413	0.160	1.033	0.000
Information technology	1.612	0.103	-0.589	0.022	0.546	0.015
Telecommunication services	2.246	0.141	0.550	0.192	0.565	0.193
Utilities	8.343	<0.001	0.116	0.710	0.663	0.030

Table 2. Results of the multinomial logistic regression analysis with the financial sector as reference category

In step 2 we analyzed the difference between the financial sector and the other sectors regarding the six fields respectively. The multinomial regression presented in Table 3 was significant as well ($p < 0.00001$, $r^2 = 0.11$).

Significant regional influences were found regarding the differences between the financial sector and energy, consumer staples, health care, information technology and utilities.

Sector	Variable	B	z	p
Energy	Reporting	0.480	2.56	0.010
	Business ethics & product responsibility	0.192	1.18	0.239
	Labor issues	2.421	10.71	<0.001
	Environment	-2.051	-9.54	<0.001
	Community relations	-0.426	-2.81	0.005
	Corporate governance	0.126	0.72	0.473
	Dummy North America	0.927	2.21	0.027
	Dummy Europe	-0.538	-1.36	0.173
	Constant	-1.584	-5.12	<0.001
Materials	Reporting	0.116	0.82	0.415
	Business ethics & product responsibility	0.202	1.64	0.101
	Labor issues	1.753	8.98	<0.001
	Environment	-0.472	-3.08	0.002
	Community relations	-0.722	-5.60	<0.001
	Corporate governance	0.049	0.37	0.709
	Dummy North America	-0.040	-0.12	0.904
	Dummy Europe	-0.351	-1.32	0.186
	Constant	-0.299	-1.41	0.160
Industrials	Reporting	-0.063	-0.49	0.624
	Business ethics & product responsibility	0.041	0.40	0.688
	Labor issues	1.741	10.00	<0.001
	Environment	-0.492	-3.80	<0.001
	Community relations	-0.916	-8.12	<0.001
	Corporate governance	-0.229	-2.07	0.039
	Dummy North America	0.424	1.42	0.157
	Dummy Europe	0.317	1.41	0.159
	Constant	-0.056	-0.29	0.771
Consumer discretionary	Reporting	-0.063	-0.44	0.657
	Business ethics & product responsibility	-0.189	-1.72	0.085
	Labor issues	2.334	12.67	<0.001
	Environment	-1.190	-8.28	<0.001

(Continues)

Table 3. (Continued)

Sector	Variable	<i>B</i>	<i>z</i>	<i>p</i>
Consumer staples	Community relations	−0.906	−7.53	<0.001
	Corporate governance	−0.308	−2.63	0.008
	Dummy North America	0.599	1.95	0.052
	Dummy Europe	−0.215	−0.90	0.368
	Constant	−0.155	−0.78	0.435
	Reporting	0.281	1.69	0.091
	Business ethics & product responsibility	−0.565	−4.13	<0.001
	Labor issues	2.524	11.93	<0.001
	Environment	−1.401	−7.76	<0.001
	Community relations	−0.545	−3.77	<0.001
Health care	Corporate governance	−0.379	−2.53	0.011
	Dummy North America	1.244	3.20	0.001
	Dummy Europe	−0.344	−1.10	0.273
	Constant	−1.216	−4.63	<0.001
	Reporting	−0.217	−1.21	0.225
	Business ethics & product responsibility	−0.019	−0.14	0.891
	Labor issues	1.708	7.82	<0.001
	Environment	−0.738	−4.22	<0.001
	Community relations	−0.574	−3.96	<0.001
	Corporate governance	−0.373	−2.45	0.014
Information technology	Dummy North America	1.579	3.79	<0.001
	Dummy Europe	0.577	1.73	0.084
	Constant	−1.497	−5.09	<0.001
	Reporting	−0.355	−2.09	0.036
	Business ethics & product responsibility	0.535	4.17	<0.001
	Labor issues	1.173	5.65	<0.001
	Environment	−0.081	−0.52	0.600
	Community relations	−0.906	−6.52	<0.001
	Corporate governance	−0.220	−1.54	0.125
	Dummy North America	0.840	2.27	0.023
Telecomm. services	Dummy Europe	−0.125	−0.41	0.681
	Constant	−0.895	−3.57	<0.001
	Reporting	1.049	4.20	<0.001
	Business ethics & product responsibility	−0.316	−1.53	0.126
	Labor issues	2.139	7.14	<0.001
	Environment	−2.380	−7.39	<0.001
	Community relations	−0.743	−3.39	0.001
	Corporate governance	−0.051	−0.24	0.809
	Dummy North America	0.472	0.84	0.404
	Dummy Europe	0.199	0.44	0.662
Utilities	Constant	−2.488	−5.96	<0.001
	Reporting	0.117	0.72	0.474
	Business ethics & product responsibility	−0.154	−1.05	0.292
	Labor issues	1.549	6.98	<0.001
	Environment	−0.781	−4.26	<0.001
	Community relations	0.395	2.74	0.006
	Corporate governance	−0.341	−2.10	0.036
	Dummy North America	1.339	3.16	0.002
	Dummy Europe	0.063	0.18	0.855
	Constant	−1.766	−5.80	<0.001

Table 3. Multinomial logistic regression for the sustainability performance for the reference category financial sector

Weaknesses of the financial sector with regard to CSR are reporting, business ethics and product responsibility, and labor issues. Strengths of the financial sector regarding CSR can be located with respect to community relations. These results are in line with the study by Cerin and Dobers (2001) and may be caused by low direct impacts of the financial sector on sustainable development and by a low stakeholder pressure in this regard.

Conclusions

We analyzed how the financial sector performs with respect to CSR compared with other sectors. Based on theoretical aspects of corporate social responsibility (Carroll, 1999; Moon, 2007), institutional theory (Oliver, 1991) and the resource-based view of the firm (Hart, 1995), we assume that the pressure to perform well with respect to CSR for the financial sector is lower than for other industrial sectors and is similar to other service sectors. Because regional differences in CSR were found (Gjølberg, 2009; Ioannou and Serafeim, 2010), we introduced the region as a covariate.

The results suggest that North American companies performed better than their counterparts from other regions with respect to business ethics and product responsibility and with respect to corporate governance. These two fields are traditionally seen as important in the North American context but less important in Europe and Asia, for instance in relation to shareholder protection (Denis and McConnell, 2003) or product responsibility (Welford *et al.*, 2008).

The lower performance of Asia-Pacific companies may be explained by the relatively recent integration of corporate sustainability and social responsibility in Asian companies compared with North America or Europe (Cheung *et al.*, 2010; Cooke and He, 2010). Traditionally, European firms show a strong performance regarding the environment because of stricter environmental regulations (Rogge *et al.*, 2011) and regarding labor issues.

Our results suggest that the financial sector performs relatively badly regarding CSR in general. It performs significantly less well than energy, materials, consumer staples and materials and is on the same level as the other service sectors – consumer discretionary, health care, information technology and telecommunications. The financial sector performs less well than all other sectors with respect to labor issues. The sector underperforms most of the other sectors with regard to reporting and shows a medium performance for the environment, community relations and corporate governance. This seems to be comprehensible for labor issues, because the financial sector does not usually have to deal intensively with labor issues as, e.g., retailers, textile production or other consumer goods producing sectors do (Massey *et al.*, 2007). The medium environmental performance, that could not be expected for a service sector, may be explained by the introduction of environmental regulations in the US and in Europe implying lender liability for environmental pollution caused by their debtors (Bacow, 1998; Weber *et al.*, 2010), a relatively long history of environmental management in financial institutions (Bouma *et al.*, 1999; Jeucken, 2004) and increasing environmental risks for the insurance business (Abraham, 1988; Mills, 2005). Thus not only highly polluting industries react to environmental regulations (Halme and Huse, 1997; Semenova and Hassel, 2008) but their financiers and insurers as well. In contrast to earlier studies suggesting a low environmental performance of the financial sector (Cerin and Dobers, 2001), the sector seems to have improved its environmental performance over recent years and taken steps toward a better environmental sustainability. The relatively high performance of financial institutions in community issues may be explained by the rising importance of reputational risks (Dowling, 2006; Noor and Syumanda, 2006; Pelozo and Papania, 2008). The financial sector strives to manage these risks carefully in project finance, credit business, insurance products and other financial products and services.

The low performance with regard to business ethics and product responsibility could be caused by the novelty of the issue for the sector that arose especially during and after the 2008 financial crisis (Robins and Krosinsky, 2008). Though ethically oriented financial institutions have had a strong increase in clients since this time (Weber and Remer, 2011), ethical aspects regarding product responsibility have only recently entered financial sector corporate social responsibility reporting (Weber, 2011).

Outlook

Generally, the analyses showed that the detailed comparison between different sectors in different sustainability fields and in different regions creates some new insights with respect to the sustainability of the financial sector.

Further research is needed with respect to the factors influencing CSR performance. It is still not clear what influences regulations, stakeholder pressure or potential financial benefits (Manescu, 2011) have on sustainability performance in the financial sector. Thus, especially in investing, project finance and lending reputations risks may arise, e.g. through financing polluting industries. Analyses about the relation between credit risks or insurance risks and reputation risks will be useful. Second, the effect of CSR in the financial sector on sustainable development should be analyzed more in detail. So far, many firms argue that corporate sustainability is already positively influencing sustainable development (Ihlen and Roper, 2011). However, especially in a sector with a strong indirect sustainability impact this assumption should be tested more in detail, beginning with allocating the impact of the financial sector on sustainable development caused by different products and services. The results of this research could contribute to a positive impact of the financial sector on sustainable development by implementing more visionary approaches (Baumgartner, 2009) and by basing corporate sustainability on a more analytic ground (Sheu and Lo, 2005).

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Appendix A Countries of Origin and Sector of the Firms in the Sample

Country	Other sectors	Financial sector
Argentina	1	0
Australia	65	8
Austria	10	2
Belgium	8	5
Canada	95	10
China	1	0
Denmark	12	1
Finland	18	1
France	80	5
Germany	55	4
Greece	7	6
Hong Kong (China)	35	5
Ireland	4	0
Italy	25	9
Japan	308	39
Luxembourg	1	0
The Netherlands	19	1
New Zealand	5	0
Norway	9	1
Portugal	7	2
Singapore	23	4
Spain	24	7
Sweden	23	5
Switzerland	134	31
United Kingdom	101	12
United States	550	44

Appendix B Descriptive Data for the Sample

Sector	Indicator	Reporting	Business ethics and product responsibility	Labor issues	Environment	Community relations	Corporate governance
Energy	Mean	0.43	0.75	0.45	0.34	0.44	0.78
	N	111	111	111	111	111	111
	Med.	0.25	0.77	0.45	0.32	0.40	0.81
	Min.	0.06	0.47	0.32	0.15	0.25	0.37
	Max.	1.00	0.94	0.66	0.61	0.81	0.99
	Skew.	0.87	−1.32	0.42	0.38	0.58	−1.20
	Kurt.	2.23	4.85	2.34	1.96	2.27	3.78
	SD	0.30	0.10	0.09	0.13	0.14	0.15
Materials	Mean	0.48	0.73	0.47	0.46	0.44	0.69
	N	175	175	175	175	175	175
	Med.	0.44	0.76	0.46	0.50	0.42	0.74
	Min.	0.00	0.46	0.27	0.14	0.25	0.35
	Max.	1.00	0.95	0.67	0.76	0.87	0.98
	Skew.	0.48	−0.53	0.13	−0.49	0.81	−0.30
	Kurt.	1.94	2.47	2.07	2.23	3.39	1.66
	SD	0.28	0.12	0.09	0.15	0.14	0.18
Industrials	Mean	0.39	0.70	0.44	0.43	0.40	0.67
	N	319	319	319	319	319	319
	Med.	0.25	0.72	0.43	0.43	0.39	0.70
	Min.	0.00	0.44	0.29	0.14	0.21	0.27
	Max.	1.00	0.96	0.68	0.86	0.82	0.95
	Skew.	1.03	−0.29	0.35	0.14	0.65	−0.32
	Kurt.	3.04	1.97	2.31	2.12	2.94	1.74
	SD	0.25	0.13	0.09	0.16	0.12	0.17
Consumer staples	Mean	0.36	0.69	0.44	0.37	0.39	0.68
	N	270	270	270	270	270	270
	Med.	0.25	0.71	0.42	0.35	0.39	0.72
	Min.	0.00	0.44	0.29	0.14	0.23	0.33
	Max.	1.00	0.95	0.74	0.80	0.76	0.94
	Skew.	1.23	−0.24	0.59	0.48	0.71	−0.48
	Kurt.	3.64	2.16	2.54	2.09	3.28	1.95
	SD	0.25	0.12	0.10	0.17	0.11	0.16
Consumer discretionary	Mean	0.46	0.68	0.46	0.39	0.44	0.69
	N	129	129	129	129	129	129
	Med.	0.31	0.69	0.45	0.42	0.43	0.76
	Min.	0.06	0.45	0.29	0.14	0.25	0.27
	Max.	1.00	0.96	0.79	0.70	0.75	0.97
	Skew.	0.69	−0.08	0.69	−0.14	0.52	−0.59
	Kurt.	2.15	2.57	3.21	2.20	3.01	2.08
	SD	0.27	0.11	0.10	0.13	0.11	0.17
Health care	Mean	0.33	0.70	0.42	0.37	0.41	0.71
	N	128	128	128	128	128	128

Sector	Indicator	Reporting	Business ethics and product responsibility	Labor issues	Environment	Community relations	Corporate governance
Financials	Med.	0.25	0.72	0.41	0.30	0.39	0.76
	Min.	0.00	0.45	0.27	0.17	0.25	0.36
	Max.	1.00	0.91	0.78	0.80	0.75	0.92
	Skew.	1.33	−0.45	1.04	0.65	0.88	−0.79
	Kurt.	4.01	2.33	4.42	2.13	3.33	2.45
	SD	0.24	0.12	0.09	0.19	0.11	0.16
	Mean	0.34	0.66	0.39	0.40	0.43	0.69
	N	367	367	367	367	367	367
	Med.	0.25	0.67	0.37	0.36	0.42	0.75
	Min.	0.00	0.43	0.27	0.17	0.26	0.30
Information technology	Max.	1.00	0.88	0.63	0.84	0.77	0.99
	Skew.	1.23	−0.20	0.77	0.56	0.51	−0.58
	Kurt.	3.48	2.03	3.17	2.28	2.63	2.13
	SD	0.27	0.11	0.07	0.16	0.11	0.17
	Mean	0.33	0.74	0.42	0.41	0.38	0.70
	N	171	171	171	171	171	171
	Med.	0.25	0.77	0.40	0.36	0.36	0.78
	Min.	0.00	0.47	0.29	0.15	0.25	0.32
	Max.	1.00	0.93	0.72	0.81	0.64	0.99
	Skew.	1.20	−0.74	0.71	0.49	0.42	−0.65
Telecommunications	Kurt.	3.90	2.61	2.98	2.07	2.55	1.92
	SD	0.23	0.12	0.09	0.18	0.09	0.18
	Mean	0.47	0.68	0.44	0.33	0.42	0.72
	N	47	47	47	47	47	47
	Med.	0.25	0.72	0.42	0.31	0.38	0.76
	Min.	0.00	0.44	0.29	0.15	0.25	0.32
	Max.	1.00	0.89	0.69	0.56	0.80	0.92
	Skew.	0.47	−0.69	0.52	0.07	0.75	−0.77
	Kurt.	1.61	2.53	2.40	1.50	2.94	2.54
	SD	0.34	0.11	0.10	0.15	0.13	0.17
Utilities	Mean	0.52	0.72	0.48	0.46	0.54	0.72
	N	105	105	105	105	105	105
	Med.	0.50	0.74	0.48	0.47	0.54	0.75
	Min.	0.06	0.44	0.29	0.15	0.25	0.35
	Max.	1.00	0.92	0.71	0.74	0.88	0.98
	Skew.	0.17	−0.84	−0.08	−0.25	0.29	−0.39
	Kurt.	1.68	3.45	2.59	2.13	3.02	1.83
	SD	0.29	0.11	0.09	0.15	0.11	0.17
	Mean	0.39	0.70	0.43	0.40	0.42	0.69
	N	1822	1822	1822	1822	1822	1822
Total	Med.	0.25	0.72	0.42	0.39	0.40	0.75
	Min.	0.00	0.43	0.27	0.14	0.21	0.27
	Max.	1.00	0.96	0.79	0.86	0.88	0.99
	Skew.	0.95	−0.37	0.57	0.28	0.67	−0.52
	Kurt.	2.76	2.24	2.71	2.05	3.10	2.00
	SD	0.27	0.12	0.09	0.16	0.12	0.17