Chapter 2
Social Responsibility as a Factor of Convergence in Corporate Governance

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Abstract For a long time, the corporate governance decisions and the connected disclosure activities were often direct to the satisfaction of shareholders' expectations, sometimes with significant differences related to the characteristics of the stock markets and the composition of the corporate ownership. In the listed companies, this management orientation tended to generate divergences between insider and outsider corporate governance systems. The emergence of the concepts of corporate social responsibility (CSR) and Stakeholder Relations Management involves modifications in the corporate governance approach, according with the philosophy of sustainable development as critical element for long-term success in global markets. This chapter aims to make some considerations when the CSR adoption and disclosure as element characterizing corporate culture represent a factor of convergence between insider and outsider corporate governance systems.

Keywords Sustainability · Convergence · Corporate governance · Insider and outsider systems · Corporate social responsibility · CSR disclosure

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2.1 Introduction

The globalization of markets and information has prompted the search for convergence between corporate governance systems, with particular regard to listed companies. In fact, the growing integration of financial markets seems to be a key factor of convergence of corporate governance systems.

In the last quarter century, the convergence has been promoted by regulatory and self-regulatory actions, centred on the sharing of best practices of corporate governance in international value. A host of regulation, standards, recommendations, programmes, and much more has emerged: from OECD Principles of Corporate Governance to the UN Guidance on Good Practices in Corporate Governance Disclosure. These initiatives are undoubtedly necessary and useful, but they seem to promote the so-called *de jure* convergence rather than the so-called de facto convergence (Khanna et al. 2006).

One of the most striking differences between corporate governance systems is about the firms' ownership and control across countries (OECD 1999). According to the degree of ownership and control, corporate governance systems can be distinguished in outsider systems (characterized by wide dispersed ownership) and insider systems (characterized by concentrated ownership).

Furthermore, governance practices vary not only across countries, but also across firms and their spirit of governance. Governance strongly oriented to economic responsibility towards shareholders tends to emphasize the differences existing in the firms' ownership and control. Specifically, in the presence of dispersed ownership, the orientation towards economic performance with a focus on the short term tends to prevail, to get positive feedback from the market. By contrast, in the presence of concentrated ownership, governance is often influenced by the majority shareholders, whose lasting involvement in the property tends to be reflected in the objectives of maximizing economic performance over time. As a result, the dominance of the shareholder view and the economic responsibility have often contributed to de facto divergence in corporate governance.

The acceptance of corporate social responsibility (CSR) and sustainability as business drivers have led managers to shift their attention from profit to the triple bottom line (Salvioni 2003; King 2008; McDonnell and King 2013; Salvioni and Astori 2013; Salvioni et al. 2014), which encompasses profit, people and planet. It is an approach based on a broad vision of responsibility, on a modern interpretation of the links between the long-term success of enterprises and equitable balance of interests of all stakeholders. We deduce that this approach helps to reduce effectively the differences between outsider and insider corporate governance systems.

CSR and sustainability require good corporate governance, grounded on stakeholder engagement, fairness, transparency and accountability. All these principles are related with boards more externally focused, and they determine a governance approach directed to the growth of sustainable value over time. This boards' focus has increasingly shifted to excellence every corporate governance systems worldwide.

The main finding of this chapter is that sustainability and the broader concept of social responsibility imply a change in spirit of governance, which promotes the de facto convergence between the different corporate governance systems existing all over the word. This spirit is inextricably linked to the culture and performance of an organization, and it implies a stronger focus on the principles and values that dominate internal and external relations, the innovation of the internal processes of behavioural orientation and the enhancement of transparency requirements and multidimensionality of responsibilities, objectives and results.

In form or de jure corporate governance convergence relates to the increasing of similarity in terms of legal frameworks and institutions, and it emphasizes the role of compliance. In function or de facto corporate governance convergence suggests that different countries may have different rules and institutions but the corporate boards may still be able to perform the same function, with attention to the same key performance indicators, such as ensuring fair disclosure or accountability.

In the light of the above, the chapter aims to make some considerations when the adoption of CSR (and connected disclosure) as element characterizing corporate culture represents a factor of in function convergence between insider and outsider systems. The treatment is structured as follows.

The second section briefly depicts the traditional divergences between insider and outsider systems, with particular reference to the characteristics of the stock markets and the composition of the corporate ownership. Furthermore, it underlines the possible passing of these divergences by means of the diffusion of sustainability and the broader concept of social responsibility, where good corporate governance is focused on achieving sustainable value. In particular, the modern interpretation of the links between the long-term enterprise's success and the equitable balance of all stakeholders' interests could lead to the overcoming of certain differences in key performance indicators that traditionally characterize the insider and the outsider systems of corporate governance.

The third and fourth sections underline how social responsibility, on the one hand, increases the interest of shareholders and other stakeholders to create sustainable value, on the other, it supports the convergence of cognitive expectations on a broad concept of economic and socio-environmental performances. The stakeholder engagement necessitates achieving better corporate transparency and accountability so it is useful to change the reporting system according to the logic designed to satisfy evaluation and knowledge expectation of the stakeholders across the triple bottom line. Social responsibility, promoting increasing convergence behaviour between insider and outsider systems dictated by orientation towards sustainable value creation, finds a significant success element in the adoption of common reporting documents.

The fifth section analyses the operational factor of convergence between insider and outsider systems promoted by sustainable corporations. Although a substantial convergence in the values declared by sustainable companies and the numerous proposal attempts regards global disclosure models, not always the disclosure declarations and behaviours coincide.

The sixth section makes same final considerations about the modification of corporate policies by sustainable companies, independently by the financial markets' characteristics and companies' ownership. This situation weakens the divergence between insider and outsider systems.

2.2 Corporate Governance and Capital Markets

Globally recognized systems of corporate governance are based on the relationship between ownership and governance bodies (administration/management and control). In this respect, different systems consider the following:

- the relationships between corporate boards, aimed at distinguishing monistic systems from dualistic ones;
- the delegation in nomination processes characterizing corporate governance systems, aimed at distinguishing horizontal dualistic models (in which both the management board and the supervisory board are appointed by the general shareholders meeting) from vertical ones (in which the general shareholder meeting, sometimes in conjunction with employees, appoints the supervisory board, who subsequently appoints the management board) (G20/OECD 2015).

When considering listed companies in different countries, financial market features and the level of concentration of ownership become important. In this respect, they distinguish outsider systems from insider systems (Salvioni 2008).

Outsider systems, typical of Anglo-Saxon countries, are characterized by the dominance of large listed companies with very fragmented and diffused ownership (public companies) and by the separation between ownership and management. In the presence of truthful, fair and transparent communications, the efficient functioning of capital markets determines the consent/control of administrative activity. The approval/disapproval of the work of the governance bodies is therefore reflected in the following: a change in share values, resulting from the dynamics of demand and supply of shares owned; the turnover at corporate governance mandate level and the mandate of shareholders.

The dominant model in outsider systems is the monistic one, with governing bodies with a typically short mandate (annual) and characterized by a high level of independence. In such situation, the market has the direct control over corporate governance, according to information received on the company's behaviour and current/future results. Reporting takes on an important role, and it highlights the role of external controls directed at the certification of information.

Outsider systems require well-developed stock markets, and they have high potential to attract resources, with the possibility of shift in investment from one share to another, depending on the information available on corporate governance and the related performance (Fama 1980; OECD 1996; Shleifer and Vishny 1997).

Generally, in such contexts, the institutional investors act as market facilitators (OECD 1997, 1999).

On the other hand, insider systems are typical of countries generally characterized by less developed financial markets. They have a concentrated and frequently stable ownership, with the majority shareholders involved in the management and able to influence corporate governance. In such contexts, there are monistic and dualistic systems, although the lack of ability to control the market highlights the importance of the adoption of systems that provide a specific supervisory board of corporate governance (dualistic systems) (OECD 1999; Salvioni 2008).

In insider systems (notably Continental Europe and Japan), the mandate of corporate governance is generally multiyear (Salvioni 2008; Yermack 2010). There is a high level of participation in management by majority shareholders, with a reduced incidence of independent members in the administrative body and a limited turnover at a corporate governance mandate level. In these situations, the competitive approach to the stock market is essentially defined by the desire to maintain a high value of stock and, not infrequently, it can be affected by shareholder resolutions intended to authorize the purchase of their own shares.

The presence of one or more controlling shareholders and the possible existence of shareholder agreements tend to affect governance in insider systems, and reporting is often constrained by rules and recommendations aimed at protecting the proper functioning of markets.

Beyond the different characteristics of the stock markets and the corporate shareholding structure, shareholders have always had a significant role in the attribution of the mandate of corporate governance. In fact, the general shareholders meeting is often the only responsible for appointing the members of governance board, and even with worker participation (as in Austria, Denmark, Germany, Luxembourg and Sweden, where employees of companies of a certain size have the right to elect some members of the supervisory body), it generally tends to intervene significantly in the conferment of the mandate of governance. This has contributed to the affirmation of the shareholder view, which has long dominated the orientation of corporate governance, emphasizing economic performance and financial reports.

In the past, the choices of corporate governance have therefore favoured profit maximization (Berle and Means 1932; Friedman 1962, 1970; Jensen and Meckling 1976), with a clear focus on obtaining the consent of shareholders. Such behaviour was particularly evident in outsider systems, but it dominated the majority of companies in industrialized countries. In fact, for listed companies, a governance approach oriented to shareholders implied important differences about management activities in outsider and insider systems. This situation was connected to the diverse degree of separation between ownership and management and to the consequent implications in terms of market and control value.

In the outsider systems, the high dispersion of share capital tied the corporate success with the maximization of the short-term profit. The aim was to guarantee positive judgments by the market with regard to the actions of managers characterized by a high level of independence. In this context, shareholders appreciated the governance effectiveness referring to their expectations of short-term remuneration and their approval conditioned the board members' appointment and the shares' market value.

Vice versa, in insider systems the high capital's concentration and the frequent engagement in management by majority shareholders, who was often executives, caused governance activity oriented to the maximization of the value creation over time. In fact, the majority shareholders' behaviour deeply influenced corporate governance, because their lasting participation in ownership determined the preponderance of goals oriented to the maximization of economic performance in the long-term (OECD 1999; Salvioni and Gennari 2014).

The latest arise of new concepts referring to sustainability, social responsibility and stakeholder relation management (Steurer et al. 2005) is inducing a new approach about the role of companies in society, with clear consequences in terms of performance and reporting.

Corporate sustainability does not mean that the creation of value and the adequate shareholders' remuneration are less important; vice versa, the interdependence among stakeholder relation management, economic and socio-environmental responsibility, results (economic and not economic ones) and capability to obtain consents and resources is opportunely emphasized.

A governance approach directed to the enhancement of value creation for shareholders over time, by means of opportunities' exploitation and economic, social and environmental risk management, is gaining ground (Esty and Winston 2008; Brochet et al. 2012; Salvioni and Astori 2013). A sustainable company is clearly aware of its own responsibilities towards different stakeholders, and it adopts governance methods and tools with the aim to improve its economic, social and ecological performances. This is an approach based on a wide concept of responsibility and on a modern interpretation of the link between the long-lasting company's success and fair settlement of all stakeholders' interests (Salvioni 2003; Salvioni and Bosetti 2006).

In global markets, the need of corporate governance improvement is spreading, according to these objectives:

- to favour the convergence in governance systems for dealing with the fall of time and space barriers in the information and capital circulation;
- to appreciate the links among economic, competitive and socio-environmental management variables;
- to develop strategies and accountability tools with the aim to favour stakeholder engagement and to improve the transparency about global performances.

These are phenomena strictly connected, implying a greater attention towards principles and values that lead internal and external relations and innovation in processes for a systematic, coordinated, effective and efficient sustainable development.

In this sense, many international recommendations and numerous national regulating actions proliferate, promoting a growing attention for the quality of governance and reporting.

In particular, the statement and diffusion of responsible governance principles favour a global convergence in the governance tendencies towards value creation and growth in the long term. This condition removes a substantial divergence factor between insider and outsider corporate governance systems, and it represents a prerequisite for a better capitals circulation and for the crossing of speculative investment logics that are often characterized by a high shareholders' turnover.

In this regard, see the text of letter sent in March 2014 by Larry Fink, BlackRock's Chairman and CEO, to Chairman or CEO clients. He writes: «To meet our clients' needs, we believe the companies we invest in should similarly be focused on achieving sustainable returns over the longer term. Good corporate governance is critical to that goal. That is why, two years ago, I wrote to the CEOs of the companies in which BlackRock held significant investments on behalf of our clients urging them to engage with us on issues of corporate governance. While important work remains to be done, good progress has been made on company-shareholder engagement. I write today re-iterating our call for engagement with a particular focus on companies' strategies to drive longer term growth». This assertion is confirmed in the Annual Letter to BlackRock's Shareholders of 16/04/2015: «This annual report highlights how the platform we've created over time translates into long-term value for clients and shareholders even in the face of global market upheaval. But it also gives us a chance to look towards the future. BlackRock has stayed ahead of the competition over time by thinking long term: building the technology, talent and investment solutions that our clients and shareholders can build on, and that will pay dividends for decades, not just quarters».

The debate on sustainability and social responsibility is connected to new accountability needs. Changes in the governance orientation imply changes in the internal and external communication, promoting contents and circulation choices better complying with the stakeholders' cognitive and evaluating expectations. This situation induced a gradual change in reporting, also with the aim to develop transparent models with international value (Salvioni and Bosetti 2014).

The timely and accurate mandatory or voluntary disclosure on financial and non-financial information about all important matters regarding companies should contribute to the convergence of interests between shareholders and other stakeholders, emphasizing their important role in contributing the long-term success and performance of the company.

2.3 The Link Between Stakeholder Relation Management and Shareholder Satisfaction

The CSR requires the involvement and the appreciation of stakeholders' expectations, the transfer of top management orientations into behaviours, the verification of the consistency among aims, management objectives and actual results, in order to optimize performances and intercompanies relations.

The transition from a situation of overriding attention to shareholders and related economic responsibility to a clear appreciation of all stakeholders and the set of company's responsibilities (economic, social and environmental ones) are associated with the following:

– the expansion of relevant external stakeholders (Marlin and Marlin 2003), which is correlated to increased attention to fairness in the conduct of governance;
– the refinement of the forms of internal control systems designed to make effective the relationship between the corporate governance bodies and the organization;
– the change of reporting system, according to the logic designed to satisfy evaluation and knowledge of stakeholders' expectations across the triple bottom line.

The triple bottom-line logic broadens the traditional reference framework for the effectiveness of governance. Company success is no longer based only on criteria of economic performance, but it is linked to the optimization of environmental and social performance. Thus, sustainable enterprises determine their strategy considering the three aforementioned dimensions of performance, according to the logic of global responsibility, and consequently, they draw up long-, medium- and short-term objectives and processes aimed at ensuring their effective and efficient implementation.

Economic performance, on the other hand, is strongly influenced by the ability to maintain positive relationships with all relevant stakeholders (shareholders, employees, customers, suppliers, etc.), so that the shareholders' expectations have more potential of satisfaction compared to CSR-oriented managerial approaches (Carroll and Buchholtz 2006; Friedman and Miles 2006; Carroll 1979, 1999).

Therefore, the assumption of the stakeholder view (Freeman 1984; Jacoby 1973; Longstreth and Kesenblum 1973; Donaldsond and Preston 1995) leads to a profound change in the valuation of company's performance in relation to the enhancement of the reconciliation factors of competitive, economic and socio-environmental variables.

The ability to give effective answers to ownership's expectations is still a significant dimension, the achievement of which is durable but facilitated by meeting the expectations of other stakeholders and by respect for the environment (Salvioni 2003). The effectiveness of stakeholder relations is primarily correlated to the affirmation of a good governance approach, based on the respect of equity, fairness and transparency and on the activation of stakeholder engagement processes.

Therefore, the assertion of social responsibility increases shareholders' and other stakeholders' interests in the creation of sustainable value, widening their potential involvement in sustainable management. At the same time, it supports the convergence of cognitive expectations on a broad concept of performance, geared to enhancing the relationship between economic and socio-environmental variables (Gray et al. 1996; Guthrie and Parker 1990).

Increased exposure to and permeability of information by the various parties highlight the need to rationalize communications guaranteeing effectiveness, transparency and convergence compared with expectations. Likewise, the interdependence of economic, social and environmental responsibility (Deegan and Rankin 1997; Daub 2007) underlines the usefulness of final summary and programmatic documents aimed at supporting the employment of policies and emphasizing the principles of global responsibility, monitoring their implementation.

In particular, socially responsible companies are induced to change their reporting systems, enhancing the function of consensus management and behavioural orientation, both internally and externally. This change concerns internal reports, which are significant base for responsible decision-making and tools to orientate leaders' and organization's behaviours, and external reports, aimed at supporting effective interaction with shareholders and all other stakeholders.

The transformation of sustainability objectives into actual results gives specific importance to the internal communication system, aimed at spreading the culture of sustainability, to getting used to the assumption of socially responsible behaviour at all levels of the organization, to connect the behavioural effectiveness and the assessment to the multidimensionality of performances.

The actual ability to create sustainable value comes from the ability to orientate all management behaviours to optimize overall performances, necessarily based on the integration of performance across the triple bottom line.

Many information contained in internal reports are also a useful base for communications to external stakeholders as part of the economic synthesis reports (annual report) and/or of the sustainability reports (sustainability reporting, CSR reporting, integrated reporting, etc.). In fact, internal reports intend to improve the sustainability of behaviours assumed by stakeholders (leaders and employees) responsible for exercising corporate responsibility. However, the results of exercising this responsibility offer indications for the assessment of company's capability to equally satisfy stakeholders' expectations over time.

2.4 Stakeholder Relation Management and External Reporting

External social and environmental reporting has been subject of numerous interventions by major international players (as Global Reporting Initiative 2011; International Integrated Reporting Council 2013), as well as of substantial researches (Gray et al. 1987; Guthrie and Parker 1990; Roberts 1991; Kolk 1999; Cormier and Gordon 2001; Cerin 2002; Hibbit 2004; Mathews 1997). In this area, a number of documents that deal with the subject has been analysed, such as the social reporting, the environmental reporting, the social and environmental reporting, the sustainability report, the CSR reporting and the integrated reporting.

Therefore, the gradual affirmation of principles of social responsibility has led to the flanking of numerous financial reports with other reports aimed at showing specific results, often with significant differences in content and significant space–time divergences. In the first step of expansion of companies' responsibilities, the social and the environmental reporting have been widely used. Subsequently, additional documents have been proposed with functions of spreading integrated information, including sustainability reporting (Roca and Searcy 2012; MacLean and Rebernak 2007) and integrated reporting (Salvioni and Bosetti 2014).

At present, a common approach in terms of naming of reports for accountability does not always seem to exist. For example, the analysis of documents submitted in April 2015 by 20 companies present in the Global 100 index (Table 2.1), for five

Table 2.1 The companies analysed: countries, sectors and corporate governance systems

No.	Companies	Countries	Sectors	Systems
1.	Adidas	Germany	Textiles, apparel and luxury goods	Insider
2.	Agilent Technologies	USA	Life sciences tools and services	Outsider
3.	BG group	UK	Oil, gas and consumable fuels	Outsider
4.	Centrica	UK	Multiutilities	Outsider
5.	City developments	Singapore	Real estate	Insider
6.	Enbridge	Canada	Oil, gas and consumable fuels	Outsider
7.	H&M Hennes & Mauritz	Sweden	Retailing	Insider
8.	Kesko	Finland	Food and staples retailing	Insider
9.	Koninklijke Philips electronics	The Netherlands	Industrial conglomerates	Insider
10.	Natura cosmeticos	Brazil	Personal products	Insider
11	Neste oil	Finland	Oil, gas and consumable fuels	Insider
12.	Novo Nordisk	Denmark	Pharmaceuticals	Insider
13.	Prologis	USA	Real estate investment trusts	Outsider
14.	Statoil	Norway	Oil, gas and consumable fuels	Insider
15.	Storebrand	Norway	Insurance	Insider
16.	Sun life financial	Canada	Insurance	Outsider
17.	Suncor energy	Canada	Oil, gas and consumable fuels	Outsider
18.	Unilever	UK	Food products	Outsider
19.	Vivendi	France	Diversified telecommunication	Insider
20.	Westpac banking	Australia	Banks	Outsider

Table 2.2 Type of social reporting

No.	Companies	Type of reporting
1.	Adidas	Sustainability Progress Report 2014 Performance Counts
2.	Agilent Technologies	Social Responsibility Beyond Measurement—2013 Corporate Citizenship Report
3.	BG group	Sustainability Report 2014
4.	Centrica	Corporate Responsibility Performance Review 2014
5.	City developments	Sustainability Report 2014
6.	Enbridge	Corporate Social Responsibility 2014
7.	H&M Hennes & Mauritz	Conscious Actions Sustainability Report 2014
8.	Kesko	Integrated Annual Report: Business Review 2014
9.	Koninklijke Philips electronics	Sustainability Selection-Annual Report (Integrated Annual Report 2014)
10.	Natura cosmeticos	Natura Annual Report 2013 (full version GRI)
11.	Neste oil	Neste Oil's Annual Report 2014
12.	Novo Nordisk	Novo Nordisk Annual Report 2014
13.	Prologis	2013 Corporate Responsibility
14.	Statoil	2014 Sustainability Report
15.	Storebrand	2013 Sustainability Report
16.	Sun life financial	2013 sustainability report
17.	Suncor energy	Report on sustainability 2014 (summary report)
18.	Unilever	Sustainable Living Report 2014
19.	Vivendi	Non-financial indicators handbook 2013; annual report 2013
20.	Westpac banking	Annual Review & Sustainability Report 2014

consecutive years (2010–2015), highlights a very complex situation (Table 2.2). In this respect, Gray (2002) argues that the various designations employed, far from being substantially different, simply represent tags to identify a phenomenon characterized by common specifics.

The companies taken into consideration belong to both countries characterized by insider corporate governance systems (eleven companies) as well as to outsider systems (nine companies). However, all these companies have a strong focus on sustainable disclosure, as this is the first criterion for selection[1] adopted for inclusion in the Global 100 index.[2]

[1]In the context of global companies with a market capitalization of at least $ 2 billion as of October 1st of each year.

[2]The Global 100 index is the indicator that expresses the most sustainable companies, and it is managed by Corporate Knights Capital.

In fact, Corporate Knights Capital highlights: «The first screen eliminates companies that are not keeping pace with the sustainability reporting trends in their specific industry. Companies that fail to disclose at least 75% of the "priority indicators" for their respective "Global Industry Classification Standards (GICS) Industry Group are eliminated at this point in the project. Companies classified in Industry Groups where all 12 KPIs are priority indicators will need to disclose at least 9 ($12 \times 75\% = 9$) KPIs in order to pass this screen. The list of priority indicators may change in the future as disclosure practices evolves».

In addition, companies that pass this first selection criterion undergo further stages of selection: the financial dimension of the company (analysis of indicators such as net profit, operating cash flow, gross margin, etc.); the type of production (e.g. companies with a GICS Sub-Industry classification equal to Tobacco are eliminated); the amount in dollars paid by the company for penalties resulting from fines or penalties for environmental and social damage. The companies that have passed the mentioned above four selection criteria are further assessed, in order to identify the 100 companies who can belong to the Global Index. The ranking is defined by weighing and assigning scores based on the following 12 KPIs: energy productivity; carbon productivity; water productivity; waste productivity; innovation capacity; percentage tax paid; CEO to average worker pay; pension fund status; safety performance and number of lost time incidents; employee turnover; leadership diversity; clean capitalism pay link.

In order to verify the correlation between responsibility, stakeholder relationships and accountability, the reports indicated in Table 2.3 were analysed for investigating the real motivations that led to companies preparing such reports. The analysis of the sustainable report shows that a responsible company oriented towards sustainable development, regardless of operating in insider or outsider system, considers reporting economic and socio-environmental responsibility fundamental pursued through the transparent communication of performance reached, to meet the cognitive and evaluative expectations of shareholders and other stakeholders. In addition, the companies surveyed sustain the importance of participation, through consultation mechanisms, to achieve constructive and functional feedback for the construction of reports, as well as the continual improvement of corporate accountability.

Social responsibility, promoting increasing convergence behaviours between insider and outsider systems dictated by orientation towards sustainable value creation, finds a significant success factor in the adoption of common reporting documents. This is thanks to the efforts in this direction made by GRI, IIRC and many other transnational institutions.

Table 2.3 The motivation for adopting sustainability reporting

	Companies	Declarations indicated in reporting
Insider systems	Adidas	It was in a spirit of transparency and responsiveness towards its stakeholders that the company published its first sustainability report Still today, the Adidas Group is the only company in the sporting goods industry that has published an annual sustainability report since 2000
	City developments	City Developments voluntarily discloses the information as the company believes in upholding the principles of corporate transparency, disclosure and communication with our stakeholders
	H&M	We are committed to transparent reporting on the progress we make towards meeting our seven commit-ments Everything we do needs to be economically, socially and environmentally sustainable. All highly interconnected. All equally important for our future growth
	Kesko	The development of integrated reporting commenced with a project examining the factors that affect value creation and the views of the management and stakeholders on value creation
	Koninklijke Philips electronics	To ensure that success is repeatable, i.e., that we create value for our stakeholders time and time again and deliver on our mission and vision. We derive significant value from our diverse stakeholders across all our activities and engage with, listen to and learn from them
	Natura cosmesticos	Committed to providing our relationship network with comprehensive information about company management and performance and striving to continually improve the way in which this is communicated
	Neste oil	We actively engage in dialogue with our various stakeholders and strive to take into account their expectations in our operations. We are engaged with our stakeholders on a daily basis through a variety of communication and interaction channels
	Novo Nordisk	As Novo Nordisk's business continues to develop, the company remains committed to reporting its performance through its integrated reporting. In line with the Novo Nordisk Triple Bottom Line principle, the consolidated financial, social and environmental statements are presented separately along with the related notes
	Statoil	We believe that responsible and ethical behavior is a prerequisite for sustainable business. Transparency allows businesses to prosper in a predictable environment, contributes to a level playing field and enables citizens to hold government accountable
	Storebrand	Our sustainability work relies on a close dialogue with key players in society. The dialogue is partly, achieved through our annual discussions with players on sustainability matters

(continued)

Table 2.3 (continued)

	Companies	Declarations indicated in reporting
	Vivendi	Driven by the desire to better assess the contribution made by CSR to the results obtained by the Group in the performance of its various missions, Vivendi has introduced an integrated reporting approach. The Group maintains regular and constructive dialog with all its stakeholders
Outsider systems	Agilent technologies	This report demonstrates the commitment of our company, leaders and employees to the highest standards of social and environmental responsibility Agilent is committed to provide even more detailed and transparent data reporting on our corporate citizenship initiatives
	BG group	Our duty is to manage the risks from these hazards, keep our employees safe from harm and, as responsible stewards of the environment, minimise the impact of our operations. This requires a culture which emphasises individual accountability for safety, clear leadership, strong systems and a high level of competence
	Centrica	We prioritise our areas of focus by understanding which issues matter to our stakeholders, their relevance to Centrica and our ability to influence them
	Enbridge	Our Corporate Social Responsibilty (CSR) Report provides the accountability and transparency on our social and environmental performance that are fundamental to our ability to achieve that vision
	Prologis	We strive to provide transparent and industry-leading reporting. We also endeavor to engage in candid dialogue with our stakeholders and incorporate actionable feedback into our business
	Sun life financial	At Sun Life, sustainability is defined as taking accountability for our environmental, social and governance practices in ways that deliver value to our customers, employees, shareholders, and communities. Its scope provides information on social, environmental, economic and corporate governance aspects of our businesses, captured under the broad definition of "sustainability"
	Suncor energy	Our 2014 report includes consolidated social, economic and environmental data. We pursue a triple bottom line vision of sustainability. We're striving to continuously improve our performance. It's through our annual Report on sustainability that we are able to share with you the progress we've made, the challenges we face and how we can work together to deliver on our goals

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Table 2.3 (continued)

	Companies	Declarations indicated in reporting
	Unilever	We are committed to communicating our performance regularly and transparently. Engaging with stakeholders informs our decision-making, strengthens our relationships, and helps us deliver our commitments and succeed as a business. Engaging with stakeholders is of vital importance as it helps us drive forward our ambitious Unilever Sustainable Living Plan
	Westpac banking	Report sets out the group's non-financial performance across more than 110 indicators covering the environmental, social and governance aspects of our business. The report is also firmly aligned with our financial reporting, providing all of our stakeholders with the 'full story' on our performance, both financial and non-financial

2.5 Sustainability and Social Responsibility as Operational Factor of Convergence

The integration of markets caused by globalization started a gradual convergence process involving different corporate governance systems. (Carati and Tourani 2000; Mallin 2001; Aguilera and Jackson 2003). This situation interests both financial and products' markets and has significant effect on corporate governance. In financial markets, the phenomenon of international diversification by investors is increasingly spreading because of the proposition that holding an international portfolio leads to higher return and minimizes risks. Companies too attempt to obtain more resources at lower costs trying to attract investors and shareholders on international capital markets. This situation implies the acceptance by companies of international corporate governance standards (e.g. about the composition of corporate governance bodies and reporting) that favour the adoption of common behaviours. Also, the globalization of products' markets impacts on corporate governance: when competition intensifies worldwide, the capability to design effective strategies by governance bodies represents a critical factor of company's success and tends to be a best practice for other companies.

The events of convergence between outsider and insider systems can be observed according to the following dimensions (La Porta et al. 2000; Gilson 2004; Khanna et al. 2006; Yoshikawa and Rasheed 2009; Lazarides and Drimpetas 2010). The convergence appearing among national systems, encouraged by the production of rules about high-quality corporate governance standards, is the so-called de jure or formal convergence. The convergence characterizing corporate behaviours, motivated by the search of competitive advantages through the adoption of missions and targets critical for the performance optimization in global markets, is the so-called substantial or de facto convergence.

The formal convergence is about the systems and the corporate governance rules characterizing different countries. Many studies confirmed the diffusion of mandatory and voluntary rules at international level with the aim to favour the integration of financial markets and the effective finding of resources (Stiles and Taylor 1993; Coffee 1999; Aguilera and Cuervo-Cazurra 2004; Collier and Zaman 2005; Markarian et al. 2007).

An intense debate about the strengths and weaknesses of different corporate governance systems has characterized the last decades. The corporate governance systems are the results of cumulative processes, which create regulatory and cultural substratum, influencing contingent attempts of adaptation to different models (path dependence) (North 1990, 2005; Bebchuk and Roe 1999). Hence, it is not possible that the better rules of corporate governance can be implemented in each environment with the predicted results (Puchniak 2007). Indeed, countries seem to be characterized by situation of multiple optima in which the corporate governance best practices are accepted and executed respecting the existing bounds (Khanna et al. 2006).

The existence of mandatory (e.g. international financial reporting standards) or voluntary (e.g. recommendations by European Parliament and Council) international norms can represent a stimulus for formal compliance without qualifying, however, a guarantee of substantial convergence in the long term, this last based on a real culture of compliance existing in the company. In fact, the value of compliance should be embedded in the corporate culture, as a shared principle that guides the behaviour of the entire organization and constitutes the basis for managing any type of risks connected to global corporate responsibility in the long run.[3]

Vice versa, the adoption of a corporate philosophy inspired by sustainability—that is to say characterized by the emphasis on global responsibility and by the will to equally satisfy stakeholders' expectations—seems to be a significant factor of substantial convergence towards the reduction of the gap between insider and outsider systems (Salvioni and Gennari 2016; Salvioni et al. 2016a, b, c).

The inclusion of CSR in the corporate culture identifies the sustainable companies. In spite of different ways to realize corporate strategies, according to regulatory and organizational ties, this view leads to the definition of targets oriented to the minimization of economic, social, and environmental risks and to the maximization of corporate global value in the medium to long term for the benefit of wide stakeholders' groups.

[3]Maruti Suzuki, an Indian car manufacturing company controlled by Japanese motorcycle producer Suzuki, can be reported as an example of compliance with laws in the absence of a shared corporate culture. Maruti went beyond the Indian legislation adopting specific mechanisms to take care of the employees and to strength their protection in the workplace. Despite this fact, largely promoted by the company towards its public, Maruti has been repeatedly accused of violating fundamental labour and human rights guaranteed by the conventions of the International Labour Organization (ICLR 2013; ICLR 2014).

In fact, the tendency of governance towards sustainability principles represents a critical factor for company's success not only in insider systems, traditionally characterized by objects of performance maximization in the long term, but also in outsider systems (Eccles et al. 2011) historically oriented to the satisfaction of diffused ownership (Sect. (3.2).

So, considerations about CSR disclosure are strictly related to the convergence of corporate governance behaviours because of the association between these two complimentary mechanisms used by companies to enhance relations with stakeholders (Eng and Mak 2003; Van der Laan Smith et al. 2005; Haniffa and Cooke 2005; Chan et al. 2014). The sustainability reports, presenting the organization's value and governance model, should express the link between the company's strategies and commitment towards a sustainable corporate performance and sustainable global economy.

The analysis of the selected 20 companies (Sect. (3.4) confirms the emphasis on the link between sustainability and stakeholders' satisfaction by means of value creation in the long run independently from the company's activity in insider or outsider systems (Table 2.4).

The creation of privileged relationships with wide stakeholders' group expresses the crossing of the logic of the short-term value creation for the exclusive interest of shareholders. The latter are intended to belong to a greater category of company's public, and they deduce large benefits too by the exploitation of value creation opportunities and by the effective economic, social and environmental risk management.

Successful companies put effort into the adoption and strengthening of governance processes that are coherent with the international best practices standards. With this way, they can manage the business complexity and the relevant conditions for a sustainable development in the long term.

The effectiveness of responsible governance is related to strategies that emphasize the integration among economic, social and environmental performances and to the coherent definition of structures and processes (e.g. CSR committee and internal reports) that guarantee the realization of the strategies themselves. The external reports are the tools the companies use to inform their stakeholders about the corporate structure, the mission, the strategies, the results obtained according to a global corporate responsibility approach.

Although a substantial convergence in the values declared by sustainable companies selected in our study and the numerous proposal attempts regards global disclosure models (UN Global Compact Principles, OECD Guidelines, Integrated Reporting, GRI, etc.), not always the disclosure behaviours coincide. The enlargement of stakeholders' categories determines, even now, the production of different number of information in sustainable and annual reports, probably according with the belief that the amount of CSR disclosure provided by a company signifies the importance the company attaches to such matters (Gray et al. 1995; Deegan and Ranking 1996; Neu et al. 1998). For example, the 20 companies analysed privilege GRI guidelines because of their quantitative value and objectivity (Tschopp and Nastanski 2014), but they sometime simultaneously refer to

Table 2.4 Declared values (mission/vision/strategy overview)

	Companies	Declared values
Insider systems	Adidas	We are competitive. You have to be if you want to be successful in the long run. We want to create as much value for all our stakeholders as possible
	City developments	Sustainability is more than just an opportunity to make a positive impact on society and the environment; we believe it is imperative to our long-term viability
	H&M	We take a long-term view on our business and investing in our sustainability means investing in our future
	Kesko	For Kesko, responsible operation is a strategic choice and bearing our corporate responsibility is one of Kesko's values
	Koninklijke Philips electronics	With our understanding of many of the longer-term challenges our world faces, we see major opportunities to apply our innovative competencies and create value for our stakeholders by delivering technology solutions that improve people's lives more effectively
	Natura Cosmesticos	We will generate positive social, environmental and economic impacts, delivering value for our entire relationship network
	Neste oil	We create long-term business success and value to our external stakeholders by operating ethically and profitably
	Novo Nordisk	Novo Nordisk has chosen three long-term social targets to support long-term financial performance, balancing responsibility with profitability, with the aim of creating sustainable value for shareholders and other stakeholders
	Statoil	We aim to meet the world's energy by creating long-term value for both our shareholders and the societies and economies in which we operate
	Storebrand	Sustainability is a matter of our own long-term outlook and security for our customers. It is essential that we are able to take a long-term perspective
	Vivendi	Vivendi has fully integrated its CSR policy into its strategy and its governance The Group's societal, social and environmental information allows its relevant stakeholders to better evaluate the Group's overall performance over the medium and long term
Outsider systems	Agilent technologies	[…] commitment of our company, leaders, and employees to the highest standards of social and environmental responsibility. We are proud to recognize corporate citizenship as a fundamental value throughout Agilent's long, almost 75-year heritage as an industry leader
	BG group	Sustainability is a prerequisite for long-term performance and value protection for our shareholders

(continued)

Table 2.4 (continued)

	Companies	Declared values
	Centrica	How we work is important for ensuring the continuing success of Centrica and the delivery of long-term sustainable value creation for all stakeholders
	Enbridge	We cannot forget about strengthening our company's longer term future
	Prologis	Trust and business integrity are critical to the long-term health of any company. At Prologis, we recognize this fundamental principle
	Sun Life financial	Our focus on sustainability reflects the long-term nature of commitments we make to our customers, strengthens the company, and positions future generations to meet their needs
	Suncor energy	We are going to keep engaging with all of our stakeholders and listening to their concerns as we continue to develop and pursue long-term goals
	Unilever	We're also committed to continuously improving the way we manage our environmental impacts and are working towards our longer-term goal of developing a sustainable business
	Westpac banking	We are focused on three priority areas designed to support more sustainable long-term outcomes across our operating environment Beyond our balance sheet, the policies, practices and culture that define the Group also help us to remain strong and sustainable for the long term

other standards and their sustainability reports do not present uniform subjects' index (Table 2.5).

This situation cannot favour the immediate comparison about companies' sustainability performances by a non-expert stakeholder, who has to look for desired information in hundreds of pages. Moreover, industry guidelines and national rules about CSR disclosure can increase the data communicated in reports.

A way to simplify the comparison among companies belonging to different countries and businesses could be the compulsory inclusion of limited, but significant, CSR data in the mandatory financial reports, delegating the in-depth disclosure of different CSR aspects and performances to voluntary CSR reports.

The Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups seems to move in this direction, with the aim to provide investors and other stakeholders with mandatory and more comprehensive picture of a company's financial, social and environmental performances. This directive imposes on some large companies to disclose their management report, information on policies, risks and outcomes (as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors). Now,

Table 2.5 CSR disclosure standards

	Companies	CSR disclosure standards
Insider systems	Adidas	UN Global Compact; Industry guidelines for best practice as provided by the GRI sector supplement for footwear
	City Developments	UN Global Compact; Communication on Progress (COP); ISO 26000:2010 Guidance on social responsibility; internationally adopted standards and regulations in the fields of occupational standards, environmental protection and the fight against corruption; GRI G3; Construction & Real Estate Sector Supplement (CRESS)
	H&M	UN Global Compact; Communication on Progress (COP); GRI G4; Apparel and Footwear Sector Supplement
	Kesko	UN Universal Declaration of Human Rights; UN Convention of the Rights of the Child; ILO convention on the Fundamental Rights and Principles at Work; OECD Guidelines for Multinational Corporations; ICC Business Charter for Sustainable Development and principles against corruption and bribery; UN Global Compact; purchasing principles of the Business Social Compliance Initiative (BSCI); ISO 26000 standard; GRI G4
	Koninklijke Philips electronics	IIRC Integrated Reporting <IR> framework; GRI G4; UN Global Compact; Communication on Progress (COP)
	Natura cosmesticos	UN Global Compact; United Nations Organization (UNO); GRI G4
	Neste oil	AA1000APS (2008) standard; GRI G3
	Novo Nordisk	UN Global Compact; Communication on Progress (COP); AA1000APS (2008)
	Statoil	GRI G4; Communication on Progress (COP)
	Storebrand	UN Global Compact; GRI G4
	Vivendi	French Grenelle II law; OECD Guidelines for Multinational Enterprises; Communication on Progress (COP); GRI G3; Media Sector Supplement (MSS); Telecom Sector Supplement (TSS)
Outsider systems	Agilent technologies	GRI G4; ISO 26000
	BG group	UN Global Compact; GRI G3; Oil and gas sector supplement
	Centrica	UN Global Compact; GRI
	Enbridge	UN Global Compact; GRI G4
	Prologis	GRI G4; AccountAbility 1000 Assurance Standard
	Sun life financial	GRI G3
	Suncor energy	UN Global Compact; GRI G3; Oil and Gas Sector Supplement
	Unilever	UN Global Compact; GRI
	Westpac banking	UN Global Compact; GRI G4; AA1000; National Greenhouse and Energy Reporting Act (2007); National Carbon Off set Standard (2012)

the EU does not impose disclosure standards, referring to the voluntary existing ones, but the Commission is to develop non-binding performance guidelines to facilitate the disclosure (the consultation with stakeholders is underway until the end of 2016). These guidelines could constitute best practices standards, first for European corporations and for those belonging to the supply and subcontracting chains, with a large impact at global level.

Hence, the convergence between insider and outsider systems is evolving. The formal and substantial convergence phenomena mutually influence each other, outlining a continuous path towards global governance best practices and disclosure, with the main aim to create long-term value, thanks to the relations between companies and their stakeholders.

2.6 Emerging Issues

Over the last few years, the issues of sustainable development and global corporate responsibility have emerged as relevant factors for the effectiveness of corporate governance. In this regard, numerous international institutions have intervened and companies, at least officially, have increased their focus on the interdependence between stakeholder relationship management and economic, social and environmental responsibility.

The increasing emphasis on sustainability in the governance leads to a greater focus on the dominant principles and values in internal and external relations, the innovation of internal processes of behavioural orientation and external communication.

The diffusion of the principles of sustainability and a broader concept of responsibility have, undoubtedly, promoted a review of the relevant performances of companies, creating significant preconditions of operational convergence between insider and outsider corporate governance systems.

In fact, in successful companies, the corporate governance is characterized by a widening scope of the goals, having to take an interest in the entire network of internal and external relations, according to an approach based on the exchange of information and the optimization of behaviour in relation to the stakeholders' expectations.

Regardless of the nature of stock markets and the concentration of ownership, socially responsible companies have therefore amended their corporate policy, giving importance to the creation of sustainable value as a condition for growth and development in the medium to long term. Hence, a major factor of divergence between insider and outsider corporate governance systems attenuates, because of the different time orientation in the results statement. However, we should consider that globalization—together with the gradual reduction of differences between spatial differences, cultures, information systems, traditions and institutions—tends to require greater uniformity in the corporate governance approaches worldwide. In addition, the lowering of barriers among markets and the capitals flow have increased the alternatives for investors and the belief that the orientation to value creation in the long run may be a significant factor in reducing investment risk.

The change in the governance approach has also stressed the importance of corporate communication, promoting the spread of information content and diffusion choices that are increasingly responsive to the expectations and knowledge evaluation of stakeholders. In this regard, academics and practitioners have taken an interest in the contents, updating and dissemination of corporate communication since the last decade of the twentieth century, in order to overcome the partiality of information that was typical of documents focalised on specific aspects of responsibility. In this regard, some reports promoting a continuous and effective analysis of corporate structures, processes and results have become more and more important. The large number of proposed models highlights however difficult convergence towards a single model designed to allow all concerned to ascertain who managed the responsibility, how it was handled and what the achievements and future expected results are in terms of contribution to sustainability.

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