Global financial crisis and corporate social responsibility disclosure

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Abstract

Purpose – This paper investigates the effect of the global financial crisis (GFC) on the level of corporate social responsibility disclosures (CSRD) in the annual report and/or CSR report of 36 major listed Portuguese companies in each of the years 2005, 2008 and 2011.

Design/methodology/approach – The analysis is framed principally by stakeholder theory. Data were explored using thematic content analysis and an index of disclosure calculated by year, industry type (consumer proximity versus environment sensitivity) and category of information.

Findings – Before the GFC, Portuguese listed companies increased their CSRD practices significantly. During the crisis, there was a slight decrease in CSRD. However, this was not as pronounced, as it would otherwise have been because it was counteracted by increased disclosures of company interactions with society, particularly in matters of corruption prevention and community engagement. CSRD was higher for companies with high consumer proximity but did not appear to be influenced by companies' level of environmental sensitivity.

Originality/value – The results reveal a strong concern by companies for stakeholder management (particularly in respect of community relations) in a period of financial crisis. This study highlights the effect of a company's proximity to consumers on levels of CSRD.

Introduction

Prior studies have revealed a steady improvement in Corporate Social Responsibility (CSR) and Corporate Social Responsibility Disclosures (CSRD) in different industries and countries (Deegan and Gordon, 1996; KPMG, 2005; 2011). Most of these studies have been conducted during good economic times. They have not examined the influence of recession on CSRD. The setting of this study, Portugal, offers a good opportunity to understand how a period of financial crisis and recession affects CSRD. Portugal was one of the countries affected most strongly by the global financial crisis [GFC].

This paper analyses CSRD practices of Portuguese listed companies before, and during, the GFC. We extend the limited volume of international literature that explores the interaction between financial crisis and CSRD and we enhance current empirical knowledge of how the level of CSRD differs in times of crisis.

Researchers who have analyzed how CSR is influenced by extraordinary circumstances (such as a major global economic downturn) have reported mixed results (Miras *et al.*, 2014). Some have found that the lack of real engagement with CSR is a cause of economic and financial crisis whereas others have reported that CSR is a useful management tool to address the consequences of financial crisis (Yelkikalan and Köse, 2012).

In a financial crisis, companies generally experience liquidity problems and significant falls in turnover. To survive, they often devise strategies to minimize expenses (Yelkikalan and Köse, 2012), including by reducing their CSR activities and the reporting thereof (Njoroge, 2009; Karaibrahimoglu, 2010). However, other companies maintain their level of CSR activities and associated reporting in times of crisis. Some companies increase CSR activities with a view to improving their business positions in markets during a financial crisis, and in post-crisis periods (Giannarakis and Theotokas, 2011; Miras *et al.*, 2014). They use CSR programs as a long-term marketing tool to mitigate any potential lack of trust stakeholders have in them, and to ameliorate the consequences of the crisis (Yelkikalan and Köse, 2012).

In an economic crisis, the financial performance of companies usually deteriorates. It is important to know whether ensuing financial difficulties affect CSR-related activities, including CSRD. The context of crisis provides an opportunity to understand whether companies are truly engaged with, and committed to, CSR.

The present study explores two related research questions. First, did the GFC affect CSRD of Portuguese listed companies, and if so, how? Second, did "visible" companies (in terms of proximity to consumers and environmental sensitivity) change their disclosure pattern, and if so, how?

To answer these questions, we study CSRD practices of listed companies in Portugal in two different economic periods, before the crisis (2005-2008) and during crisis (2008-2011). Additionally, because prior research has found that CSRD is influenced by company visibility or environmental impact, we test two proxies for industry affiliation: "consumer proximity" (those industries whose member companies are known by the final consumer) and "environmental sensibility" (those industries whose member companies potentially have a strong environmental impact). To measure CSRD, using content analysis, we calculated an index by year, industry type, and category of information.

We find that CSRD decreased only slightly *during* the period of financial crisis. This was because companies tended to disclose more information about their community engagement obligations and corruption. Companies with a high level of consumer proximity had substantially higher CSRD than companies with a low level of consumer proximity. These results are consistent with contention that a company's board of directors engages in stakeholder management for two major reasons. The first is to be seen as attaining a competitive advantage, good relations with stakeholders, and better economic results. The second is to be seen as acting (through disclosure) in accord with stakeholders' expectations regarding CSR activities.

Previous studies are now reviewed. Thereafter, an outline of the regulatory context of financial crisis is provided. This is followed by description of research method, and the presentation of results and conclusions.

Literature Review

Companies in developed and developing countries are increasing their disclosures of information regarding CSR. They want to show how they deal with the social, environmental and economic consequences of their activities. CSRD has been found to vary across companies, countries, industries, and time (e.g. Guthrie and Parker, 1990; Hackston and Milne, 1996; KPMG, 2005; 2011). Research has found that "firms may react differently in disclosing their CSR information during the financial crisis period" (Mia and Mamun, 2011, p.175). The level of CSRD in crisis times may differ in each country and even in each type of industry.

CSRD and financial crisis

Evidence regarding the interaction between episodes of financial crisis and aspects of CSR is scarce and mixed (Giannarakis and Theotokas, 2011). Some authors argue that CSR threatens company survival. Other authors contend that opportunities to be engaged in CSR activities are brought about by the crisis itself. For example, a study of how the financial crisis affected social projects and labor standards in multinational companies in Kenya found that a financial crisis adversely affected funding and the implementation of social projects (Njoroge 2009).

Using a stakeholder approach, Karaibrahimoglu (2010) investigated CSRD performance in 2007 (pre-GFC) and in 2008 (the starting point of the crisis in the US) in a sample of 100 annual non-financial reports of randomly selected Fortune 500 companies. That study revealed a significant drop in the number and extent of CSR projects in times of crisis, particularly in US companies.

A study of CSR in 271 US companies which had adopted the principles of the United Nations Global Compact [UNGC] concluded that the impact of financial crisis depended mainly on the degree of integration of CSR, and on whether CSR-related strategy was proactive or reactive (Arevalo and Aravind, 2010). Companies with a proactive policy concerning UNGC were less affected by the financial downturn.

Miras *et al.* (2014) studied the CSR behavior of 37 companies listed on the Spanish Stock Market before the GFC and during the GFC. They concluded that large

Spanish companies continued their CSR activities despite the financial effects of the crisis. Yelkikalan and Köse (2012) contended that the association between CSR practices and a crisis depended on the location of CSR practices within Carroll's (1991) CSR pyramid (Figure 1): that is, a crisis had different effects on different dimensions of CSR.

FIGURE 1 ABOUT HERE

For companies located at the base of the CSR pyramid, it is important to maintain core activity in crisis periods. Such companies should not pursue tangential activities related to CSR because this would threaten their survival. For other companies, the GFC provided an opportunity to create competitive advantage through CSR. If companies are motivated to implement CSR actions in a quest for legitimacy or direct (short-term) benefits, then CSR is likely to be affected drastically by the crisis. However, if organizations are engaged effectively in CSR, and integrate CSR into their business strategy, they could take advantage of the crisis (Miras *et al.*, 2014).

In terms of GRI reports, the evidence is also mixed. Charitoudi *et al.* (2011) found that GRI-based reports in 100 global companies were of a higher quality in the period 2008 to 2009 than in the period 2007 to 2008.

Ortiz and Giner's (2013) analysis of the impact of economic crisis on the sustainability information disclosed in 21 European countries provided comparative evidence from 3351 reports prepared under the GRI framework, for the period 2007-2011. They revealed that the average number of GRI reports grew by about 30% per year during the analysis period. However, there were no significant differences in the quality of those reports. This suggests that the crisis did not negatively affect the attitude of European companies towards CSRD. Indeed, a study of 2790 company reports included in the GRI report list, 2007 to 2011, showed that the transparency and quality of reports decreased during 2007, 2008 and 2011 (Rodolfo, 2012). The GFC was considered an important explanatory factor forthe decrease in CSR reporting. This finding is consistent with a view that companies expend resources more conservatively during a financial crisis.

Some companies take the opportunity of a financial crisis to increase their philanthropic and ethical activities. They do so to increase reputation, attract better employees, and increase current employees' motivation and morale. Such outcomes are conducive to improving financial performance (Branco and Rodrigues, 2008). In the context of a GFC, company managers can adopt more defensive and conservative strategies, including by reducing CSR activities (Karaibrahimoglu, 2008; Rodrigues and Craig, 2012; Pinto *et al.*, 2014). Alternatively, they can be more proactive with respect to CSRD by seeking to rebuild confidence among their relevant stakeholders, preserve access a continual flow of resources, and maintain corporate image (Rodrigues and Craig, 2012; Pinto *et al.*, 2014).

To sum up, in crisis periods, corporations seem likely to adopt different strategies to manage the CSR issues that influence levels of CSRD. Although levels of CSRD were increasing before the GFC, it is uncertain whether companies increased or decreased their voluntary CSRD during and after the GFC.

CSR and stakeholder theory

A stakeholder perspective offers a sound theoretical framework with which to analyze the relationship between company and society (Clarkson, 1995; Harrison and Freeman, 1999). It helps to explain why business has responsibilities that go beyond the maximization of profits to include the interests of non-shareholders (Kolk and Pinkse, 2010).

The stakeholder perspective suggests that, in addition to shareholders, other groups are affected by corporate activities, and that these must be considered in management decision making (Freeman, 1999). Thus, business is understood to be a set of relationships among the groups that have a stake in the activities comprising the business (Freeman, 1984; Jones, 1995; Walsh, 2005). The central idea is that an organization's success depends on how well relationships are managed with key groups that affect an organization's realization of purpose (Freeman and Phillips, 2002). The interests of all stakeholders have intrinsic value: no set of interests is assumed to dominate the others (Clarkson, 1995; Donaldson and Preston, 1995).

However, this assumption does not imply that all stakeholders are equal (Donaldson and Preston, 1995). Mitchell *et al.* (1997, pp. 865-867) reflected such a view in proposing that stakeholders be classified according to the attributes of "power" (their ability to achieve a desired result), "legitimacy" (their socially accepted and expected behavior) and "urgency" (the degree with which they seek immediate attention).

A stakeholder who possesses one attribute is deemed to be a “latent stakeholder” and to have little significance. A stakeholder who possesses two attributes, is an “expectant stakeholder,” with greater influence than a latent stakeholder. When a stakeholder has all attributes, he/she is a “definitive stakeholder,” possessing power to change the company’s decisions. A company identifies stakeholder groups by reference to the extent to which it believes the interplay with each group needs to be managed to enhance the interests of the organization (Gray *et al.*, 1996).

Companies have a social responsibility to consider the interests of all stakeholders and to enlist stakeholders’ continued support to maintain a successful operating environment (Branco and Rodrigues, 2007). Therefore, managers should design company strategies that consider the needs and interests of all stakeholders (Jensen, 2002). “Stakeholders with higher degrees of power, urgency and legitimacy will be more aware of CSR initiatives than stakeholders with lower power, urgency and legitimacy” (Peloza and Papania, 2008, p. 172).

However, the attributes of each stakeholder are mutable. Changes in the business environment, such as were wrought by the GFC, can promote changes in attributes of stakeholders and transform a “latent stakeholder” in a "definitive stakeholder". We argue that in the context of the GFC, managers decided how each group needs to be managed to further the interests of the organization. They also decide how to support stakeholders in need of more attention because their needs are more urgent and legitimate.

Institutional context and financial crisis

Portugal has been a member of the European Union since 1986. It was one of the countries most affected by the GFC (Torres, 2009). After relative stability between 2005 and 2008, public debt increased significantly. In 2009, it reached 83.6% of GDP (an increase of 11.9% over 2008). In 2010 it increased to 96.2% (+ 12.6%) and in 2011 to 111.4% (+15.2%).[1] In 2009, Portuguese GDP decreased 3% because of reduced private consumption, investment and exports. In 2010, Portuguese economic activity recovered slightly, influenced largely by global economic developments, macroeconomic stimulus, and financial system stabilization measures.

During 2011, when average GDP increased by 1.7% in the 28 EU countries (known as EU 28), Portuguese GDP declined 1.8%, mainly due to weak domestic demand.[2] A sharp decrease in external trade in 2009 (a consequence of economic recession) was reflected in lower exports (down 14.7%) and lower imports (down 18.3%).[3] To survive financial crisis, many companies severely affected by the global recession reorganized and reduced costs – in particular, by reducing their workforce. The unemployment rate in Portugal increased significantly, and it has remained above the average unemployment rate in the EU28. In 2009, the unemployment rate was 10.7% (EU28: 9%); in 2010 it was 12% (EU28: 9.6%); and in 2011, it was 12.9% (EU28: 9.7%).

In 2008, the main stock index in Portugal, the PSI 20, dropped 51.3% (Euronext, 2013). This was the worst performance of twenty worldwide stock market indexes monitored by Euronext. The banking and construction sectors were the main contributors to this negative performance. The pressure imposed by financial markets on the public debt of Portugal had consequences for the Portuguese stock market. At the close of 2010, in contrast with positive performances registered by other European indexes, the PSI 20 index had performed the 10th worst in the world (a devaluation of 10.3%) (Euronext, 2014). In May 2011, the Portuguese government, the EU, and the International Monetary Fund, established an Economic and Financial Assistance Program to restore the confidence of international financial markets in Portugal, and to promote competitiveness and sustainable growth in the Portuguese economy.

Research method

Sample selection

Our sample comprises companies listed on the Portuguese stock market in each of the years 2005, 2008 and 2011. In 2009, the effects of the GFC (which commenced in 2008) began to be felt deeply in the Portuguese economy and society. Due to this, two economic periods are analyzed: *before* the crisis, 2005-2008; and *during* the crisis, 2008-2011. To ensure full analytical comparability over time, companies included in the sample were those listed in each of the three years covered by the study. Thus, from a total of 51 companies listed on the Portuguese capital market, we did not include three sport companies because of their peculiarity in closing their annual accounts on 30 June. We excluded five foreign companies because they are not subject to Portuguese law. Seven other companies were excluded because they were not listed in all research periods. The final sample, comprising 36 listed companies considers the CSRD level of each company in each of three years: that is, we have 108 observations.

We chose listed companies because previous studies conclude unanimously that large companies are responsible for a higher quantity of, and quality in, CSR reports (Hackston and Milne, 1996; Adams et al., 1998; Kolk, 2003; Larrinaga et al., 2008). Large companies are more visible and are subject to greater disclosure pressure from prominent stakeholders and media (Deegan and Gordon, 1996; Bansal, 2005). Most empirical studies on CSRD have analyzed the annual report because this is considered the most important tool for companies to communicate with stakeholders. The Portuguese Securities Market Commission database was used to gather annual reports for 2005 (before the crisis); 2008 (first year of the crisis); and 2011 (during the crisis). Furthermore, the website of each of these companies was investigated to identify any stand-alone CSR reports in the same years. In 2005, there were 10 CSR reports. There were 12 such reports in each of 2008 and 2011.

Previous studies have found that industry membership has a significant influence on the quantity and quality of information disclosed by companies. Industries with high public visibility or a high environmental impact tend to disclose more CSR information (Deegan and Gordon, 1996; Archel, 2003; Bansal, 2005; Branco and Rodrigues, 2008). Companies operating in industries with high public visibility are claimed to be more sensitive to social and environmental issues and to be more likely to engage in CSRD because of their high exposure to pressure from society (Cho, 2009). However, the classification of industries needs to be refined to provide more reliable tests (Branco and Rodrigues, 2008), especially when using small samples. Previous studies (Deegan and Gordon, 1996; Clarke and Gibson-Sweet, 1999; Archel, 2003; Branco and Rodrigues, 2008) argue that the use of industry affiliation in CSR studies should be based on two proxies: “consumer proximity” and “environmental sensibility”.

Companies with strong consumer proximity are those that expect the final consumer to know that they are the company responsible for individual consumer products. Branco and Rodrigues (2008) classified “high profile” or high visibility [HV] companies in Portugal as belonging to the following industry sectors: household goods and textiles, beverages, food and drug retail, telecommunications services, electricity, gas distribution, water, and banks. They considered all other industry sectors to be “low profile” and low visibility [LV].

Environmentally sensitive industries are those whose member companies have potentially a strong environmental impact. Deegan and Gordon (1996) classified the “more sensitive” industries in Australia as mining, oil and gas, chemicals, construction and building materials, forestry and paper, steel and other metals, transport, electricity, gas distribution and water. They considered the remaining industries to be “less sensitive”.

The present study tests the effectiveness of proxies for “consumer proximity” and “environmental sensitivity” in the context of financial crisis. Table 1 shows the number of companies in each group.

TABLE 1 ABOUT HERE

Data

A content analysis method (Krippendorf, 1980) was used. This method has been applied frequently in empirical research on social and environmental accounting (for example, by Raar, 2002; Patten, 2002; Larrinaga *et al.*, 2008; Branco and Rodrigues, 2008; and Pinto *et al.*, 2014). Content analysis obtains data by coding qualitative and quantitative information into pre-defined categories of various levels of complexity (Abbott and Monsen, 1979).

The present study uses thematic content analysis (Jones and Shoemaker, 1994). This requires the design and definition of classification rules, and the quantification and collection of data (Milne and Adler, 1999) to detect the presence (value = 1) or absence (value = 0) of information, according to predefined categories or attributes

(Archel, 2003; Haniffa and Cooke, 2005). To ensure the reliability of the initial classification process completed by the first author, the rating classifications were re-examined to verify their consistency using the Krippendorf coefficient α (Krippendorf, 1980; Haniffa and Cooke, 2005). A measure of α of at least 0.8 (Guthrie and Mathews, 1985) or 0.75 (Milne and Adler, 1999) renders results reliable. The present study obtained an acceptable Krippendorf coefficient of 0.88.

To avoid subjective evaluation of CSR reports, it is common to use internationally accepted CSR reporting guidelines to define rules of classification and to measure the level of CSRD (Gray et al., 1995b; Raar, 2002; Larrinaga et al., 2008; Giannarakis and Theotokas, 2011; Pinto et al., 2014).

Our construction of a CSR index began by considering the classifications proposed in previous studies (Gray et al., 1995a, Hackston and Milne, 1996; Haniffa and Cooke, 2005, Aras et al., 2010) and in GRI guidelines (because they are the most complete and widely adopted framework for CSR reporting). We selected all core indicators that were common or similar in all GRI versions.[4] We considered that these core indicators were likely to be established indicators of CSRD and that they would probably appear in analyzed reports. Given the specificity of some indicators, the selected items were adapted to avoid penalizing companies that did not use the GRI model. This was consistent with practice adopted in earlier studies (Gray et al., 1995a, Hackston and Milne, 1996; Haniffa and Cooke, 2005; Aras et al., 2010).

As a result, a CSRD checklist was produced with 40 CSR indicators divided by dimension: five for economic disclosure, fifteen for environmental disclosure, and twenty for social disclosure (see Appendix A).

To measure the degree of CSRD and to obtain comparable data between different industries (the size of each group is different) we developed an index of disclosure by year, industry affiliation and category information (Patten, 1991; Gray et al., 1995b; Hackston and Milne, 1996; Adams et al., 1998; Archel, 2003; Branco and Rodrigues, 2008).

This method of data collection (emphasizing amplitude over the extent of information) is likely to be more appropriate than other alternatives that measure the amount of information by counting the number of pages (Patten, 2002; Pinto et al., 2014), phrases (Hackston and Milne, 1996; Tilt, 1997; Raar, 2002) or words (Deegan and Gordon, 1996). The index is obtained by calculating the sum of the scores acquired by companies possessing the various attributes that constitute the category, and dividing this by the maximum number of possible points, as described here:

$$IDi = \sum_{j=1}^{e} ej / e$$

where:

IDi Index = disclosure Index by group (one for each information category)

ej = attribute analysis (1 if the company discloses information, and 0 otherwise)

e = maximum number of possible points (multiplies the number of companies in each industry group by the maximum score possible in each information category).

The maximum score obtainable by a company is 40 (5 for economic disclosure, 15 for environmental disclosure and 20 for social disclosure) (see Appendix A). The index was adjusted for non-applicable items; that is, a company was not penalized if an item was not relevant. Despite different designations of information included in annual and sustainability reports, the content analysis included all information that was similar to that contained in items selected for the disclosure index.

Descriptive analyses

CSRD in the period 2005-2011

Table 2 reveals the number and percentage of companies reporting topics related to CSR in their annual reports or stand-alone CSR reports. The results point to a general increase in CSR disclosures by Portuguese listed companies before, and during, the financial crisis (Giannarakis and Theotokas, 2011). This is in accord with findings reporting a continuous increase in CSR disclosures in several countries and industries (Haniffa and Cook, 2005; KPMG, 2005; 2011).

In 2005, 44% of companies disclosed CSR information. This increased to 53% in 2008 and 56% in 2011. Such a pattern is consistent with previous research using Portuguese data. This showed that although CSRD increased, the level of disclosure was still relatively low (Branco and Rodrigues, 2008; Dias, 2009; Monteiro and Guzmán, 2010).

TABLE 2 ABOUT HERE

In terms of Consumer Proximity, 77% of companies classified as “high visibility” disclosed information about CSR in 2005. This increased in 2008 and 2011 to 92%, indicating that HV companies give more attention to stakeholders and adopt strategies to increase CSRD (Branco and Rodrigues, 2008). Other possible explanations are that companies increased voluntary CSRD to build trust, to minimize concern about organizational performance among stakeholders, to improve their corporate image, and to ensure a continual supply of resources (Pinto *et al.*, 2014). In the LV group, the number of companies disclosing CSR increased too (but only from 44% to 56%).

When the sample was analyzed in terms of environmental sensitivity, in both the “more” [MS] and “less” [LS] environmentally sensitive groups, the percentage of companies disclosing CSR matters was similar. In the MS group, 47% of companies reported CSR in 2005, increasing to 53% in the remaining periods. In turn, 42% of companies included in the LS group reported CSRD concerns in 2005. In 2008, the figure was 53%; and in 2011, it was 58%.

About half of the companies with high environmental sensitivity did not report CSRD. However, there was an increase in the number of companies with CSRD among the LS group. This suggests that CSRD did not depend on companies’ environmental sensitivity. Even if some companies had larger amounts of CSRD in their reports, this did not guarantee that more and better information was disclosed. The following sections analyse disclosure levels for each dimension of CSR.

Evolution of CSRD by consumer proximity

Because companies with high consumer proximity are characterized by high public visibility [hereafter, HV], they are expected to have higher CSRD than companies with low consumer proximity and low public visibility (LV).

Line 1 of the body of Table 3 shows that, in 2005, the level of reporting was relatively low in both groups: 42% for HV and 24% for LV. From 2005 to 2008, there was a substantial increase in CSRD; by 19% in all categories for HV companies and 21% for LV companies.

TABLE 3 ABOUT HERE

In both groups, the environmental category had the largest increase: 24% in HV companies, and 25% in LV companies. In 2008, in the HV and LV groups, Water, Energy and Materials had high levels of disclosure (92%, 79% and 75% respectively for HV companies; and 86%, 64% and 64% for LV companies). The increase from 2005 to 2008 in indicators for Emissions, Effluents and Waste was 34% in HV and LV companies. In Biodiversity, the increase was 31% in HV companies and 28% in LV companies.

In 2005, the economic dimension of CSRD consistently had the largest disclosure index (52% in HV; and 40% for LV). In 2008, HV companies increased their disclosure of economic indicators by 16% (to 68%) based on increases in Market Presence (23%) and Indirect Economic Impacts (20%). In LV companies, economic indicators increased by 14% (to 54%), influenced principally by an increase in Indirect Economic Impact indicators of 26% (17% to 43%).

The social dimension of CSRD increased between 2005 and 2008 for all indicators; and by 16% for HV companies and 20% for LV companies. The indicators for Labor Practices were high: 71% in 2008 (60% in 2005) for HV companies, and 50% (31% in 2005) for LV companies. In HV companies, the indicators related to Product Responsibility had the highest increase (of 25%), followed by indicators related to Society (an increase of 23%). The largest increases in LV companies occurred in Society indicators (27%) and Product Responsibility indicators (21%).

These results accord with previous studies in two ways. First, there was an increase in CSRD in the period 2005-2008 in all industries (Haniffa and Cook, 2005; KPMG, 2005; 2011). Second, HV companies disclosed more about CSR than LV companies (Clarke and Gibson-Sweet, 1999; Branco and Rodrigues 2005, 2008). In contrast with 2005-2008, in all industries there was a reduction of 3% in overall CSRD between 2008 and 2011 (see Table 3). In general, the behavior of the two groups was similar in all categories and indicators. In HV companies, the CSRD index decreased to 58%, and in LV companies to 42%. Table 3 reveals that HV companies reduced the level of disclosure in all dimensions of CSRD by 3% in Economic and Environmental matters; and by 2% in the Social matters. In LV companies, disclosure decreased by 2% in economic and social dimensions; and by 4% in environmental matters.

In only two indicators related to the social dimension (in Society issues) was there an increase in CSR information (HV by 5%; LV by 8%). The Community indicator increased 15% (to 77%) in HV companies, and 18% (to 75%) in LV companies. The Corruption indicator increased in both groups by 9%. Portuguese companies appear to have been concerned about the need to disclose their involvement with society, particularly in matters related to corruption and community. This is consistent with argument by Clarke and Gibson-Sweet (1999) that community relations are an important part of CSRD in HV companies. It also suggests that the community is perceived by companies to be an important stakeholder, possessing the attributes of power, legitimacy, and urgency, as outlined by Mitchell *et al.* 1997.

The strong increase in the corruption indicator seems likely to have been influenced by financial scandals in 2009 involving the bankruptcy and nationalization of two Portuguese banks. This is consistent with the stakeholder theory view that companies should be involved actively "in programs which can ameliorate various social ills, such as by providing employment opportunities for everyone, improving the environment, and promoting worldwide justice, even if it costs the shareholders money" (Lantos, 2001, p. 602). As Miras *et al.* (2014, p.182) concluded, "it´s no less true that the number of social needs has increased during these rough times, so the CSR actions are more necessary than ever being, therefore, more necessary than ever to emphasize the relevance of CSR actions carried out by the organizations for the society well-being."

Evolution of CSRD by environmental sensitivity

Companies in industries with a larger risk of potential impact on the environment are subject to greater pressures. They are more likely to disclose environmental information than companies in industries with less risk of environmental impact (Branco and Rodrigues, 2008).

Analysis of the sample in terms of environmental sensitivity reveals that in 2005 and 2008, differences in the overall index of CRSD were not significant. Companies that were more sensitive (MS) to environmental issues showed a total CSR index of 37% in 2005. This indicator increased to 56% in 2008. Less sensitive (LS) companies reported levels of 33% in 2005 and 53% in 2008.

In 2008, the economic dimension of CSRD scored 62% in both company groups. The social dimension had the lowest level of the three CSR categories: 49% in MS companies, and 50% in LS companies. The greatest difference between groups occurred in respect of environmental indicators (8%). In the MS group, environmental disclosure increased by 21% to 61%, while in the LS group it increased by 28% to 53%. Companies with high environmental sensitivity reported more environmental issues, especially those related to Emissions, Effluents and Waste, Products and Services, Compliance and Water.

The increase in CSRD was substantial in both groups in the period before the crisis, consistent with Haniffa and Cook (2005) and KPMG (2005; 2011). Although the difference in CSRD in MS and LS companies was not very high, Portuguese companies with high environmental impact have been found to disclose more information about environmental issues (Branco and Rodrigues, 2005; 2008). However, industries with large potential environmental impact, but which are not well known to the public, appear to have had fewer reasons to justify their existence to society than better-known companies (Branco and Rodrigues, 2005).

On the other hand, companies with less environmental sensitivity featured HV companies. Because of their visibility, these companies had good levels of disclosure across all CSRD dimensions, diminishing the differences between groups.

TABLE 4 ABOUT HERE

In 2011, MS companies maintained the global CSRD index (56%) unchanged. There was a slight decrease in the diffusion of economic (2%) and environmental aspects

(1%). However, this was compensated by an increase in disclosure of social matters pertaining to CSR (3%).

Companies in the LS group showed a decrease of 6% in the global CSRD index, and in all CSR dimensions. Globally, all individual indicators remained unchanged or registered a small decrease.

The behavior of Social indicators also increased in environmental sensitivity groups. In the MS group, Society matters increased 5% (to 57%). Community and Corruption indicators increased 12% (79% and 56% respectively). In the LS group, Community indicators increased 13% (to 73%). The Corruption indicator increased (5% to 45%); and Product Responsibility increased 5% (to 44%). This was due largely to increases in Marketing Communications and Compliance.

In LS companies, in terms of Product Responsibility, the indicators Market Communication and Compliance had the most accentuated decrease 23% (to 27%) in both. The same indicators of Product Responsibility had different variations, depending on whether they were related to environmental MS or LS companies.

Companies facing liquidity problems and significant falls in turnover are likely to adopt saving strategies to reduce costs (Yelkikalan and Köse, 2012). Mindful that the preparation of CSR information is expensive (Brammer and Pavelin, 2004), this appears likely to have influenced the reduction in disclosure of indicators by LS companies. The disclosure of Product Responsibility matters appears to have been considered less essential to LS companies.

Analysis of variance and test of differences

Differences in industry affiliation

To test for significant differences in industrial affiliation, a one-way analysis of variance was conducted. Table 5 shows the results for proxies for Consumer Proximity and Environmental Sensitivity.

TABLE 5 ABOUT HERE

For the Consumer Proximity proxy in all study periods, there were significant differences in total CSRD between companies classified as HV and LV. The same occurred in all dimensions when considered individually. For Environmental Sensitivity, the differences in total CSRD, and in individual dimensions between “more” or “less” environmental sensitive companies, are not statistically significant.

These results show that when industry affiliation is based on consumer proximity, companies with a higher level of consumer proximity have higher CSRD. However, the same is not true when industry affiliation is based on companies’ environmental sensitivity: there were no significant differences in CSRD, even in environmental indicators. Such results are similar to those for 49 Portuguese listed companies in 2003, reported by Branco and Rodrigues (2008). They found that environmental visibility does not explain differences. The present study finds that the consumer proximity proxy differentiates Portuguese listed companies in terms of CSRD. This can be explained by the need for companies to engage in voluntary relationships with customers in the expectation of being better off.

Evolution on CSRD and the impact of the Global Financial Crisis

Tests of differences between CSRD for 2005-2008 and for 2008-2011 are presented in Table 6. A paired sample t-test and a Wilcoxon signed ranks test indicated significant increases in total CSRD in 2005 and 2008. However, when CSRD was compared between 2008 and 2011, there were no significant statistical differences.

TABLE 6 ABOUT HERE

There was no significant change in overall CSR disclosures during the crisis, consistent with results reported by Giannarakis and Theotokas (2011) and Miras *et al.* (2014). This is surprising considering the evidence to the contrary in other countries – and especially given that Portugal was one of the European countries affected most severely by the GFC.

CSRD seems to be used by companies to legitimate their activities in the eyes of consumers; to gain stakeholders’ confidence; and to maintain a stable relationship with them. The results point to the probability that such a relationship is not altered significantly in times of crisis.

Conclusions

This investigation of the evolution and extent of CSRD, before and during the GFC, for 36 listed Portuguese companies, by means of a content analysis of annual reports and stand-alone CSR reports, has revealed that before the GFC, Portuguese listed companies increased their CSRD practices significantly. This was not surprising since they had, in 2005, a very low disclosure base. During the crisis, there was a slight decrease in CSRD, consistent with findings of other research papers that the GFC did not have a major impact on voluntary CSRD (Mia and Mamun, 2011; Giannarakis and Theotokas, 2011; Miras *et al.*, 2014).

In terms of general disclosure pattern during the crisis period, Portuguese listed companies were more concerned about their involvement with society, particularly in matters of corruption prevention and community affairs. Portuguese companies appear to have seen an opportunity to legitimize themselves before society (Yelkikalan and Köse, 2012) and to restore or improve their image, and levels of business confidence.

During the period of financial crisis, the stakeholders “society” and “community” seek immediate attention (Donaldson and Preston, 1995; Mitchell *et al*., 1997) because of the broad ranging effects on them of the financial crisis (e.g., increased unemployment and lower levels of disposable income). Our findings show that in a period of financial crisis, society and the community are perceived to be stakeholders whose needs deserve greater urgency and stronger legitimacy explanations. Companies redefined their relationship with stakeholders to show socially responsible behavior. Thus, an implication is that despite the crisis, CSR reporting by companies was consistent, but adapted, in terms of the expectations of society.

CSRD seemed to be more important for HV industries than for LV industries. This reveals the importance of consumers and community as stakeholders for Portuguese listed companies.

The study contributes to the literature on patterns of CSRD in periods of crisis. We reveal that during a severe financial crisis, in a highly affected country, CSRD was not reduced consequentially. Indeed, some companies disclosed more (in terms of community and corruption) to address stakeholders' concerns.

Additionally, and importantly, this study reveals a big difference in CSRD between companies with high consumer proximity and low consumer proximity. This suggests that CSRD (at least in Portugal) is driven mainly by concern for stakeholders, as suggested by Branco and Rodrigues (2007). Overall, the evidence adduced points to consumer proximity being related positively to CSRD: that is, companies operating within industries that are more prone to public scrutiny are more likely to engage in CSRD.

Our results are of interest to an international audience, since they explore how the CSRD of listed companies, from a country severely affected by the GFC, was changed and adapted in a period of financial crisis. Future research could investigate the impact of the GFC on CSRD in listed companies from other countries. It would also be beneficial to study how the CSRD of private companies, in Portugal and elsewhere, was affected by the GFC.

Appendix A: Categories and indicators used in content analysis

Dimension	Category	Indicators
Economic	Economic Performance	Direct economic value generated, revenues, operating costs, employee compensation, retained earnings, payments to capital providers, donations and taxes
		Governmental financial assistance received
	Market Presence	Policy and practices of spending on locally-based suppliers
		Procedures for local hiring
	Indirect Economic Impacts	Infrastructure investments and services provided primarily for public benefit
Environmental	Materials	Materials used
		Recycled materials used
	Energy	Direct energy consumption
		Indirect energy consumption
	Water	Total water withdrawal
	Biodiversity	Location and size of land in protected and high biodiversity value areas
		Description of significant impacts of activities, products, and services on biodiversity
	Emissions, Effluents and Waste	Total direct and indirect greenhouse gas emissions
		Other relevant indirect greenhouse gas emissions
		Total water discharge
		Total weight of waste
		Total number of significant spills
	Products and Services	Initiatives to mitigate environmental impacts of products and services
		Products sold and packaging materials reclaimed
	Compliance	Significant fines and sanctions for noncompliance with environmental laws and regulations
Social		
Labor Practices Decent Work	Employment	Total workforce by employment type or contract
		Information related to new employee hires and employee turnover
	Labor/Management Relations	Employees covered by collective bargaining agreements
	Occupational Health and Safety	Compliance with health and safety standards
	Training and Education	Employee training
	Diversity and Equal Opportunity	Composition of governance bodies and breakdown of employees per employee category
Human Rights	Investment, Procurement Practices	Significant investment agreements and contracts that include clauses incorporating human rights concerns
		Information on significant suppliers, contractors and other business partners that have undergone human rights screening
		Information on education of employees on human rights aspects
	Non-Discrimination	Incidents related to discrimination
	Freedom of	Procedures to identify suppliers and operations in which the right

	Association and Collective Bargaining	to exercise freedom of association and collective bargaining may be at risk
	Child Labor	Procedures to identify suppliers and operations as having significant risk for incidence of child labor
	Forced and Compulsory Labor	Procedures to identify suppliers as having significant risk for incidence of forced or compulsory labor
Society	Local Community	Operations to implement local community engagement and development programs
	Corruption	Procedures to identify risks related to corruption
	Public Policy	Information related to public policy positions
Product Responsibility	Customer Health and Safety	Information on safety and health impacts of products and services
	Product and service Labeling	Type of product and service information required by procedures and laws
	Marketing Communication	Programs to adhere to laws, standards, and voluntary codes related to marketing communications
	Compliance	Significant fines for noncompliance with laws and regulations concerning the provision and use of products and services

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Notes

[1] Eurostat General government gross debt - annual data (last access: 2 November, 2015) http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=teina225.

[2] Eurostat Real GDP growth rate – volume (last access: 2 November, 2015) http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115

[3] Eurostat Goods and services, imports and exports (last access: 2 November, 2015) http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00110

[4] A GRI-based report includes sections on vision and strategy, profile, governance structure, GRI content index and performance indicators in three dimensions: economy, environment and society. In 2005, it was in the G2 version of the guidelines, in 2008 in the G3 version, and in 2011, simultaneously, in the G3 and G3.1 models. Between the two latest versions there are no major differences in core indicators. But compared with the G2 version, although there are no differences in the information categories, there are some differences in the definition and number of indicators.