CHALLENGES IN CORPORATE SOCIAL RESPONSIBILITY REPORTING AND THE PROMOTION OF GOOD CORPORATE CITIZENSHIP THROUGH EXTERNAL ASSURANCE

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Samenvatting

In dit artikel worden de posities van verschillende actoren, die actief zijn op het gebied van maatschappelijk verantwoord ondernemen en assurance, geïdentificeerd en geanalyseerd. De nadruk wordt momenteel gelegd op vrijwillige activiteiten op het gebied van maatschappelijk verantwoord ondernemen en het rapporteren over deze activiteiten, ondanks dat een nieuwe richtlijn op Europees niveau bepaalde Nederlandse ondernemingen verplicht te rapporteren over maatschappelijk verantwoord ondernemen. Door het vrijwillige karakter van rapportages over maatschappelijk verantwoord ondernemen en het ontbreken van formele regelgeving is er een verhoogd risico dat bedrijven misbruik maken van mvo-rapportages voor bijvoorbeeld zakelijk of persoonlijk gewin. De verwachting is echter dat het belang en de kwaliteit van mvo-rapportages zal toenemen in de nabije toekomst om transparantie te verhogen binnen verschillende branches en sectoren. Hierdoor kunnen mvo-rapportages en de controle hierop ingezet worden om onethisch gedrag te verminderen en meer openheid van zaken te geven hoe ondernemingen te werk gaan.

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Our world is changing and it is changing rapidly. The ongoing process of a globalizing world has led to the relocation of industries from developed to developing countries, population movements and rising consumption levels. Associated with these developments are much criticized working conditions, child labor, growing carbon emissions, waste gases, pollution and the further depletion of already scarce natural resources.

Our world is changing and it is changing rapidly. The ongoing process of a globalizing world has led to the relocation of industries from developed to developing countries, population movements and rising consumption levels. Associated with these developments are much criticized working conditions, child labor, growing carbon emissions, waste gases, pollution and the further depletion of already scarce natural resources. As the world has become more aware of these environmental and socio-economic issues, emphasis is being placed on the impact of business activities and the social responsibilities that businesses have in relation to socio-economic and environmental issues worldwide. Moreover, the world is starting to feel and see the consequences of short-term thinking, whereby (economic) growth and wealth-obsessed models of corporations are seen as outdated and in serious need of change (Fisk, 2010). In this sense, corporations should not merely be concerned with making a profit, but also with promoting desirable environmental and socio-economic ends to encourage a positive impact on the external environment of corporations and all of its stakeholders. Neglecting these responsibilities for financial or other gains is then regarded as unwanted and even criminal behavior, for example when employees or communities where companies operate are deprived of their basic human rights or when hazardous waste is disposed of illegally.

What we now see is that many corporations, operating from the national to the global level, create corporate social responsibility (CSR) strategies. These strategies are set up to reduce risks, manage negative externalities, stir innovation, reduce costs and promote stakeholder engagement and sustainable business practices in general (Liket, 2014; Tschopp & Huefner, 2014; Carroll & Shabana 2010). On the one hand, scandals such as the collapse of the Rana Plaza building in Bangladesh (2013) and BP's oil spill in the Gulf of Mexico (2010) create outrage among societal actors and cause significant reputational as well as financial damage to corporations. For BP, the year 2010 was one of the worst years (financial and otherwise) ever with a loss of $3.7 billion (El Moukadam, 2012, p. 2). On the other hand, a good CSR strategy may lead to a better reputation and higher profits for a corporation.

Due to the increased attention given to CSR, the past decade has seen the emergence of CSR reporting. CSR reporting serves as the core communication tool between corporations and their stakeholders on the corporations' environmental and socio-economic performance (Mori Junior et al., 2014). There are corporations that include external independent assurance in their CSR reports to enhance credibility, reliability and the quality of the information provided in the reports. However, a uniform framework for CSR reporting is lacking in the sense that corporations may choose from a variety of ways to report on CSR activities. Accountants, in their role as advisor as well as auditor, and corporations are faced with a wide array of guidelines, standards and certificates related to CSR assurance. Some of these instruments are regularly criticized for being too general and thereby making it possible for corporations to present selective information that may lead to forms of greenwashing (Marquis & Toffel, 2013; Mori Junior et al., 2014). Another problem arises when false information on CSR is used in CSR reports for, for instance, financial gains.

In order to investigate the importance given to CSR strategies and the current status of CSR reporting, the main research question focuses on how audits of CSR reports can be strengthened to prevent possible abuse of CSR reporting for financial gains, which can be seen as a form of financial crime. To be able to answer this question, several sub-questions have been developed. We will first examine CSR in detail as a concept and look at how the attention given to this issue became more widespread throughout the years in the literature review. After this short introduction, a description will be given on CSR reporting, the auditing of CSR reports, existing norms and standards related to CSR reporting and how CSR reports may possibly be abused for financial gains. Finally, recommendations will be provided on ways to prevent the abuse of CSR and to further strengthen current CSR reporting practices. Research in this area is important given the growing societal and political interest in CSR practices, as well as the growing demand for CSR reporting.

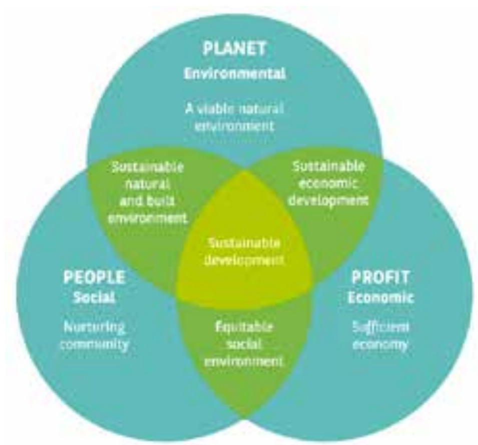
Literature review and theory

The concept of CSR continues to grow in importance and significance in the academic world and beyond. The concept is, however, highly debated, as there is no consensus on the meaning of the concept and what the concept embraces. In addition, concepts related to CSR such as sustainability, sustainable development, non-financial reporting and sustainability reporting are used interchangeably. Where sustainable development traditionally relates to energy efficiency and reducing emission levels, CSR encompasses a much broader spectrum.

The first time public attention was drawn to the dangers of economic growth and exponential population growth for the environment was in 1970 when the Club of Rome published *The Limits to Growth*. As development depended on consuming non-renewable resources and was seen as inequitable and unsustainable, thinking coalesced around a new kind of economic growth. Two main concepts started the search for a more balanced way of conducting business, whereby corporations took environmental and related socio-economic issues into consideration when making decisions. While the Club of Rome did mention the concept of sustainable development, the concept did not gain momentum until two decades later with the publication of the Brundtland Report by the World Commission on Environment and Development (WCED), entitled *Our Common Future*.

According to the WCED, the best way forward to a better future was to implement economic growth through sustainable development rather than to slow down economic growth. The concept of sustainable development was used to describe "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, p. 43). This definition received harsh criticism from non-governmental organizations (NGOs) and scholars researching environmental and socio-economic issues for being too focused on sustaining economic growth without challenging economic models altogether. Corporations' continuous pursuit of profit and short-term thinking came at the expense of the environment, the protection of human rights, and poverty reduction. As a result, the economic model itself was criticized (Pouwels, 2005). The definition of sustainable development was later extended to "a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional changes are in harmony, and where people can meet current and future human needs and expectations" (WCED, 1987, p. 38). Sustainable development as described by the Brundtland Commission is just one of the many concepts falling under the broad spectrum of corporate social responsibility.

The second concept was introduced in the late 1990s, when Elkington (1997) introduced the term 'People, Planet, Profit', also known as the triple bottom line principle. Again, emphasis was placed on creating a link between the economic, social and environmental challenges faced by the business community. In order to find new markets of profitable growth, more lasting and engaging sources of competitive advantage, and more effective ways to reduce costs and risk, it is crucial to include social and environmental issues in business decisions (Fisk, 2010). This term has since been used worldwide to measure corporate economic, environmental and social performance.



The Triple Ps
Source: BNP Paribas (2012).

The first conceptualization of CSR was provided by Bowen (1953), who described CSR as "[...] the obligation of businessmen to pursue those politics, to make those decisions, or follow those lines of action all which are desirable in terms of the objectives and values of our society" (quoted in Van der Putten, 2005, p. 3). Corporations and society are closely entwined; society has certain expectations regarding appropriate behavior and outcomes of corporations. CSR focuses on promoting positive social, ethical, and environmental performance of companies. As will become clear later on, CSR covers a larger area than sustainable development and the triple bottom line when looking at the original definitions.

The European Commission (2013) defines CSR as "the responsibility for corporations to limit its negative impact on society". Corporations should implement processes that integrate social, environmental, ethical, and human rights, as well as consumer interests, into corporations' operations. This should be established in close collaboration with internal and external stakeholders. Both definitions clearly show that different terms have come together under the core concept of CSR. Included are, for instance, corporate responsibility, sustainability, corporate citizenship, ethical business practices, social/environmental responsibility and environmental and social stewardship. This broad approach to CSR stands in stark contrast to the definition of CSR given by Friedman (1970), where he describes CSR as the legitimate pursuit of profitability pursued within the rules of the game. That is to say, corporations ought to engage in open and free competition without deception or fraud.

A broad definition of CSR is adopted in this paper. The following is meant by CSR (as explained by Hopkins, 2011):

1) An ethical and responsible approach to the relationship between a company and its stakeholders. Key stakeholders are treated in a way that is considered acceptable according to international standards.
2) Social policy contains both economic and ecological responsible practices. Concerns of both internal and external stakeholders are taken into account.
3) Working towards the achievement of improving standards of living for employees and people worldwide. This is to be achieved alongside the preservation of corporations' profitability and continuity and the environment in which the corporation operates.
4) A process conducted to promote sustainable development within societies.

CSR Reporting

The number of corporations globally that have (voluntarily) published a CSR report has increased dramatically since its inception in the late 1980s (Marquis & Toffel, 2013, pp. 3-4). KPMG shows the growing trend in CSR reporting in their 2013 survey on CSR reporting. Whereas the first KPMG survey in 1993 covered corporations in ten countries, their survey now covers over 4,000 corporations in 41 countries (KPMG, 2013). Marlin and Marlin (2003) (in Tschopp & Huefner, 2014) distinguish three phases in the growth of non-financial (social) reports. The first phase commenced in the late 1970s and early 1980s due to growing concerns over the environmental consequences of economic development and the Limits to Growth debate. Nevertheless, CSR reporting at that time was merely composed of advertisements and sections of annual reports on certain environmental issues. During the second phase, more attention was paid to the quantification and verification of data, in addition to qualitative data. Corporations such as the Body Shop, Ben and Jerry's and Shell were among the first to provide quantified data. According to Marlin and Marlin (2003), we are now in the third phase. Demand for accountability on behalf of corporations for non-financial information is still increasing. In addition, the multi-stakeholder approach needs to be embedded in the preparation of all CSR activities and reports in order to improve the overall quality and credibility of CSR activities and reports.

In line with the notion to improve CSR reports, we now see that some countries have made it obligatory for certain corporations to report on non-financial aspects of their business operations. The Dutch government requires the 250 most polluting corporations operating in the Netherlands to report on their financial, as well as non-financial information (Kolk, 2002). In France, companies have been required to report on their social and environmental performance since 2001 (Chauvey et al., 2014), and in South Africa, stock exchange-listed corporations are obliged to report how their financial, social and environmental performances are related to one another (Duurzaamondernemen, 2011).

On the European level, the directive on disclosure of non-financial and diversity information by certain corporations was adopted in April of this year. The corporations concerned will need to disclose information on policies, risks and outcomes regarding environmental issues, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity in their board of directors. The new rules will only apply to corporations with more than 500 employees that are regarded as large public-interest entities. Included are (listed and unlisted) banks, insurance corporations and other corporations designated by European member states. The amount of corporations included is around 6,000 large corporations across the European Union (EU) (European Commission, 2014). However, the EU directive leaves substantial flexibility for corporations to disclose relevant information in the way they consider most useful or in a separate report. Corporations may use international, European or national guidelines that they consider appropriate (for instance, the GRI Guidelines, OECD Guidelines or the United Nations' Global Compact).
In the Netherlands, the annual Transparency Benchmark of the Ministry of Economic Affairs will be used to implement the EU directive on the disclosure of non-financial information. Those corporations that fall within the EU directive have been included in the group of research corporations in 2014. As explained earlier, the directive applies to public-interest entities (*organisaties van openbaar belang*) with 500 employees or more. The number of corporations in the research group for the Transparency Benchmark is limited to 500 and, of these 500, around 100 corporations will fall within the scope of the EU directive (Ministry of Economic Affairs, 2014, p. 2).

External assurance

With the increase in CSR reporting, there is also growing interest in the accuracy and quality of these reports. The verification of CSR reports through external assurance provides confidence to stakeholders, shareholders and management (Laufer, 2003). It further helps management in decision-making by showing an accurate presentation of the corporations' sustainability performance and future business objectives that could lead to improvements in internal management of socio-economic and environmental performance. Research from KPMG indicates that in the time period of 1997 up to 2007, 40 percent of the Fortune Global 250 corporations had sought external verification of their CSR report (in Perego & Kolk, 2012).

The following three standards are the most common and widely recognized in CSR reporting as argued by Tschopp and Huefner (2013, p. 2):

1) GRI Guidelines

The GRI Guidelines were established by the Global Reporting Initiative (GRI), an internationally known non-profit organization, for the first time in 1999. The latest version of the GRI

Guidelines, GRI-4, was released in 2013. The organization provides a framework that includes reporting guidelines, sector guidance and other informational resources to help promote transparency and accountability of corporations. Metrics and methods to measure the impact and performance of CSR indicators are included. Corporations are not obliged to report on all indicators. The Guidelines are created with the help of professionals from different sectors and regions worldwide, including global accounting organizations and large accounting firms. Nevertheless, the guidelines are criticized for promoting a managerialist approach to sustainability and therefore not providing real improvement for socio-economic and ecological issues.

2) AA1000 Series
The AA1000 series are standards established by a global think tank on sustainability, AccountAbility (AA), to provide a framework of principles that CSR reports should address. AA also works with a large membership base. One of the current members of the Advisory Council, Mr. Robert H. Herz, was chairman of the Financial Accounting Standards Board (FASB) from 2002 to 2010. Moreover, he is registered as a certified public accountant in the United States and as a chartered accountant in the United Kingdom (AccountAbility, 2014). In contrast to the GRI Guidelines, the AA1000 Series do not guide corporations on CSR performance through measurement tools. It can merely be seen as a reporting manual. The standards were first established in 1999 and emphasis is placed on the processes of reporting and auditing rather than on the content of CSR reports (Tschopp & Huefner 2013, p. 3). The most important principles are compliance, sustainability, responsiveness, stakeholder engagement and transparency.

3) The United Nations Global Compact's Communication on Progress
The standard introduced by the United Nations (UN) in 2000 focuses on ten principles related to human rights, labor standards, environmental standards and measures to fight corruption. Numerous UN agencies work together with corporations, labor organizations, NGOs and academics to promote the framework of CSR standards. Corporations using the standard by the UN can freely choose how they want to demonstrate their commitment to the principles and the ways in which these are implemented (Tschopp & Huefner, 2013). Commitment can be shown through a written statement, followed by a description of the processes and systems used to ensure compliance through outcomes assessments. There are no set indicators or metrics for CSR performance. Corporations may therefore choose their own key performance indicators and the metrics used to measure performance on these indicators.

Apart from these three standards, the OECD Guidelines are also relevant in the Dutch context. The OECD Guidelines for Multinational Enterprises establish the principles and standards addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. The guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting. The guidelines include topics such as responsible supply chain management, child labor, environmental conservation and human rights (OECD, 2011).

In the Dutch context, Standard 3410N is used to support auditors when performing an assurance engagement regarding CSR reporting. The standard applies to both assurance engagements relating to CSR reports that are aimed at obtaining a reasonable assurance and on assurance engagements that are aimed at obtaining a limited degree of security. A combination of both types of contracts is also acceptable. The standard helps with assessing whether or not a CSR report complies with the applicable reporting criteria. As stated in the standard, "the auditor should focus the assurance engagement on both the accuracy and completeness of the information in the CSR report. The auditor is permitted to accept limitations that might relate to the aspect of accuracy and/or completeness. Such limitations should be explained in the CSR report, as they might relate to limitations in the CSR report itself or in its examination" (NBA 2014, paragraph 6). On the international level, the International Auditing and Assurance Standards Board (IAASB), part of the International Federation of Accountants (IFAC), developed ISAE 3810 for CSR audits.

There is also a further shift towards Integrated Reporting, a process initiated by the International Integrated Reporting Council (IIRC). Integrated Reporting encompasses the creation of an integrated report in which corporations report on the corporation's strategy, governance, performance and prospects, how all these factors interact and may lead to value creation in the short, medium and long term (IIRC, 2014). The importance for this lies especially with attracting financial capital from institutional investors, such as pension funds and banks. These types of actors demand and need a clear picture of all possible present and future risks. Here one would see a combined rather than two separate reports where both financial and non-financial information can be found.

In short, there is a complex web of labels, certification schemes and reporting standards in the so-called CSR assurance market, with different actors providing different forms of assurance. Apart from the major accounting firms, NGOs, specialized consultants and certification bodies all provide assurance. As noted by Perego and Kolk (2012), assurance by these actors varies in the degree of technical expertise and credibility (p. 175). The many initiatives undertaken in the form of labels, certifications and reporting standards are regularly attacked for being merely 'token efforts' and for creating false impressions of CSR activities by corporations. This may provide corporations a way to continue with bad, or even criminal, behavior. Mori Junior, Best and Cotter (2013) warn that an increase in the number of sustainability reports does not directly lead to better quality reports. This was also concluded by Marquis and Toffel (2013), who investigated the selective display of information on non-financial performance and failure to implement promised activities.

International Financial Crime
International financial crime has many different forms. Its goal (in relation to CSR) is to generate material benefits for the person or group carrying out the act. As explained by the International Compliance Association (ICA), even though the impact of financial crime varies in different contexts, it forms a substantial threat for the development of countries and their economies worldwide. When looking at CSR and international financial crime, one may talk about white-collar crimes or corporate crimes carried out by various actors. The consequences of irresponsible behavior may impact various stakeholders, such as employees, local communities in which a corporation operates, customers, creditors, suppliers, governments and the natural habitats of various animals.

Irresponsible behavior led to bankruptcy for the American energy company Enron in 2001.

Top officials of the company sought excess for personal financial gain at the expense of the companies' employees, investors and other stakeholders involved. Due to poor financial reporting and by making use of accounting gimmicks, the executives involved were able to hide billions of dollars of debt from its investors, board of directors and audit committee (Benston, 2003). Following investigations after the company filed for bankruptcy, several top executives were sentenced to prison and Enron's accountant, Andersen, was found guilty of criminal behavior. Although the Supreme Court later reversed this latter conviction, the damage was already done. In 2002, the firm voluntarily surrendered its licenses to practice as certified public accountants (Benston, 2003).

The Enron example shows a form of non-violent criminal behavior in which emphasis is placed on discrepancies in financial information. There are also several instances in which criminal behavior has been detected outside the sphere of financial information and financial reporting and, even worse, where violence comes to the foreground. In 2002, Shell was sued in the U.S. Federal Court for having conspired with the Nigerian military government to capture, torture and kill Ogoni protesters in the early 1990s. Moreover, Shell was accused of having provided food, money, ammunition and vehicles to Nigerian soldiers for their attacks against the Ogoni community (Pilkington, 2009). Ogoni people campaigned against Shell due to the environmental damage caused by oil extraction in the Ogoni region. Members of the Movement for the Survival of the Ogoni People (MOSOP) were illegally detained, tried and even executed by the Nigerian government. While Shell continued to dismiss all claims made against the company, a $15.5 million settlement was reached shortly before the beginning of the trial. On the one hand, this serves as evidence that multinational corporations will be held accountable for their actions. On the other hand, it could be argued that Shell bought its way out of the trial (Pilkington, 2009).

These two examples show that corporate governance issues have drawn increased public attention over the years. At the same time, the case of Shell and the more recent scandals in, for instance, the clothing industry highlight that the increase of foreign investment and business activities in developing countries has also resulted in growing public attention surrounding these extraterritorial activities. In many developing countries, the legal and regulatory frameworks radically differ from those in the developed world. This may create a myriad of opportunities for corporations to conduct unethical behavior (evading taxes, not paying fair wages to employees and, for instance, not having to comply with certain environmental laws and regulations).

CSR reporting carries the possibility to reduce forms of unethical behavior and increase transparency and accountability concerning good global governance on behalf of corporations. Nevertheless, due to their voluntary nature, the format, content and quality of CSR reports differ from corporation to corporation and from sector to sector. In the absence of a mandatory standard for reporting on CSR, corporations can decide how and what kind of information they wish to disclose in their CSR report, as well as on the corporations' website. It could well be the case that corporations use vague language in CSR reports to hide specific negative information the corporation does not wish to make public. Corporations may also make false claims in relation to CSR, thereby reaping the benefits of a good reputation, while actually doing nothing to earn it. How, or to what extent this turns out to be the case in practice is to be found out and to be further discussed in this paper.

3. Research problem and research questions

There is a growing demand for accountants who can act as an advisor to corporations wanting to publish a CSR report and for auditors able to provide external assurance of CSR reports. In the latter case, the absence of a binding universal framework or single universal guideline may lead to the formation of a gray area in which it is difficult to judge whether or not a corporation complies with CSR. And what happens if a corporation does not adhere to the standards to be implemented without such a binding universal framework? The purpose of this study is therefore to identify and analyze the positions of different actors active within the field of CSR and assurance, as well as to find common ground on ways to prevent the potential abuse of CSR. The formulated research objectives are as followed:

- Mapping international CSR norms and standards.
- Acquiring knowledge of the assessment of CSR reports.
- Obtaining an understanding of the auditing process of CSR reporting.
- Identifying current bottlenecks and points of improvement around CSR reporting and the auditing process thereof.
- Ways in which abuse of CSR is possible by different actors, the consequences thereof and ways how this can be prevented.

Relevance

This paper further contributes to the emerging literature on CSR and assurance. As we see more and more corporations, governments and other actors actively engaging in CSR activities and making promises for a better future, it becomes important to take a look at these activities and promises in more detail. Important questions to answer in this context are how to ensure that corporations worldwide take on CSR as a basis for daily operations, how to prevent greenwashing and therefore international financial crime, and in relation to education, how we can prepare our current students in such a way that they are able to incorporate CSR issues into their future careers. This study can also be seen as part of a larger attempt to better understand processes of social change in an era of globalization and substantial economic development in different parts of the world.

In order to reach the research objectives the following research questions have been formulated:

Central research question

How can audits of CSR reports be strengthened to prevent the possible abuse of CSR reporting for financial gains?

Sub-questions:

1. How do corporations report on CSR?
2. How do accountants audit CSR reports in their role as auditor?
3. Which national and international norms and standards are most widely used in CSR reports?
4. How is the provided information on CSR investigated and what are the consequences thereof for the auditing process?
5. To what extent are the currently available tools for CSR audits sufficient?
6. How can the available tools be further strengthened or improved?

7. How can CSR reporting be abused for financial gain?
8. What are the possible consequences of the abuse of CSR reports for financial gain?
9. How can the abuse of CSR reports be prevented?
10. How does the accountant contribute to the strengthening of CSR reporting?

Methodology

This paper aims to provide a descriptive analysis of current practices in CSR reporting and the auditing of CSR reports using qualitative research methods. First, data was collected through textual data from various sources, such as CSR reports, academic articles on the subject, press releases and reports from various organizations. Second, semi-structured interviews were conducted with representatives from various accounting firms and organizations working on CSR and CSR reporting. Interviewees included both accountants working for firms where assurance services were provided on CSR as well as accountants working for firms where assurance on CSR reports was not provided, in order to create a clear picture of the importance of assurance of CSR reports for Dutch accounting firms. Interviews were also held with representatives from various organizations working on CSR and CSR reporting and representatives from organizations providing CSR reports. Examples include MVO Nederland, Mondial Movers, Plus Retail, The Hague University of Applied Sciences and the Dutch Association of Investors for Sustainable Development (VBDO).

The first selection process for the accounting firms was based on the top 10 accounting firms in the Netherlands (based on data from 2013). Both accounting firms with Dutch offices and international offices were selected. Five out of the ten listed countries participated in this research. The other firms indicated that they were not active as assurance providers on CSR reports or were not working on non-financial information in general. Apart from the ten largest accounting firms, smaller-sized accounting firms were also included in the sample. Even though most smaller-sized accounting firms do not provide assurance at this moment on CSR reports, most did see this as a possibility and an opportunity for the near or distant future. To include all perspectives in this matter, an interview was also held with an accounting firm where CSR was not high on the agenda and where the main focus still lies on auditing financial information only.

The organizations selected were among the most often cited organizations, engaging different economic, social and political actors in the Netherlands in CSR and CSR reporting. MVO Nederland, for example, connects numerous companies and sectors to stimulate the implementation of CSR principles. Its network consists of over 2,000 companies and organizations integrating CSR into their day-to-day operations to promote a sustainable economy (MVO Nederland, 2014). Another important player is the VBDO. VBDO is the Dutch Association of Investors for Sustainable Development. As MVO Nederland, VBDO also works to increase sustainability through raising awareness. Important target groups for VBDO are private as well as institutional investors and the companies invested in by these investors (VBDO, 2014). Both organizations conduct regular research on CSR.

Findings

Changing role of accountants

Accountants occupy strategic positions within organizations where they may work as a controller, CEO or CFO. Accountants play a catalyst role in the promotion of long-term strategies and value creation for corporations. Therefore, the accountant plays an important role in implementing and auditing CSR issues. Placing the main responsibilities in a historic perspective, a clear shift has been set in motion by CSR reporting. While financial information provides information about the latest financial year and, consequently, performance, CSR draws attention to future strategies that may have a significant impact on the financial performance of corporations. Whereas accountants used to mainly look backwards, they now have to pay much more attention to looking forward and have to take non-financial information into account in addition to financial information. Consequently, the first finding relates to the growing relevance of non-financial information in relation to financial information. Financial information does not portray the complete picture of a corporation, especially not where CSR steps in. What is being done for society with the profits made or how these profits stand in relation to social and environmental performances is important for the different stakeholders of corporations. In addition, the changes seen in the accounting profession need to be translated into the ways in which accountants are being educated at universities. This does not only mean that more attention needs to be paid to non-financial information. One of the most important recommendations given in the interviews was the need to pay more attention to the development of the soft skills of students enrolled in accounting programs. Accountants are increasingly acting as an advisor to various stakeholders of corporations and this requires an open and flexible attitude, one in which the accountant is able to build bridges between, for instance, the Board of Directors, employees, community members and NGOs. Being good with numbers will simply not suffice any longer.

What's in a name?

"CSR means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution" (Garriga & Mele, 2004, p. 52). The literature review section of this paper explains that different concepts are in use to describe CSR or CSR-related activities. In addition, attention is drawn to the problems surrounding the "use and abuse" of the language of CSR and the reports that have been published over the years by, for instance, O'Dwyer and Owen (2005). In the world of reporting, a sustainability report is the most common name for CSR reports. Sustainability should then be interpreted as describing not only sustainable development in the way it was described in the Brundtland Report. Sustainability reporting comprises all activities related to CSR, from philanthropic activities and the reduction of a corporation's carbon footprint to the promotion of economic and ecological responsible activities, business and otherwise. In practice, it does not matter how one labels a CSR report, as confirmed by the interviewees. Theoretical discussions about what the concept of sustainable development or CSR entails do not matter in practice. It is more important that all CSR activities are described in a report, no matter what name is given to that report. It was further indicated that the current trend is the introduction of Integrated Reporting by corporations. When Integrated Reporting strategy and CSR are combined, the need for a separate CSR report is also reduced.

Materiality is key

While there are no boundaries concerning the concepts used to describe a CSR report, there are also no strict guidelines on what corporations do need to include in their CSR report. The main question that should underlie CSR reporting is what is demanded of business by society, although this will also differ across countries, regions, sectors, etc. CSR reports should cover what is demanded, adherence to ethical values, having a positive impact on the affected communities and commitment to CSR principles. Corporations themselves decide what they want to publish in their CSR report. However, when adopting a CSR standard, such as the GRI Guidelines, corporations are required to clearly state which principles are related to the information provided. Here, materiality is key. Corporations should focus on the material impacts of the day-to-day business activities and the decisions being made by the Board of Directors. Materiality is to be expressed through quantitative as well as qualitative data and set targets. This makes it easier to measure performance on the material aspects identified. By conducting materiality assessments, corporations gain insight into the relative importance of specific environmental, social and governance issues the corporation may be dealing with. These insights may then be used to inform CSR activities and reporting. This further improves the communication of CSR activities in ways that are most relevant to the diverse stakeholders a corporation deals with. All interviewees who are or whose employer is active in the field of CSR reporting confirmed the trend towards materiality. Important to consider, however, is what other socio-economic and other developments exist outside the corporation that are relevant for the corporation. With materiality, a corporation should not only look inwards, but also towards its external environment. Another critical note was pointed at the difficulties of comparing corporations' materiality.

CSR Reporting

While the number of CSR reports is growing rapidly, especially among large corporations, reporting also occurs in other forms. This is specifically the case for medium- and smaller-sized corporations in the Netherlands, according to the representative of Mondial Movers and MVO Nederland. Numerous corporations inform their stakeholders and the wider public in general through their own company website. These forms of communication may include press releases, research articles and short reports on CSR activities. Publishing a CSR report is first and foremost not feasible for every corporation due to money constraints, nor is it necessary or obligatory for every corporation. Smaller-sized corporations often do not see the added value of CSR reports for their company. Moreover, as stated previously, CSR is not at the forefront for all corporations. When in survival mode, corporations have other concerns than CSR as indicated by some of the interviewees. It was regularly mentioned that this situation is a matter of maturity. It is expected that over time more corporations of all sizes, will publish information regarding CSR activities in the form of a CSR report or through other communication instruments.

Two concepts stand out when looking at the transcripts of the interviews: companies' *intrinsic motivation* and the concept of *trickling down*. As certain large corporations are already or will soon be obliged to report on their CSR activities and performance, it is assumed that the large corporations will then have more demands for their partners as well. This is especially true for companies that are highly involved in chain management. If, for example, corporation A may no longer use a certain product due to the harmful side effects for the environment, the corporation will choose a supplier who does not make use of this product either. This way, CSR principles will then trickle down from the corporations at the top towards corporations at the bottom. Again, it is assumed that over time awareness regarding CSR and the need to report on CSR activities will grow and trickle down from the large, multinational corporations to the medium- and smaller-sized corporations.

Corporations' *intrinsic motivation* was also regularly mentioned as key to CSR practices and reporting. Strong leadership creates a perfect driver to draw attention to CSR when no obligations are in place to implement CSR principles. It was noted several times during several interviews that family businesses tend to have a great intrinsic motivation when it comes to CSR. This not only comes from their desire to act socially and minimize potential damage from their presence, it is often simply a necessity to act in a financially responsible way. Before the term CSR was introduced and gained momentum in Dutch society, many family businesses already worked according to some of the core principles of CSR for financial reasons. Family businesses are always aiming to be as efficient as possible concerning their financial and non-financial capitals. CSR is often based on long-term planning, efficiency, continuity, ethics and reputation.

External verification of CSR reports

According to some of the interviewees, assurance may add credibility to the information provided in CSR reports. It was, however, also pointed out that this does not necessarily have to be the case. Here it becomes possible to identify a gray area where assurance may say something about the information that is reported, while nothing is said or noted about the lacking information. It could very well be the case that the most vital information or parameters can be found in the missing information rather than in the available, and reported, information.

As explained previously, assurance over CSR information is often requested of large corporations and, to a much smaller extent, of medium-sized corporations. The estimated added value and cost-benefit nexus play a decisive role in asking or not asking for external verification of CSR reports. When a request for assurance comes in at an accounting firm, the firm first checks whether the client meets their selection criteria. Each accounting firm has its own criteria for accepting or denying a corporation as a client, although these always follow general professional accounting standards. Aspects that are taken into consideration are the feasibility of the request, the core activities of the corporation and whether or not the accounting firm also acts as an advisor to that same company. In the latter case, the accounting firm may not accept the request to provide external verification. Advisory and auditing services need to be separated completely. In these cases, corporations may hire accounting firm A for advice on how to set up their CSR report and accounting firm B as the external auditor of the CSR report.

Currently, only limited and reasonable assurance can be given in relation to a CSR report. Assurance is not issued when the information that the company has published is not or does not seem right. Here one can identify a gray area; if the accounting firm (or other assurance provider) does not provide assurance due to insufficient or incorrect data, the client is informed about this decision. The client is then completely free to decide what to do with this situation. They can either adapt their information to ensure that the right information is given or they can take note of the advice and simply not incorporate an assurance statement that is externally validated in their CSR report. Since a company is not obliged to report beforehand that it has applied for external assurance, it remains unclear how the stakeholders are informed about possible incorrect data and behavior. Some of the interviewees were asked to comment on this paradox. According to the answers provided, this in fact does not have to constitute a problem, not for the credibility of the report and not for the CSR actions undertaken by that specific company either. As external verification comes with a price tag, corporations want to make sure that their information is correct. Moreover, before the external verification takes place, the corporation and accounting firm will have had conversations about the verification process and the information required to arrive at the external verification.

Laws and regulations

While the EU directive and reporting obligations in certain countries are a step in the right direction towards more transparency and accountability, having an obligation to report does not say anything about the quality of these CSR reports. Research from Chauvey et al. (2014 pp. 12-13) suggests that even though France is now one of the few countries to require CSR reporting, current CSR reporting has merely increased in breadth. While there is more transparency in CSR disclosure, the reports are not of a high quality (Ibidem). The new EU directive has also received criticism of this sort since corporations can make use of several different national or international guidelines to report on CSR activities and performance. At present, CSR standards act as a form of soft law through voluntary codes of conduct, reporting initiatives and ranking schemes.

What became clear from the literature and interviews was that there are two opposing views regarding the need for laws and regulations to promote CSR and CSR reporting. Opponents point out that by making reporting on CSR mandatory, corporations will only do what is required of them – nothing more, nothing less. This is also often referred to as 'checking several boxes on the checklist' in order to fulfill all requirements required by law. As a result, this will lead to less voluntary CSR activities and less CSR in general. Mandatory CSR reporting could also add a financial burden on a corporation, thereby weakening its competitiveness. Opponents of mandatory CSR activities and reporting on CSR place more emphasis on voluntary regulation. Voluntary regulation is seen as more beneficial for corporations and society compared to more governmental regulations on business operations. Another argument given during the interviews reflects the different external environments in which corporations may operate. One size may not fit all and, because of this, standardized and mandatory rules concerning CSR reporting are not seen as beneficial to all corporations and their stakeholders.

Proponents of mandatory regulation point to the ineffectiveness of current voluntary codes of conduct and the necessity to force corporations to change their behavior. With mandatory regulation, more corporations will be required to provide data on their CSR activities and performance. Looking at the current laws and regulations, the 'big boys' are to act first, as they also have a greater impact on their external environment. The quality of CSR reporting should be increased and one way of doing this is to develop standardized rules to limit variations in how corporations report. In this regard, state or private regulations may help solve implementation and enforcement problems.

Reporting guidelines

During the interviews, the GRI Guidelines were mentioned most often as the guidelines used in CSR reporting. This applies to interviewees who provide help in setting up CSR reports, people working for corporations that produce CSR reports and accountants who provide external assurance services (auditors). Accounting firms themselves also indicate that the GRI Guidelines are the ones most often used by their clients and by the accounting firms themselves. These findings are in line with the information found in the literature review. The current GRI, GRI-4, came into force in May 2013. Companies using the GRI Guidelines after this date are to report on CSR using the GRI-4. For users of older directives, there is a transitional period of two years. Given the voluntary nature of the GRI Guidelines, the user is free to make a selection of indicators of the GRI-4. These findings correspond with Maguire (2014), who demonstrates that less than 30 percent of the 2,500 corporations using the guidelines in 2012 referred to all of the 79 indicators available that year.

There are certain criteria that must be adhered to by corporations before they can make the claim that they report in accordance with GRI-4 guidelines. The Reporting Principles and Standard Disclosures of the GRI clearly states: "If an organization reports Standard Disclosures from the Guidelines but has not fulfilled all the requirements of either 'in accordance' option, the report should contain the following statement: "This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines'. A list of the Standard Disclosures and their location in the organization's report should be provided together with this statement" (Global Reporting, 2013, p. 35). Again, this statement shows that corporations using the GRI Guidelines are not obliged to report on each indicator.

Corporations active in different sectors and industries all use the GRI Guidelines. However, while the guidelines are indicated as the most widely used, corporations do not make use of or mention all indicators in their CSR reports as shown by Maguire (2014). According to the interviewees who were familiar with using the GRI Guidelines, this does not automatically lead to a less credible or transparent CSR report. Corporations active in, for instance, the clothing industry have to deal with very different governance issues than insurance or banking providers. Those corporations may thus want to report on different indicators of the GRI Guidelines.

IFC

It is plausible that a corporation deliberately paints a false picture in its CSR report to create financial benefits. This leads to a false 'good image'. For example, corporations that use foreign factories and laborers might not create a safe working environment for their employees, an aspect that can be seen as irresponsible behavior. When a corporation does not include information on these issues, it might not depict a clear and overall picture of the corporation's activities and business operations. The interviewees who were asked to comment on this pointed out that this phenomenon is rare in CSR reports. It is more likely that a corporation does not make a good analysis of the CSR risks, such as in its value chain, where negative environmental or social effects are sometimes omitted from the analysis. The corporation may then be unaware of painting a false picture.

To prevent mistakes like these, a holistic report of overall performance on financial and non-financial matters is vital to ensure a clear, informative and all-inclusive report. This is being promoted through Integrated Reporting. While Integrated Reporting is increasingly being adopted by different corporations to inform various stakeholders, there are still many corporations that publish separate reports on financial and non-financial information. Due to the rather voluntary nature of CSR reporting, there is still a lot of room for maneuver, indicated earlier as a gray area. In this area lies the risk, or for some corporations the possibility, for the abuse of CSR reports by providing inaccurate information. In a situation like this, there is an information asymmetry. Certain information known to some is deliberately kept secret from certain stakeholders. This could have adverse consequences for the future of a corporation or its relation with its stakeholders.

Looking at the possible consequences of the abuse of CSR reports for painting a better picture for financial gains, the most important factor is that the corporation does not provide a good reflection of reality. A corporation may create an image that is too positive, without exposing all risks involved for the continuity of the corporation. This can have problematic consequences for investors making investment decisions based on the information available to them, which in this case does not paint a complete picture of all potential risks.

In order to prevent the abuse of CSR reporting, one must look at the current flaws weakening the system of checks and balances. The voluntary nature of CSR reporting is to be addressed, such as through stricter rules on reporting on financial as well as non-financial information, stricter laws on CSR reporting and the implementation of obligatory external audits of CSR reports. In short, the requirements for CSR reporting need to be strengthened and CSR reporting ought to become more widespread among corporations of different sizes. It should be kept in mind that this reverts to the different opinions on mandatory versus voluntary regulation of CSR activities, performance and the monitoring or auditing of these CSR activities.

Discussion and conclusions

We have entered a period in which different actors – consumers, investors, governments and NGOs – critically look at the actions and inactions of corporations in the broad field of CSR. Moreover, one can find detailed reports about good and bad corporations in terms of CSR policies, CSR reporting and CSR activities in general. Although corporations may use CSR reporting for different purposes, a sharp increase is evident when looking at the number of CSR reports issued each year by all kinds of corporations active in various branches. Financial information does not reflect the complete picture of a corporation, especially not where CSR is concerned. What is done for society with the profits made or how these profits stand in relation to social and environmental performances is important for the different stakeholders of corporations.

The growing importance attached to non-financial information is constantly changing the profile of accounting and the accounting profession as a whole. Whereas accountants used to look mainly backwards, they now have to pay much greater attention to looking forwards and to taking non-financial information into account alongside financial information. Accountants, especially from the big accounting firms, regularly deal with CSR reporting through their role as consultants or as external auditors. It therefore should come as no surprise that accountants play an important role in the development and further strengthening of reporting standards on CSR. Big accounting firms are frequently members of such networks as AccountAbility, the UN Global Compact and the GRI, and are consequently able to influence and improve CSR reporting standards. Their inclusion is vital to ensuring that CSR reporting standards are precise and set up in such a way that they can be audited. Their inclusion may even lead to the strengthening of the position of accountants in their role as both advisors and auditors.

The changes seen in the accounting profession need to be translated into the ways in which accountants are being educated at universities. This does not only mean that more attention needs to be paid to non-financial information. One of the most important recommendations given in the interviews was the need to pay more attention to the development of the soft skills of students enrolled in accounting programs. Accountants are increasingly acting as an advisor to various stakeholders of corporations and this requires an open and flexible attitude, one in which the accountant is able to build bridges between, for instance, the Board of Directors, employees, community members and NGOs. Being good with numbers will simply not suffice any longer.

The further development and strengthening of the already existing reporting standards is needed to ensure more useful, timely and comparable information in CSR reports. Here one can see a clear link to the ways in which the first financial reports were put together. Tschopp and Nastanski (2013) note that, at first, corporations were not willing to report negative information in their financial reports. This changed over time due to the emergence of consistent standards and demand on behalf of the different stakeholders for transparent financial information. Without the existence of harmonized and widely accepted reporting standards, CSR reports still run the risk of being seen as a greenwash product or a strategic marketing tool to increase profits and improve a corporations' reputation. This problem is somewhat alleviated by the introduction of the guidelines mentioned in this paper, of which the GRI Guidelines are the most commonly used ones.

CSR reporting, moreover, carries the possibility to reduce forms of unethical behavior and increase transparency and accountability concerning good global governance on behalf of corporations. In order to achieve good corporate citizenship in relation to CSR reporting, it is essential that both positive and negative information is revealed in CSR reports. This makes it possible to provide a transparent representation of a corporation. Nevertheless, due to the complexity of CSR reporting and the required knowledge, achieving good quality CSR reports is a long haul. It must be seen as a learning process that takes time. It is assumed that the quality of CSR reports will increase over time and become more mature.

The examples given of countries where CSR reporting is required by law for certain corporations indicates that emphasis is placed on expanding and strengthening the quality of CSR reports. This recent movement towards mandatory reporting speeds up the institutionalization of CSR reporting and shows an upward trend in CSR reporting. There is no sign that this process is stopping any time soon; it is more likely that more countries will implement mandatory reporting on CSR activities. These findings are important for public and private decision-making processes, as the results suggest that CSR reporting is becoming more important, especially for those corporations that are now required by law to report on both financial and non-financial information. Future research on the further development of CSR reporting is necessary in order to be able to look at the progress made, as well as to indicate bottlenecks and possible solutions for these bottlenecks.

Future research

This paper shows that the field of CSR reporting is evolving continuously and still very much under development. Therefore, it should not come as a surprise that there is still room for improvement. From a more critical theory-inspired perspective, future studies could focus on ways in which accountants, auditors and other actors active in the field of CSR reporting look upon the fundaments of development and the environment 'nexus' or 'paradox'. Is continuous economic growth possible, while at the same time making a positive impact on the planet?

Another interesting idea for future research is to focus on the more recent trend of mandatory CSR reporting. There are now several countries where certain CSR reporting requirements are in place and the EU has also adopted a new directive, whereby a large number of listed corporations will be required to report on several CSR issues. Future research may examine how these requirements work out in practice and find out whether other countries could adopt similar regulations. Finally, another suggestion for future research is to further assess the question as to whether or not CSR reporting should be mandatory or voluntary. In countries where mandatory regulation is in place, how do the corporations concerned score on their social and environmental performance? In other words, this question provides a way to look in-depth at the effectiveness of the implemented regulations on CSR in terms of the corporation's actual social and environmental performance. ■

List of Acronyms

AA	AccountAbility
CSR	Corporate Social Responsibility
EU	European Union
FASB	Financial Accounting Standards Board
GRI	Global Reporting Initiative
ICA	International Compliance Association
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IIRC	International Integrated Reporting Council
ISO	International Organization for Standardization
MOSOP	Movement for the Survival of the Ogoni People
MVO	Maatschappelijk Verantwoord Ondernemen (Dutch term for CSR)
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
UN	United Nations
VBDO	Vereniging van Beleggers voor Duurzame Ontwikkeling (The Dutch Association of Investors for Sustainable Development)
WCED	World Commission on Environment and Development

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Abstract

By identifying and analyzing the positions of several actors active in the field of corporate social responsibility and assurance, this paper shows that emphasis is being placed on voluntary and self-imposed ways of dealing with corporate social responsibility issues in the Netherlands, although there are movements towards compulsory reporting for certain corporations. Due to the overall voluntary nature and lack of formal regulation, there is an increased risk of abuse of corporate social responsibility for faulty behavior in the form of, for instance, corporate or personal gains. However, CSR reporting and its auditing encompasses the possibility of reducing forms of unethical behavior, especially since the field is constantly in development and maturing over time. It is expected that the quality and importance of CSR reports will increase over time and that more corporations from different branches will make use of CSR reports to expand transparency.