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"CSR DISCLOSURE, REPUTATION AND IMPRESSION MANAGEMENT. AN EMPIRICAL INVESTIGATION."

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INTRODUCTION

Nowadays, people and organizations are conscious about their actions: everyone knows that toxic waste or CO_2 emmissions may have a negative impact on the environment. Moreover, firms and individuals could produce harmful consequences also on the social environment (working condition, human rights, welfare of local community). For these reasons, in recent years the interest for CSR has increased: more and more companies have started and will continue to invest in CSR-related activities. Acting and communicating Corporate Social Responsibility have become necessary for companies. Today almost everyone has an idea about what CSR is. Nevertheless, it is useful to provide a definition. Carroll, for instance, developed one of the most famous definitions of CSR: "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time" (Carroll, 1979, p. 500). Carroll's illustration could be interpreted as a basis that paved the way for more recent CSR definitions. For instance, the European Commission's regards CSR as the fact that "enterprises should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" (European Union Law, 2001, p. 366). Being aware of what CSR is**,** for what purpose do companies invest in CSR activities? Companies often invest in CSR activities to increase their corporate reputation. To do so, CSR activities and related investments should be communicated through appropriate disclosure.

For the reasons just explained, this thesis focuses on the analysis of the relationships between reputation, disclosure and impression management using the CSR lentes. This is an interesting work because, on the basis of what was defined by Toms (2002) with regard to the determinants of corporate reputation, this thesis proposes an empirical analysis that studies the effect of variables such as quality of disclosure, size, profitability, GRI adoption, industry, leverage on the dependent variable reputation. By investigating the link between reputation and disclosure, impression management must be considered. Companies often use disclosure to increase corporate reputation by reporting that they have made many CSR investments, when in reality it is a shallow communication. Companies try to impress the public through disclosure and have a reputational advantage, although nothing concrete has been done regarding CSR activities. For this purpose in the empirical analysis a distinction was made between the quality and quantity of the disclosure, most of the reports that has been analyzed contained diluted CSR information. Therefore the thesis develops as follows: the first three chapters (reputation, CSR and environmental disclosure, impression management) refer to a theoretical framework. Each chapter begins by describing the object of investigation, being it reputation disclosure or impression management and then analyze the determinants. The relationships between reputation, disclosure and impression management are then defined to introduce what will be studied in the empirical part. The empirical part consists of the investigation on the sample of 78 companies that derives from the 100 best performing firms of the Harris and Poll 2015 reputational index with reference to the year 2015. Then there is a discussion on the limits of the proposed models and the conclusions.

Chapter 1 is dedicated to explaining what reputation is, providing some definitions of it in relation to the discipline of reference (accounting, marketing, organizational behavior, sociology, strategy). Particular attention is given to reputation as a strategic asset: an unimitable asset, a source of competitive advantage, capable of distinguishing the company from its competitors. Reconnecting to this theme some sections of the second chapter are dedicated to the resource based theory with reference to reputation as a strategic asset. A process is therefore proposed to create a better reputation, in particular an environmental reputation (Toms, 2002). According to this process, initially it is necessary to carry out CSR activities for the company, then those actions should be communicated through different channels and finally there will be a change in reputation (it is important to take into account other variables such as size, industry, profitability, that mediate the ability of disclosure to create reputation). For this purpose companies use invest in CSR activities and into the related disclosure: in order to increase their reputation. The chapter continues to describe the determinants of reputation, the differences between reputation and legitimacy. Finally, some reputational indexes are proposed, including the one of Harris Poll, then used as a dependent variable within the OLS models of the empirical survey.

Chapter 2 deals with the issue of CSR (Disclosure): it starts from the evolution of the CSD (Corporate Social Disclosure) and then comes to define what disclosure is today, with particular reference to corporate social disclosure and environmental disclosure. The chapter then goes on to analyze the relationship between CSD and reputation: the deteminating role of disclosure in influencing the reputation perceived by the public (this topic reconnects the third chapter on impression management). Later on the third chapter describes what is meant by "sustainability" and proposes a classification according to the GRI. Surely GRI's adoption or not confirms the company's interest in communicating its CSR activities. In the last part of the chapter the dualism "quality over quantity" on the social disclosure of companies is explored. The mere volume of information is in fact irrelevant according to many authors (Toms, 2002, Hasseldine, Salama, & Toms, 2005), this is also studied in practice with reference to the quality of disclosure. Companies use various methods to disclose information, and they can sometimes produce extensive CSR reports in which the relevant information is not much on the total information: the disclosure could be very diluted (this phenomenon is confirmed in the empirical analyzes of the fourth chapter).

Afterwards, Chapter 3 is dedicated to the impression management. Impression management is the attempt to impress the public and to control the impression of others. Neu et al. (1998) argue that managers will provide a view of the company’s performance that impresses the public. Bebbington et al. (2007) defined the corporate social disclosure “strategic” when it address to a particular stakeholder groups, the impression management strategy considers the audience of the firm’s message: it is different disclosing information to professional stakeholders such as bank, investment funds, large investors or to private costumers, employees. The theme of impression management is linked to the topics analyzed in the first chapters: companies use disclosure to impress the public and obtain a positive reputational response. This happens today also in reference to the CSR.

Referring to a sample of 100 best companies in terms of reputation (Harris and Poll Reputation Survey 2015, 100 best performing firms), the empirical analysis consists primarily in collecting data from CSR reports or AR for all companies that are listed on the stock market. The collection of data was made with reference to the content analysis proposed by Michelon et al. (2015): each sentence, table and graph of each report were considered for analysis and classified according to the content (GRI), the quality of the information (qualitative, quantitative, financial), time orientation (forward looking information, backward looking information). After collecting all the data related to the quality of the disclosure and the adoption or non-GRI, data were collected relating to the "mediating variables" defined by Toms (2002), or control variables in our model: leverage, roe, revenues, environmental-social parameters, industry have been collected by Thomson Reuter EIKON Database. Finally, OLS models have been proposed to verify the impact that the quality of the disclosure and the other mediating variables have on the corporate reputation.

CHAPTER 1: CSR REPUTATION

Reputation is a broad concept that has been mostly conceptualized in academic literature. In this chapter the term reputation is going to be defined, especially from a corporate point of view. The relation between reputation and CSR will be then analyzed by explaining the ways to improve reputation and how the latter is managed to influence stakeholders' perception (a specific paragraph of this chapter is dedicated to the reputation risk management). A section is also devoted to explain the difference between legitimacy and reputation. In the last section a description of the different methods to measure reputation is presented. Specifically, some reputation rankings purposed by important authors (Toms, 2002), (Hasseldine, Salama, & Toms, 2005), (Deephouse, 2005), (Bebbington, Larrinaga, & Moneva, 2008) will be illustrated. Afterwards, it is presented an overview of the reputation quotient survey made by Harris Poll (Harris Poll, 2015).

1.1 Definition of reputation

Recently the interest in defining and measuring corporate reputation in business has augmented. Reputation could be defined as "a perceptual representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments" (Fombrun & Van Riel, 1997, p. 10). Fombrun & Van Riel (1997) additionally define six aspects of reputation, linking the use of reputation in accounting, economics, marketing, organizational behaviour, sociology and strategy.

Figure 1.1. Definition of reputation

Discipline	Definition of reputation
Accounting	Reputation is an intangible asset that is difficult to evaluate and that creates value for the company.
Economics	Reputation has seen as traits or signals that describe the company's behaviour in specific situations. Reputation is the perception of external shareholders.
Marketing	Reputation describes the business association that individuals or groups establish with the corporate name.

Organizational behaviour	Reputation as cognitive representation of companies, it generates stakeholders' connection on corporate activities.
Sociology	Reputation as rankings: social constructions generating from the relationships firms establish with stakeholders in their shared institutional environments.
Strategy	Reputation as intangible assets difficult to imitate, acquire and substitute to rivals. It can be a source of competitive advantage.

Source: Fombrun & Van Riel (1997)

Under the strategic definition of reputation, Fombrun C. (1996, p. 57) regards reputation as strategic assets that "produce tangible benefits: premium prices for products, lower costs for capital and labour, improved loyalty from employees, greater latitude in decision making, and a cushion of goodwill when crises hit". Reputation may be considered also as an intangible asset because it is "rare, difficult to imitate or replicate, complex and multidimensional, which needs a lot of time to accumulate, specific, difficult to manipulate by the firm, with no limits in its use and does not depreciate with use" (Fombrun & Van Riel, 1997, p. 128). Caves (1977) as well as Ambrosini (2001) specify reputation as a valuable source of competitive advantage which is difficult to substitute and which may increase firm's return. Thanks to intangibility and complexity (both are reputation's features) reputation can contribute to performance differences among various firms (Barney, 1991)

Other authors define reputation as one of the most important intangible assets (Toms, 2002) because it allows a firm to develop a unique and sustainable competitive advantage (Porter, 1980). Moreover, Barney (1991) argues that reputation meet the qualities of a strategic resource: it is valuable, it has relevant importance, it is characterized by scarcity, it is difficult to imitate (there are no equivalent substitutes for it). Moreover, reputation is an increasingly significant element to create and maintain competitive advantages due to four habits in the business environment (Fombrun, Gardberg, & Sever, 2000):

i. global penetration of markets;
ii. congestion and fragmentation of media;
iii. appearance of more communicative markets;
iv. transformation in commodities (conversion to mass product) of industries and industries' products.

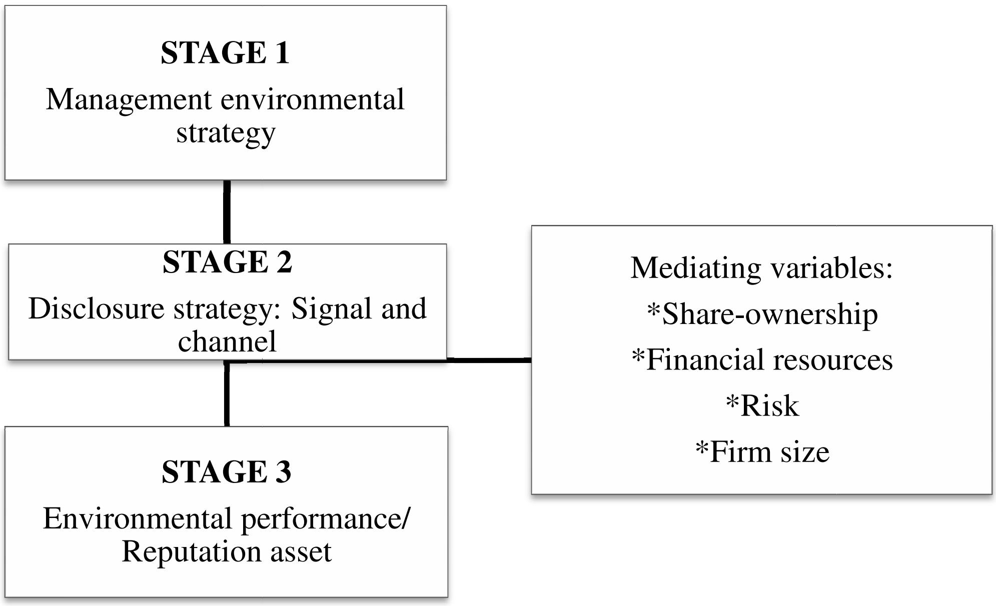
According to the article of Bebbington, Larrinaga, & Moneva (2008) reputation (based in ranking studies) could be measured on five dimensions: (1) financial performance, (2) quality of management, (3) social and environmental responsability performance, (4) employee quality, (5) the quality of goods/services provided. These elements are used by individuals and managers to evaluate reputation. Needless to say, the reputational assessment is important not only for managers, but also for other stakeholders such as consumers, suppliers, investors, local communities and so on.

1.2 Corporate environmental reputation

Toms explores the concept of corporate environmental reputation (2002): annual reports may support the formation and the administration of environmental reputation. From this link between CSR disclosures and reputation two plausible conclusions may be drawn: (1) the development of reputation is based on intangible assets that are difficult to imitate, (2) the annual report usage as signal of quality. These concepts are broadly studied in the field of CSR (Toms, 2002).

The most used channel for reporting is the annual report (Toms, 2002). However, there are other means of communication with which the company can transmit information: quality kite-mark, press realeses; there is therefore a wide variety of channels to choose from (Toms, 2002). In selecting the most suitable channels, the company must consider the final objective of disclosure: to convince a skeptical market that the company has an inimitable competitive advantage (Toms, 2002). But the question is, what does this disclosure strategy bring? The disclosure strategy must lead to a good corporate reputation: this is the company's ultimate goal. The *Figure* shows a series of steps through which to build the corporate environmental reputation. The first step is to take actions to implement the environmental strategy, creating a specific reputational asset that can distinguish the company from its competitors (Toms, 2002). The second stage involves the communication of what has been done on stage 1 to investors, both through annual reports and through other channels (Toms, 2002). The third stage, finally, consists in obtaining a good reputation (Toms, 2002). It will then be the duty of the company to maintain this reputation over time, retracing the various stages. The process, however, is not so simple as there are other factors that influence the reputation more or less directly: they are the "mediating variables"(Toms, 2002). According to Toms (2002), the reputation is also influenced by the size of the company, its profitability, the presence of lobbies in its reference market. All these factors will influence the reputation, for this reason the result of the implementation of environmental activities will be mediated by the other variables size of the company, profitability, industry sector in which the company operates.

Figure 1.2: Development of corporate environmental reputation



Source: Toms (2002)

1.3 Resources based theory

To explain why a positive reputation brings benefits to the business association, reference can be made to the resource-based value (RBV) theory: under the resource-based view, CSR is seen as a provider of internal and external benefits. Among the internal benefits arising from CSR's investments we may include the development of new resources and the capability linked to the know-how and the establishment of a solid corporate culture. The external benefits of CSR refer mainly to the effect on corporate reputation: the latter can be understood as an intangible resource that can be augmented or reduced as direct consequence of corporate decisions undertaken with regards to CSR activities and disclosures.

RBV is useful to know why firms are committed to CSR activities and disclosures: in Toms' analysis (2002, p. 258) the RBV has been used to explore the relationship among "investiment in intangibles resources, voluntary environmental disclosures and the creation of corporate social reputation (CSR)". Barney (1991) argues that differences in business performance can be explained through differences in resources and skills rather than through differences in the structure of the competition. According to the resource based theory, to be successful, a strategy must: estract the maximum benefit from the resources and skills of the company, use resources to their full potential, and constantly develop and strengthen resources and skills (Barney, 1991). Barney (1991) argues that it is necessary to adopt a long-term strategy in which resources and skills are the foundations, identifying what gives greater stability to the objectives of the company and which constitutes the true source of competitive advantages. The resources based view is a theory concerning corporate governance's aspects (how companies are managed and controlled), shareholders' roles, annual report's functions (Toms, 2002). Four propositions arise from RBV (Toms, 2002, p. 259):

1) "RBV relies on firm specific, inimitable qualities";
2) "the pattern of share ownership imposes heterogeneous pressures on managers";
3) "managers will rely on quality signalling to respond to those pressures";
4) "Accounting disclosure is a channel for the transmission of quality signals".

Moreover, the construction of a good social responsibility may develop important relations with external parties and it may attract more skilled and motivated employees, besides strengthening the commitment and loyalty (or to increase the existing ones) to the firm (Branco & Rodrigues, 2006). In conclusion, the theory suggests that companies must build a company reputation based on assets that are difficult to imitate from competitors and therefore a source of competitive advantage.

1.4 Managing corporate reputation

To set a good strategy for managing corporate reputation a company needs to know the different dynamics of its environmental context and to determine what are the key components and the expectations relative to these elements (Preble, 2005). By establishing the most crucial elements that may affect the corporate's environment and by determing what are the expectations of the various stakeholders, the organizations will manage their reputation in the best way. Concerning the evaluation of perceptions from different group of interests, Reisnick (2004) considers the following points: (a) to identify the field of reputational risk to with stakeholders are exposed; (b) to give the reputational environment, determine the relevant stakeholders of the organizations; (c) to create a system that estimates the position of every group of vital stakeholders; (d) identify the fragile reputational areas and make a plan to recover them; (e) set a "reputational platform" which should point out what firms want and what must be taken into account to achieve so.

Many authors (Hatch & Schultz, 1997; Georges, 2011) stress the importance of an alignment between the image, the culture and the vision of the organization in order to build a solid reputation. A firm to implement a good reputational strategy should consider these aspects (image as expectation, culture as capability ad vision) also to reinforce its position. Obviously, companies that already possess a good reputation need to maintain it.

There are four possible alternatives for reputational strategy (Argenti, Lytton-Hitchins & Verity, 2010):

1) "Excessive negligence": as long as the prices continue to be low and customers are satisfied all actions are valid. If the organization has convenient prices, acceptable quality of products, good customers' satisfaction, it will not make changes.
2) "Deceitful virtue": this strategy exploits changes in brand, charity and the implementation of high-quality commercial practises to increase reputation.
3) "Favourable competition": it considers the investment in system to manage possible risks (by increasing product quality, by fulfilling the stakeholders' obligation, by investing in management capabilities and communication strategies).
4) "Reliability": according to this strategy, the firms' focus is to reach an excellent reputation. Organizations concentrate their attention on keeping transparency and respecting the promises they have made. This strategy brings a competitive advantage over its direct competitors.

1.4.1 Reputation Risk Management (RRM)

A recent stream of literature highlights that CSR may be also an important component of firms' risk management. From this point of view, CSR is not a reaction to a specific situation but an instrument to mitigate the risk. Gladys (2007) suggests how to set a process to define the RRM: firstly, it involves the identification of the appropriate risks, then to define their influences, to analyze how the risks may be reduced and finally to quantify the consequences of this last action. According to the research of Gladys (2007) we can adopt two models to analyze RRM. The first one is a top-down approach: it considers sectors that pay their attention to CSR in risk management. Those are factors which companies comply with as international contracts, national law and other regulations. The second approach is a bottom-up model: it basically means starting from stakeholders' perspective and is more adequate for organizations with a big commitment to their stakeholders. The top-down approach, as it considers primarily regulations and norms, is more linked to legitimacy. On the contrary, the bottom-up approach is closer to the RRM because, by considering the impact on society, it is more connected to reputation than the top-down approach. The former approach, as method to analyze RRM, includes the following elements (Gladys, 2007): risk identification, evaluation (risk assessment), description and application of risk management methods, risk evaluation and monitoring. Hence, according to what it is explained above a set of subsequent actions should be implemented. First the identification of the risk linked to the business activity, then the evaluation of the risk by a comparison with other sources of risk or also by using the Benoit's table described below. Afterward, the description of the risk and definition of what are the best methods to use for managing the risk. The final steps involve the evaluation of the risk (i.e. to measure the risk impact on firm's results and the public's perceptions) and monitoring (i.e. to check the risk along time).

Corporate social responsibility focuses on the impact of the organization's action on the society. 'Maximize positive effect and minimize negative reaction' may be seen as the key aim of CSR. According to Bebbington et al. (2008) companies choose to manage the risk in CSR's area because they want to improve the firm's image and to have a good reputation. Negative influences are sources of risk because negative reactions to socially responsible actions are sources of CSR risk. Risk management is a dynamic process that depends heavily on the individual risk that it tries to cope with. And in particular, the reputation risk management considers the risk connected to CSR.

CSR reporting could be figured out as a result and a component of reputation risk management processes (Friedman & Miles, 2001; Toms, 2002; Hasseldine, Salama, & Toms, 2005). RRM is an explanation for CSR reporting and contemporaneously is a complicated concept that could be difficult to model and study sistematically (Bebbington et al., 2008). According to Friedman and Miles (2001, p. 528) the RRM is one of the principal drivers of CSR reporting, precisely a firm's reputation "would make companies more aware of the need to manage a wide range of environmental, social and ethical risks and to show externally that they are doing so".

The script of Benoit (1995) regarding the image restoration strategies is mentioned in the article of Bebbington et al. (2008) to gauge if a specific CSR report may be recognized as part of reputation risk management or not. In their article, Bebbington et al. (2008) illustrate the link between Benoit's strategies and the actions performed by Shell (they referred to the Shell's report of 2002). In the following table the strategies and sub-strategies of "image restoration" are reported with the relative explanations (Benoit, 1995):

Figure 1.3: Benoit's typologies of image restoration strategies

Strategies and sub-strategies	**Description**
• Denial (including simple denial and shifting the blame)	The responsibility for the act is avoided in both cases. It happens when there is no responsible or when other people different from the principal subject are indicated are responsibles.
Evading responsability due to:	
• Provocation	It is the "reaction" case: when someone replies (into an insulting way) to the offensive action that someone else have made.
• Defeasibility	Because of the lack of information the responsibilty cannot be assigned.
• Accident • Good intention	"Responsibility is reduced due to the lack of control over the offensive act. While the outcome of the act is negative it may be the motives of the subject were good and the outcome could not have been anticipated" (Bebbington, Larrinaga, & Moneva, 2008).
Reducing offensiveness of event by means of:	
• Bolstering	Used to mitigate the negative effects by reinforcement the public's positive idea of the accused.
• Minimization	Try to convince the audience that the act is less grave than how it appears.
• Differentiation	To make a comparison between the act made

	by our entities/ individual and other acts more offensive.
• Trascendence	To place the act in a less offensive frame of reference: to place the act in a broad context to reduce offensiveness.
• Attack accuser	To doubt the credibility of the source of the accusations.
• Compensation	To restore the victims of the offensive action to compensate negative feelings.
• Corrective action	To re-establish the initial situation by implementing corrective actions, to promise to make changes.
• Mortification	The actor admits his responsbaility and ask for clemency.

Source: Benoit (1995)

Fombrun et al. (2000) argue that reputational "capital" is "at risk in everyday interactions between organizations and their stakeholders". The sources of risk may be various: strategic, operational, compliance and financial issues. In other words, during the course of the daily business, managers and corporation may incur in risky decision. The risk originating from the "social" or "green" vision could be considered as a "second order risk" arising from strategic, operation, compliance, financial aspects. This may also explain, also, why reputation rankings seem to have a financial "halo" effect (Fryxell & Wang, 1994). The "halo" effect according to the definition of the Business Dictionary is conceived as the transfer of positive sensations concerning one trait (f.e. pleasing appearance) from a product or individual to another. This other product or person could be unrelated to the previous one (f.e. performance). Usually the halo effect has a positive impact on a business, leading to higher profits and a greater number of customers. People regard the business halo effect as a reason to believe in businesses (Business Dictionary).

For clarity's sake, let us make an example. For instance, let us suppose that we are running a company that produces cereals and people start to appreciate us for the quality of our products (f.e. no palma oil), for the ethical vision of work (e.g.workers are treated with respect, there is an equal gender representation in every sector of the production chain and also in other areas) and for the way of production (e.g. respecting the environment, reducing waste of food and materials and so on). The outside customers that may attribute our company the previous will likely tend to associate other positive characteristics to the company, for example, they could start to believe that our cereals have a better taste, or that our firm will become the most important cereals' factory. As a result, we may say that the "halo effect" appears when people transfer the positive feelings related to one characteristic of the business to otherpeculiar features.

Managers have to identify all potential sources of reputational risk and try to handle them in the best way possible (also by CSR reporting). However, it is hard to separate RRM from the management or other organizational flows (Fombrun & Van Riel, 1997). Therefore, a consistent reputational risk management strategy/framework must be carefully and ingeniously integrated with all the managerial, organizational and decision-making processes, so as to respond properly to any new threat that may arise throughout the entire business life.

1.5 Determinants of reputation

Many authors, including Toms (2002), argue that disclosure, size of the company, profitability, the presence of lobbies in the reference market are factors able to influence reputation. Furthermore, the level of indebtedness can have a more or less positive effect on reputation. Governance, the adoption of GRI can influence the corporate reputation. In the fourth chapter, an empirical survey will be proposed on variables capable of influencing company reputation, among the variables used in the model there are quality of disclosure, leverage, roe (as a measure of profitability), company size, governance, adoption of GRI, socio-environmental parameters, industry. This survey arises from the work Toms (2002) about the factors that can influence the CER (Corporate Environmental Reputation). They are the kind of disclosure (range 0-5), the power of shareholders, whether the organisation has obtained an environmental quality kitemark, if the company has a separate environmental report or not, whether the report has been subjected to external auditing, the systematic risk misured by Beta, the profitability measured by ROE, the company size mesuread by sales turnover, partecipation or not to an enviroment monitored industry group (Toms, 2002).

Figure 1.4 Determinants of reputation

DETERMINANTS OF REPUTATION

CHARITY, IMPLEMENTATION OF HIGH QUALITY COMMERCIAL	Argenti et al. describe also the possibility to increase the company's image by exploiting changes in brand, charity and the implementation of high-quality commercial to	Hatch & Schultz, 1997; Georges, 2011; Argenti, Lytton-Hitchins &

	increase reputation.	Verity, 2010
CULTURE	Many authors stress the importance of an alignment between the image, the culture and the vision of the organization in order to build a solid reputation.	Hatch & Schultz, 1997; Georges, 2011
VISION	Organizations concentrate their attention in keeping transparency and respecting the promises, they made. This strategy brings a competitive advantage for the firm respect to the others competitors.	Hatch & Schultz, 1997; Georges, 2011
ABILITY TO MITIGATE THE RISKS	Companies choose to manage the risk in CSR's area because they want to improve the firm's image and to have a good reputation	Bebbington et al. (2008)
DISCLOSURE	The use of corporate social disclosure to communicate modifications in the firm's goal, methodology, results	Lindblom (1994)
GOVERNANCE	An effective corporate governance system favors the establishment of a good corporate reputation; in the absence of the latter, in fact, a company is unlikely to be able to survive for long in its reference market.	(Reisnick, 2004)
PROFITABILITY	Fombrun (1996) supports a positive relationship between the corporate image and profitability	Fombrun (1996)
LEVERAGE	Companies with high levels of indebtedness have more monitoring costs that persuade them to invest more in corporate communications (Jensen and Mecking, 1976); it may positively influence the company's reputation indirectly through disclosure. Some authors (Belkaoui and Karpik, 1989) found evidence to the contrary (negative relation between reputation and leverage): a company with higher leverage values, it is not interested in the social disclosure	Jensen and Mecking (1976) Belkaoui and Karpik (1989)

Source: Personal Elaboration

According to Toms (2002) the determinants of CER (Corporate Environmental Reputation) are the kind of disclosure (range 0-5), the power of shareholders, whether the organisation has obtained an environmental quality kitemark, if the company has a separate environmental report or not, whether the report has been subjected to external auditing, the systematic risk misured by Beta, the profitability measured by ROE, the company size mesuread by sales turnover, partecipation or not to an Enviroment monitored industry group.

1.6 Legitimacy and reputation

Suchman (1995, p. 574) defined the legitimacy as “the general perception or assumption that the actions of an entity are desiderable, proper, or appropriate” within a social system. The central element of legitimacy is the fact that the actions of an organization, its business methods are ‘appropriate’. Legitimacy is specified under a regulative, normative or cognitive dimensions (Deephouse & Carter, 2005).

Legitimacy is also related to reputation because of their similiarities for example, they result from analogous social costruction processes (social costructions that stakeholders use to evaluate organizations); they are connected to similar precedents (organizational size, stragic alliances, financial performance, regulatory compliance) and they allow firms to acquire the best resources (Deephouse & Carter, 2005). These similiarities may lead to conceptual overlapping between the two terms while indeed the literature considers them as two distinct concepts. In fact, central in reputation is the definition of the position of the individual firm among the other organizations and therefore it is defined by a comparison between organizations “to determine their relative standing” (Deephouse & Carter, 2005, p.331). Here we deem reputation as a social comparison, based on various elements (these attributes can be the dimensions that define letimacy: regulative, normative or cognitive). In this line of reasoning, the use of firms’ rankings for signaling or measuring reputational dimension is generally diffused, while, conversely,“legitimacy rankings” do not exist.

Deephouse & Carter (2005) argue that legitimacy and reputation differ in the kind of assessment and in the dimension of estimation. Regarding the nature of assessment: reputation may be seen as an evaluation about differences and similarities of organizations to ascertain their relative positionmeeting, legitimacy, instead, is based on running into the expectation of social system’s norms, rules and meaning. Concerning the dimension of evaluation: reputation is linked to any organizational attribute, legitimacy focuses on norms and regulations.

1.7 How to measure reputation: corporate reputation ratings

In the previous sections it was pointed out how acting in a responsible way can result in a competitive advantage (CSR actions as a strategy to win over competitors), produce “tangible benefits” (Fombrun and Van Riel, 1997 mention price premium, lower costs of labour and capital, great employees’ loyalty etc.), or enhance reputation. When customers appreciate the organizational behavior or the quality of the firm’s products, they are keen to start to trust the organization and to invest in it. Great reputation often implies better financial results. Fombrun, Gardberg, & Sever (2000, p. 243)deem corporate reputation as “depicting the firm’s ability to render valued results to stakeholders”. It may contribute to reduce transaction costs by diminishing uncertaintly. Reduced costs, in turn, may signify increasing revenues due to either the quality of the product or lower market prices. Eventually this may converge into an improved overall financial performance. Having a positive reputation with regards to CSR practises is vital for an organization to operate. Nowadays, legitimacy comes not only from the financial performance but also from social and environmental aspects. Thus, firms need to keep cordial relationship with their stakeholders to sustain a “competitive economic performance” (Huang, 2008). They also need to well-note any interesting feedback received from stakeholders, in order to dynamically adjust to it from both an organizational and reputational point of view. To recap three kind of performance (financial performance, social performance and environmental performance) correlated to corporate reputation have been described. It is important to separate the concept of financial/economic performance that arises as consequence of reputation from the definition of “economy of reputation”. Recently, Fombrun (2011) defined what is the reputational economy. Basically, it consists of a society connected through networks and organizations that operate in a system, which in turn influences different stakeholders. The economy of reputation works in a context of traditional and non traditional way of communication (f.e. social networks). Consequently, the benefits arising from this system may contribute to the organization’s performance. In the economy of reputation, value is created when we use intangible assets in a proper way.

Managers need to evaluate the efficacy of their CSR activities, through a positive reputational response. A way to know if they have reached positive results and if they have meet the expectations of investors is to measure reputation through various reputational ratings. Financial statement and annual reports are not sufficient to understand the organization’s position. Sarstedt & Schloderer (2010), Peter (2016, p. 24), Smith (2010) argue “external signals of brand image (such as corporate reputation rankings) could provide value-relevant information to the market, as well as help organizations measure their performance from an outside perception". The study of Foreman & Argenti (2005) highlighted how several CEOs coming from different businesses are interested on reputational rankings.

When analysts measure reputation, they should keep in mind that an universally-accepted reputational index does not exists: to allow a meaningful comparison between various businesses on an international level, reputation should be reasonably distinguished by issue and stakeholder (Fombrun, Gardberg, & Sever, 2000). Walker (2010) points out that analysts who plan to measure reputation, should decide what is the group of interest that organization wants to reach out and what are the main issues that the company aims at considering, i.e. reputation is both "stakeholder group-specific and issue-specific".

Many authors emphathize the necessity to decompose corporate reputation (according to stakeholders and issues) because most rankings focus only on managers and business consultants' perception. By focusing only on those perceptions these rankings may lack of validity. This is the reason why corporate reputation indexes often have a biased nature.

One of the most important corporate reputation ranking is the list of MAC (Most Admired Companies). This reputational measure considers a wide range of industries and it is helpful to evaluate social and environmental reputation in USA and in UK (Toms, 2002).

Another important measure of reputation is the CEP. The Council on Economic Priorities ratings are used from US firms to evaluate the actual performance and reputation (Freedman & Jaggi, 1982; Wiseman, 1982).

Toms (2002) used the corporate ratings for CER (community and environmental responsibility) as published in the Management Today survey of Britain's MAC (Most Admired Companies). The CEP ratings have been excluded because they measure pollution, instead of environmental management aspects (Toms, 2002).

The methodology used in the article of Hasseldine et al. (2005) is the same methodology used by Toms (2002). The sample population (239 companies) was taken from the list of Britain's MAC in "community and environmental responsibility" of 2000. Later on financial variables were achieved from Datastream and the "London Business School Risk Management Service". Then the banking and financial sector companies were excluded from the survey, hence the sample was made by 139 firms. *Corporate environmental reputation (CER)* information was saved from the UK MAC study of 2000 (Hasseldine, Salama, & Toms, 2005).

In the article of Hasseldine et al. (2005) the process of MAC's survey is described as follows: every year, the Britain's MAC survey asks senior specialist, business analysts and senior exectuives (the executives estimate rating according to the industrial sector of competence) from 260 British companies to set a rating that measures the performance of each company. A score of 0 (zero) is provided if the company has a poor value in the characteristic analyzed, a score of 10 (ten) is given if the company has an "excellent" grade in that characteristic. The elements that are going to be taken into account are nine, and one of them is the CER. The individual ratings of both executives and analysts are included in the CER variables.

In the survey made by Al-Shaer, Salama, & Toms (2011), as in the preceding researches, the CER is determined using the rankings for "community and environment" category of the BMAC in the *Management Today*. The procedure is the same of the one illustrated in the article of Hasseldine, Salama, & Toms (2005). The annual reports of the years 2007; 2008; 2009; 2010 and 2011 were examined to acquire records, information on environmental responsibility disclosures and corporate governance elements. The analysis of environmental disclosure and the measures associated with disclosure are investigated in the following chapter.

To sum up, regarding "CSR reputation" the survey was conducted in the same way, that is, by taking a sample companies from the Britain's MAC. In this work, the focus is on the Reputation Quotient (RQ) published by Harris Poll. Every year the Harris Poll publishes a summary report that evaluates the best companies in terms of reputation in the U.S. market. This thesis analyses the best 100 companies according to the survey of 2015 of Harris Poll (Harris Poll, 2015). Harris Poll operates since 1999 and creates the basis to manage reputation and to identify new risks and opportunities for firms and markets (Harris Poll, 2015). Originally, Harris Poll used to evaluate 60 companies per year, nonetheless, in 2015 100 companies were analyzed. The results refer to RQ ratings of october 2014-december 2014 (Harris Poll, 2015). Harris Poll survey consists of the analyses of the costumers rate perceptions relative to 20 attributes, categorized into 6 macro classification of firm's reputation (see the Figure below) (Harris Poll, 2015).

Figure 1.5 Customer rate perceptions categorized by H&P to evaluate reputation

REPUTATION					
1	2	3	4	5	6
VISION & LEADERSHIP	**SOCIAL RESPONSIBILITY**	**EMOTIONAL APPEAL**	**PRODUCTS & SERVICES**	**WORKPLACE ENVIRONMENT**	**FINANCIAL PERFORMANCE**
Market	Supports good	Feel good	High quality	Rewards	Outperforms

opportunities	causes	about		employee fairly	competitors
Excellent leadership	Environmental responsability	Admire & respect	Innovative	Good place to work	Record of profitability
Clear vision for the future	Community responsibility	Trust	Value for money	Good employees	Low risk investment
			Stands behind		Growth prospects

Source: *page 3 of Harris Poll website page* *http://skift.com/wp-content/uploads/2015/02/2015-RQ-Media-Release-Report_020415.pdf*

In 2017 Harris Poll publishes the list of 100 best companies of the U.S. market in term of reputation (Harris Poll, 2017). See to the figure below.

Figure 1.6 2017 Reputation Quotient Ratings

	RANK 1-25	RQ		RANK 26-50	RQ		RANK 51-75	RQ		RANK 76-100	RQ
1	Amazon.com	86.27	26	BMW Group	78.19	51	Macy's	74.79	76	Walmart	67.96
2	Wegmans	85.41	27	Nestle	78.06	52	CVS (CVS Health)	74.69	77	General Motors	67.84
3	Publix Super Markets	82.78	28	General Electric	77.90	53	PepsiCo	74.34	78	Mylan*	67.67
4	Johnson & Johnson	82.57	29	Hewlett-Packard Company	77.83	54	Procter & Gamble Co.	74.10	79	Royal Dutch Shell	67.55
5	Apple	82.07	30	Honda Motor Company	77.80	55	Starbucks Corporation	74.07	80	JPMorgan Chase & Co.	67.07
6	UPS	82.05	31	Kellogg Company	77.59	56	State Farm Insurance	74.03	81	Family Dollar*	66.74
7	The Walt Disney Company	82.04	32	Hobby Lobby	77.51	57	JCPenney	74.00	82	United Airlines	66.59
8	Google	82.00	33	Nike	77.46	58	Target	73.49	83	Citigroup	66.39
9	Tesla Motors*	81.70	34	Whole Foods Market	77.15	59	Nissan Motor Corporation	73.43	84	Chipotle	66.36
10	3M Company	81.50	35	Mondelez International	77.10	60	Dell	73.38	85	Sprint Corporation	66.24
11	USAA	81.37	36	Walgreens	77.10	61	Yum! Brands	73.20	86	Dish Network	65.95
12	The Coca-Cola Company	81.18	37	Fidelity Investments	76.98	62	Capital One	73.04	87	ExxonMobil	64.55
13	General Mills	81.15	38	Aldi	76.96	63	American Express	72.90	88	Time Warner	64.43
14	Costco	81.14	39	Kohl's	76.92	64	Ford Motor Company	72.88	89	BP	63.99
15	Under Armour*	80.67	40	IBM	76.90	65	Progressive Corporation	72.72	90	Comcast	63.72
16	Toyota Motor Corporation	80.21	41	eBay	76.79	66	Facebook	72.29	91	Volkswagen Group	63.46
17	L.L.Bean	80.05	42	Sony	76.76	67	Geico	72.16	92	AIG	63.22
18	Netflix	79.86	43	The Kraft Heinz Company	76.21	68	Dollar General	72.11	93	Charter Communications	62.80
19	Lowe's	79.67	44	The Home Depot	75.50	69	T-Mobile	71.75	94	Sears Holdings Corporation	62.74
20	Microsoft	79.29	45	Nordstrom	75.49	70	Burger King	71.41	95	Bank Of America	59.69
21	The Kroger Company	79.20	46	Best Buy	75.41	71	Verizon Communications	71.12	96	Halliburton	58.30
22	Berkshire Hathaway	79.19	47	21st Century Fox	75.27	72	Yahoo!	70.56	97	Monsanto	56.61
23	FedEx Corporation	78.99	48	Hyundai Motor Company	75.20	73	Fiat Chrysler Automobiles	70.02	98	Goldman Sachs	56.32
24	Southwest Airlines	78.56	49	Samsung	75.17	74	McDonald's	69.74	99	Wells Fargo & Company	49.11
25	Chick-fil-A	78.52	50	United States Postal Service	74.85	75	AT&T	68.42	100	Takata*	48.70

*New to Most Visible List this year (not in 100 Most Visible 2016); **Name change in 2016 (measured as "Kraft Foods Inc." and "Time Warner" in prior years)
Guide to RQ Scores: 80 & above: Excellent | 75-79: Very Good | 70-74: Good | 65-69: Fair | 55-64: Poor | 50-54: Very Poor | Below 50: Critical
All third party trademarks are the property of their respective owners. Use of such trademarks does not constitute or imply any sponsorship or endorsement.

Source: Harris Poll (2017) retrieved from: http://www.theharrispoll.com/reputation-quotient

This thesis is going to use the reputation quotients and the firms listed on the 2015 Harris Poll Reputation Quotient survey (Harris Poll, 2015) to investigate the relation among reputation and other variables (quality of disclosure, size, leverage, profitability, adoption of GRI, environmental-social parameters, industry).

CHAPTER 2: CORPORATE SOCIAL AND ENVIRONMENTAL DISCLOSURE

2.1 The evolution of corporate social disclosure

According to Gray et al. (1996), the interest for social responsibility may date back to the 1970s, with the introduction of the so-called "social accounting" as a research theme. From then on, this it has continued to gain attention among practitioners and scholars in the following decades.

In the Seventies Ramanathan (1976, p. 519) introduced the term "social accounting", defining it as "the process of selecting firm-level social performance variables, measures, and measurement procedures; systematically developing information useful for evaluating the firm's social performance; and communicating such information to concerned social groups, both within and outside the firm."

Anderson (1977, p. 6) included "the impact of corporate decisions on environment, the consumption of non-renewable resources [...], on public safety, on health and education [...]" in his definition. He takes in consideration the environment describing the word "social accounting".

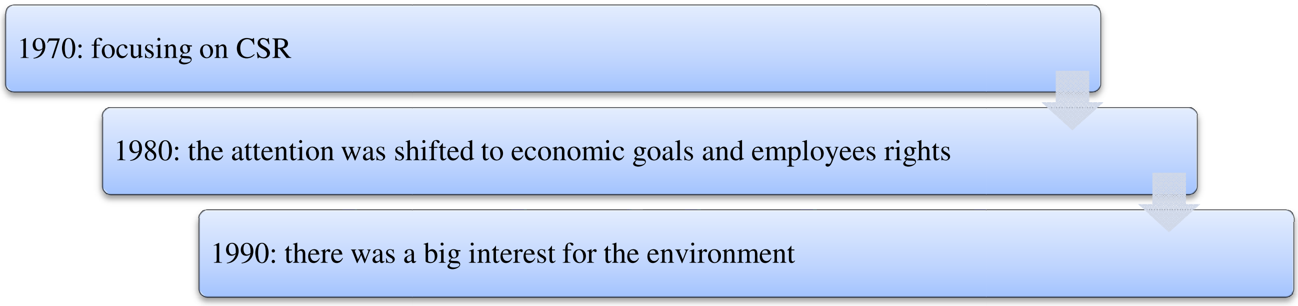
Gray R. H. (2002, p. 687) provides the following definition of social accounting. "Social accounting is used [...] as a generic term for convenience to cover all forms of 'accounts which go beyond the economic' and for all the different labels under which it appears – social responsibility accounting, social audits, corporate social reporting, employees and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting."

From these definitions, we may comprehend that the social accounting concerns a more comprehensive and extended ambit if compared to classical accounting (it is larger than "normal" accounting).

Due to the increasing interest in environmental issues, environmental disclosure largely appeared since the 1990s. Gray et al. (1996, p. 97) defined this "revolution" in corporate disclosure with reference to the UK: "the early 1970s focused on social responsibility; by the mid-late 1970s the focus shifted to employees and unions; the 1980s saw explicit pursuit of economic goals with this veneer of community concern and are definition of employee rights as the major theme; while in the 1990s attention shifted to environmental concern."

Hence, we assist to a change in what corporate social disclosure has been along the time.

Figure 2.1: The evolution of social disclosure



Source: Gray et al. (1996)

2.2 Corporate social disclosure: a voluntary commitment for firms

Mathews (1993) defined social responsibility accounting as "voluntary disclosures of information, both qualitative and quantitative made by organizations to inform or influence a range of audiences. The quantitative disclosures may be in financial or non-financial terms". CSR disclosure is a voluntary commitment for firms in most Western countries (only some countries of Northern Europe –Sweden, Denmark, Norway, and The Netherlands – require mandatory environmental reports for specific industry sectors). Therefore, in the absence of regulations the benefits emerging from communication (e.g. improving the visibility of the firm, increasing sales etc.) motivates firms to voluntarily disclose CSR information.

Firms choose the topics to communicate: the decision largely depends on managers (they are the decision makers). Neu et al. (1998) argue that managers assume specific disclosure strategy in order to respond to the pressure of the public and to avoid extra regulations concerning their disclosure. Firms may select what and how to reveal according to many different factors: the size of the business organization, the needs of various stakeholders, to manage companies' reputation, to account for their social and environmental responsibility. Deegan (2002) elaborates some possible reasons that bring managers to disclose CSR information:

- the aspiration to comply with legal constraint;
- the business advantages related to be on the "right" side;

- a brief to account in an accountability or responsibility;
- the desire to comply with other requirement;
- the need to meet the community expectations;
- a way to gain legitimacy;
- to manage stakeholders;
- to attract investments;
- to fulfil some industry requirement or code of conduct;
- to anticipate/prevent effort to introduce more onerous disclosure norms;
- to win particular reporting awards.

In general, firms meet the minimum level of corporate disclosure. Voluntary disclosure as the corporate social disclosure is fulfilled if it is perceived as improving the companies' aims (Gray, Owen, & Adams, 1996).

Despite the fact that Corporate Social Disclosure is still a voluntary commitment, there seems to be an improving desire to set harmonized reporting practices. The European Commission is trying to improve the CSR in firms and for the other reasons mentioned at the beginning of this section; there are many theories that may help to understand the reasons why many organizations start and continue to provide environmental and social voluntary disclosure. The legitimacy theory could be one of the answers to the need of disclosure CSR annual report or CSR stand-alone reports: companies use CSR reports to provide information and to show that they respect social constructions and norms to the various stakeholders. (Tilling & Tilt, 2009).

2.3 Determinants of corporate social disclosures

The academic literature usually considers a firm's size, profitability, industry classification, country of origin, firm's age, the need to increase (or to manage) reputation as main determinants of corporate social disclosures (see to the following table).

The relationship between disclosure and size is positive according to various authors (Kelly, 1981, Trotman and Brandley, 1981) because the larger companies are engaged in more activities and therefore more known, the public tends to examine large companies compared to small ones . This is why larger firms use to disclose more information. Regarding the relationship between disclosure and industry, it depends on the sector in which the company operates (if it is sensitive or not). The disclosure is also related to the age of the company, according to Roberts (1992) there is a positive relationship between the company's age; a relationship both positive and negative with leverage depending on whether the company uses disclosure to reduce monitoring costs or not (Jensen and Meckling, 1976, Belkaoui, 1989). Dependency relationships can also occur between profitability and disclosure. Regarding the relationship between reputation and disclosure, it has already been examined in other paragraphs.

Figure 2.2: Determinants of CSD

Firm's characteristics	**Relation with CSR discloure**	**Influences on CSR disclosure**	**Authors**
SIZE	**(+)** **Positive** *Larger companies issue higher disclosures*	Larger firms carry out more activities, hence they are more subjected to public examination than smaller firms. Therefore they tend to disclose more information to gain support.	▪ Kelly, 1981 ▪ Trotman and Bradley, 1981 ▪ Cowen et al., 1987 ▪ Belkaoui and Karpik, 1989 ▪ Patten, 1991-92 ▪ Hackston and Milne, 1996
INDUSTRY	**(+/-)** **Mixed** *It depends on the sector in which the firm operates*	Firms (as mining, forestry, oil and gas, etc.) whose activities could damage/change the environment are likely expected to disclose more information, especiallywith regards to the impact that their operations have on the environment[1]. In the same way, costumer-oriented firms use to disclose more information about their social involvement to increase their reputation and consequently their sales[2].	▪ [1]Dierkes and Preston, 1997 ▪ [2]Cowen et al, 1987
AGE	**(+)** **Positive**	The reputation and the time spent on social responsibility actions could enforce the firm and raise the expectations of stakeholders. Indeed, it was found a positive relation between age and social disclosure.	▪ Roberts,1992 ▪ Haniffa and Cooke, 2002
LEVERAGE	**(+)** **Positive**	Firms with high leverage have more monitoring costs, often they disclose more information to reduce these costs.	▪ Jensen and Meckling, 1976
	No association	Some authors do not find any association between leverage and social disclosures.	▪ Roberts, 1992 ▪ Wallace et al., 1994

	(-) **Negative**	Some authors find a negative relation between leverage and social disclosures.	▪ Belkaoui and Karpik,1989 ▪ Webb, 2005
COUNTRY OF ORIGIN	**(+/-)** **Mixed**	The country in which the company reports could affect the kind and the quantity of social disclosures. In general, various studies have examined differences in social and environmental disclosures in the single countries. These variations come from different firms's features (size, industry composition), legal requirements and culture of sample of companies for each country.	▪ Adams, 1999 ▪ Adams et al., 1995; ▪ Adams and Kuasirikun, 2000; ▪ Andrew et al., 1989; ▪ Roberts, 1991 ▪ Healy and Palepu, 2001
PROFITABILITY	**(-)** **Negative**	Regarding the impact of corporate profitability on social disclosure, Neu et al. (1998) found a negative relationship among corporate profitability and voluntary environmental disclosure. The author considers the *quantity* of disclosures	▪ Neu et al., 1998
	(+) **Positive**	Roberts (1992) found a positive relationship between corporate profitability and social disclosure.The author considered the *quality* of disclosures.	▪ Roberts, 1992
REPUTATION	**(+)** **Positive**	Since company's reputation is built on its social and environmental performance, companies with higher reputation will disclose more CSR information[3]. On the contrary, firms with lower reputation could avoid to disclose social and environmental information without consequences; they can also use CSD to create positive reputation without doing responsible actions[4]. Nevertheless, companies with a strong reputation use CSD to reflect their behaviour, they do not communicate false information to avoid negative effect on reputation. The literature studies the link between CSR disclosure and reputation, this comprehends: to impress the stakeholders[5], to manage the firm's risk[6] and to be a resource for economic value creation[7].	▪ [3]Ullmann, 1985 ▪ [4]Adams et al., 1995 ▪ [4]Neu et al., 1998 ▪ [5]Toms,2002 ▪ Axjonow et al., 2016 ▪ [6]Bebbington et al., 2008 ▪ Friedman & Miles, 2001 ▪ [5]Hasseldine et al., 2005 ▪ [7]Fombrun, 1996

Source: Personal Elaboration

2.4 Relationship between Corporate Social Disclosure and Performance

Beyond the determinants of CSR disclosure, many authors shed lights on the relationships among CSR disclosure and firm's performance (both environmental and financial). As society and regulatory pressure increase with regard to the control of CSR assets, investors have become more interested to the social and environmental activities of the companies in which they want to invest. To this end, companies have started to produce more environmental and social disclosure, to impress their investors and inform them about the sustainability of their business. In the first case, many studies examine the links between corporate social disclosure and environmental performance (Patten, 2002). Sectors considered sensitive tend to communicate more their environmental performance, as they are more subject to public scrutiny due to their business activities. Sometimes firms with high levels of toxic wastes may have also consistent levels of environmental disclosures. The reason why these firms disclose such information is the need to handle public concerning their "bad" activity. Writing about the determinants of environmental reputation; Hasseldine (2005) mentioned the work of Toms (2002): when managers invest in business operations to create an environmental reputation, they perfectly acknowledge that thay cannot construct a valuablereputation without solid disclosure policies. In her study, Wiseman (1982) inspected the relationship between corporate environmental disclosure and environmental performance by using an "environmental" performance index developed by the Council for Economic Priorities (CEP). She formulated also another index to evaluate the environmental disclosure. The results did not find any relevant association between disclosure and environmental performance. Maybe this was because Wiseman's study focused more on the quantity of disclosure compared to the quality. Moreover, the CEP Index concerned specific kind of pollution, industry and geographic area. Contrarily to the work of Wiseman (1982), other researchers found a positive relationship between environmental performance and environmental disclosure. Clarkson, Overell, & Vasvari, (2008) developed an index based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002) to assess the level of environmental disclosure in stand-alone CSR reports and corporate websites. The index developed by Clarkson et al. (2008) differs from the one created by Wiseman (1982), because it focuses on firm's actual performance indicator and not indicators that focus only on "environmental" performance. When financial performance is introduced, the impact of a firm's social and environmental disclosure on the stock market or on the firm's revenues is analysed. It is not an easy task, because the effects of CSR disclosure on the market are not always visible. Moreover, it is not easy to differentiate the impact of CSR activities from the impact of other business activities.

Hence, how can we split the effect of the improved quality of the product or the employment of an eco-friendly way of production? The main finding of those studies is that it is possible to determine the environmental and social performance of a company by looking at environmental indexes (such as CEP indexes) regarding specific kind of pollution, industry and geographic area; by referring to globally recognized rewards obtained by the company with regard to the employment of certain categories of workers (like veterans, the disabled, women, ethnic minorities) or other social themes; by evaluating the quality of the disclosure (more specifically the content) on the basis of reliable and globally recognized classifications (such as GRI).

Concerning the relationship between financial and environmental information we can distinguish two different extreme situations (Neu et al, 1998, p: 270):

- If the organization is profitable, CSR disclosures might confirm that profit "has not been at the expense of the environment";
- If the firm is not profitable, CSR disclosures might persuade financial stakeholders that the investments in CSR will results in future profits and competitive advantages.

2.5 The relation between CSR Disclosure and Reputation

The studies of Bebbington et al. (2008); Friedman & Miles (2001); Hasseldine et al. (2005); Toms, (2002) investigate the link concerning corporate reputation and corporate disclosure strategy. The literature studies the connection between CSR disclosure and reputation. This comprehends:

- to impress the stakeholders (Toms, 2002; Hasseldine et al., 2005);
- to manage the firm's risk (Bebbington et al., 2008);
- to be a resource for economic value creation (Fombrun, 1996).

In his study, Toms (2002) determined the corporate environmental reputation by using the CSR ranking for the community and environmental responsibility aspects of Britain's MAC 1996-1997 of Management Today survey. Toms strongly supported the relationship between corporate disclosure strategy and environmental reputation. Hasseldine et al. (2005) argue that the quality of CSR disclosure has a greater effect on the creation of reputation than the mere quantity. They expanded Toms' work (2002) by including two others variables. The authors found that both the research and development expenditure and the diversification contributed to the increase of reputation.

Later on, Bebbington et al. (2008) investigated the fact that CSR reporting could be seen as both an outcome and a part of reputation risk management processess. By analyzing the Shell Report of 2002, they concluded that the concept of reputation risk management could help to understand the CSR disclosure practise.

2.5.1 CSR reporting as reputation management tool

The fundamental role of CSR reporting is to provide information It could be used essentially for two reasons: (1) to account for social and environmental obligations, (2) to manage reputation. In Bebbington et al. s research (2008) a link between reputation and CSR disclosure was found: there were numerous evidences of reputation management in the CSR report analized.

Corporate social disclosure may be a tool that companies use to show to internal and external actors the “social” responsabilities they undertake (reputation management refers to how companies react to the external pressure by using CSR disclosure). In other words, we are speaking about strategies to shift attention from the firm and to fool stakeholders about the company’s goals and commitments. In his study, Laufer (2003) describes how the organizations manage the stakeholder’s view of the firm (reputation) by employing effective communication methods that can seriously deviate stakeholders’ perception of the company’s operations,the so-called “greenwashing”. Al-Shaer, Salama, & Toms (2011) define the latter as “the deliberate attempt by a firm to voluntary communicate positive environmental information, not matched by reduced detrimental environmental impacts”. Of course, a firm’s signals concerning positive ethical behaviour and values can improve the market reactions, at the same time the involvement of a firm in “bad” activities could generate negative market reactions. Specifically, greenwashing, or using CSR disclosure only to manage reputation, can lead to very negative consequences. When organizations have a good reputation from a CSR perspective, violations related to this dimension are viewed in the worst way from the public: according to Tillman, Lutz, & Weitz (2009) investors perceive the scandal not as simple mistakes, but as hypocrisyCSD may be regarded as a communication instrument to influence the organization’s reputation (Neu et al., 2008). Moreover firms tend to increase good news and to reduce adverse news (Hooghiemstra, 2000). This practice is called impression management and it will be analyzed in the forth chapter.

2.5.2 How professional and non-professional stakeholders perceive CSR data

Communication to stakeholders is crucial. Disclosing information to stakeholders may create and improve reputation. Speaking about the impact of corporate social responsibility on corporate reputation, the literature usually refers to the so-called "professional" stakeholders, intending as such individual investors, banks, investment funds. These stakeholders have a great power to influence CSR reputation in corporations: large investors such as banks, investment funds can offer greater monetary resources and financial instruments than internal stakeholders.

The article of Axjonow, Ernstberger and Pott (2016) suggests that the perspective of non-professional stakeholder is also pivotal. The word "non professional stakeholders" means consumers, employees and the community in general. Specific rankings exist to measure corporate reputation among stakeholders that are not specialists, one of them is the BrandIndex offered by YouGov Group (Axjonow, Ernstberger, & Pott, 2016).

Non professional stakeholders use CSR information sources that are different from the ones used by professional stakeholders. According to the empirical findings of the article of Axjonow, Ernstberger and Pott (2016), for non-professional stakeholders stand-alone reports have no impact on firm's reputation (neither for long-term nor for short-term analyses). Conversely, for professional stakeholders, if the firm has a good performance, stand-alone reports produce a positive effect on reputation (Axjonow, Ernstberger, & Pott, 2016).

The fact that non-professional stakeholders do not react to the CSR reporting may be attributed to a lack of education in the field of reporting (of company's disclosure in general). More precisely, the format and the frequency of CSR reports could make it difficult for non-professional stakeholders to gain insight on CSR information. Furthermore, they might simply ignore the fact that the firm publishes a CSR report.

Additionally, non-professional stakeholders positively react in reputational terms to the information published on the website of the firm (Axjonow, Ernstberger, & Pott, 2016). Information issued by social media, mass-media, web-site are more important than CSR reports for this kind of stakeholders. Once again, we have to stress the concept that different sources are necessary for professional and non-professional stakeholders.

2.6 What is sustainability reporting?

Sustainability reporting permits companies to consider their influence on various sustainability issues, allowing them to be more transparent regarding the risks and opportunities they face (Global Reporting, 2017). A sustainability report is a report concerning the economic, environmental and social effects produced by the daily companies' activities (Global Reporting, 2017). Companies and organizations tend to produce and publish sustainability reports to set and communicate their objectives; to measure, understand and communicate their environmental, economic, social and governance performance, and to manage changes more effectively (Global Reporting, 2017). The term "sustainability reporting" could be considered as a synonymous of other expressions such as "triple bottom line reporting", "corporate social responsibility (CSR) reporting"; it is also part of the integrated reporting: a report that combines the analysis of both financial and non-financial performance (Global Reporting, 2017).

2.6.1. International Guidelines

The Global Reporting (2017) analyses companies' feelings with sustainability reporting, including the internal and external benefits they have experienced. Among internal benefits of CSR reporting, organisations involve (Global Reporting, 2017):

- Better knowledge of risks and opportunities
- Accentuating the relation between financial and non-financial performance
- Affecting the long term management policy, strategy and business plans
- More efficient processes, cost reduction and increasing efficiency
- Enhancing sustainability performance by complying with law, norms, codes, performance standards and voluntary intitative
- Evading the risk to be part of publicized environmental, social and government failures
- Performance comparison both internally and between organisations and sectors

Among external benefits of CSR reporting, organisations involve (Global Reporting, 2017):

- Diminishing and overturning negative environmental, social and governance impacts
- Increasing reputation and brand fidelity

- Making possible for external stakeholders to comprehend the real organizations' value and the composition of assets
- Proving how the organizations influences and is influenced by sustainable development

Companies and organizations all over the world, of all types, size and sectors publish CSR reports (Global Reporting, 2017). In the empirical part of this work, there is a multivariate analysis comprehending the quality of CSD, the quantity of CSD, the size of the companies measured by sales, the profitability, the age of the company: for example it could be useful to show that bigger companies are more interested in CSR activities and communication.

2.6.2 How do companies apply CSR?

Concerning the ways to disclose CSR information Toms (2002) sustains that "the obvious place for signalling disclosures is the annual report", but other devices are available: CSR stand-alone reports, communication through social network, the company's website, advertising in general.

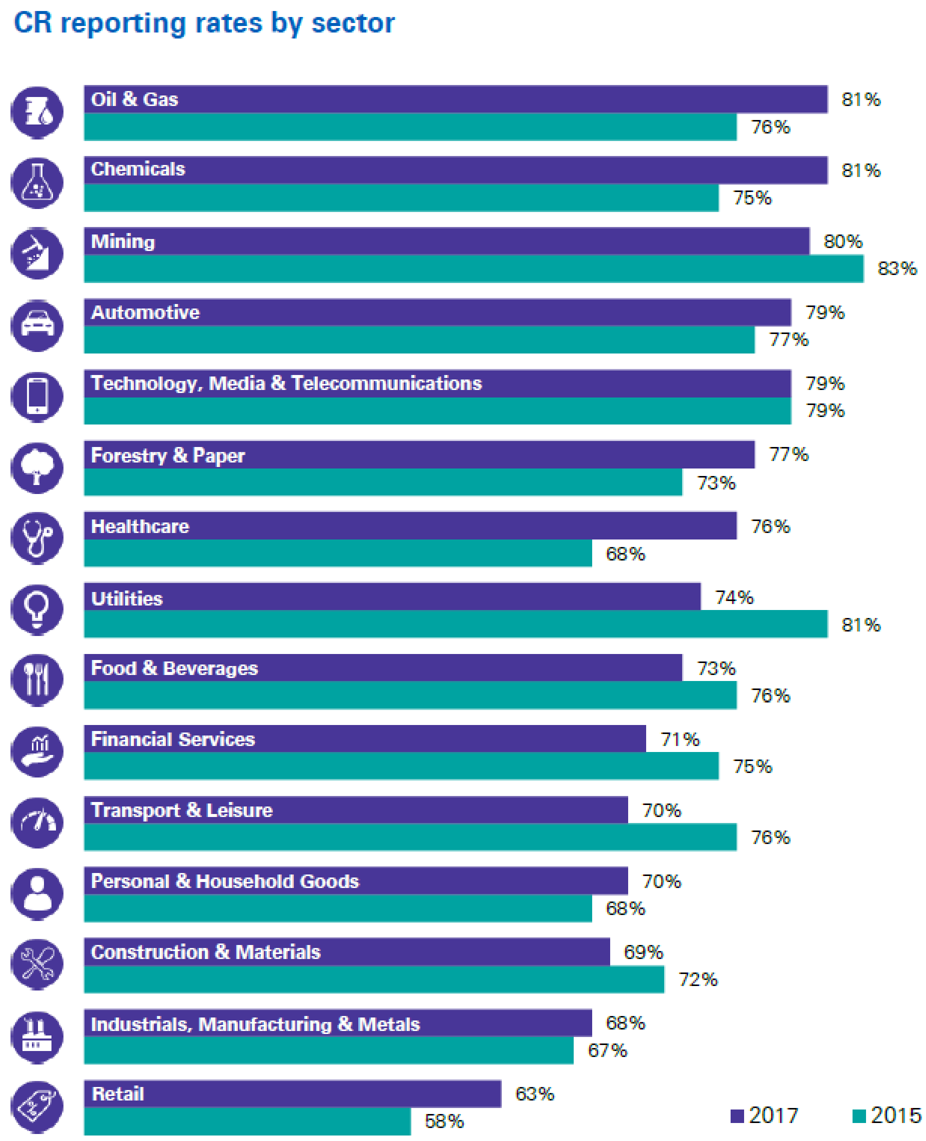
Annual Reports

Corporate social disclosures in annual reports provide organizations with a successful technique of managing external perceptions (Neu, Warsame, & Pedwell, 1998). Annual reports are a primary information source for investors, creditors, employees, environmental group and the government (Neu et al., 1998). Investors are more interested in financial and socially responsible information rather than in other kinds of disclosure.

<u>The investigation of KPMG about the inclusion of CR data in Annual Report</u>

The practice of CR reporting is increasing everyday: a study of KPMG (2017) describes the growth of CR reporting rates by sector and by making a comparison between the year 2015 and 2017. KPMG (2017) examines 4,900 N100 companies of the following sectors: Healthcare, Transport & Leisure, Industrials, Manufacturing & Metals; and Retail. The most important growth has appeared from the Healthcare and Chemicals sectors, with an increase of 8 and 6 percent, respectively.

Figure 2.3 CR Reporting rates by sector (KPMG, 2017)



Source: KPMG Survey of Corporate Responsibility Reporting 2017, page 20

Including CR information in annual reports is becoming a standard (KPMG, 2015). The practice of disclosing CR data in annual reports makes it easier for investor to access to non-financial information (KPMG, 2015). The survey of KPMG (2015) shows that in 2008 almost the 8% of 4,500 N100 companies included CR data in their reports, in 2015 the percentage augmented to 56%.

The global trends to disclose CR data in annual report is caused by two reasons (KPMG, 2015):

- shareholders perceive CR information as an important data to understand the risk and the opportunities they take on;

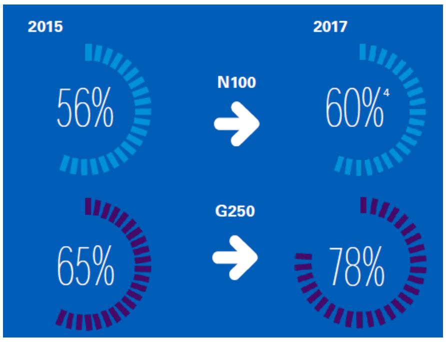
- the explicit request of stock exchanges and governments to companies to report CR data in their reports.

Figure 2.4: The increasing rate of inclusion in AR

Source: KPMG Survey of Corporate Responsibility Reporting 2015, page 36

According to a more recent survey of KPMG (2017) the number of companies that include CR's information in annual reports is increasing. The following figure describes the growth of companies that include CR data in their reports. The base for the following survey is 4,900 N100 companies and 250 G250 companies (KPMG, 2017). The sample of countries considered in 2015 and 2017 is the same (KPMG, 2017). The increase in N100 companies from 56% to 60% is due to the induction of 5 new countries with low reporting rate in 2017 (KPMG, 2017). The number of companies that use CSR reports is increasing because companies that invest their resources in CSR activities and that act in a sustainable way have increased, so the need to communicate the actions made emerges even more. Another reason arises from the relationship between disclosure and reputation analyzed in the previous paragraphs: companies try to improve their socio-environmental reputation through the communication of their results (more CSR disclosures).

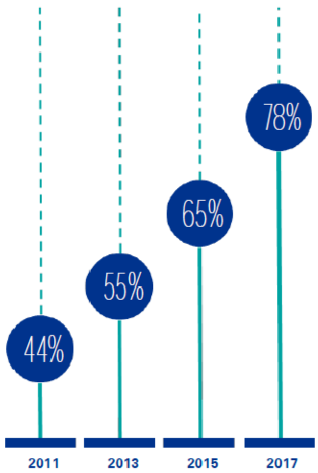
Figure 2.5. Companies that include CR information in annual reports



Source: KMPG Survey of Corporate Responsibility Reporting 2017, page 21

Another interesting research of KPMG (2017) was made in a base of 250 G250 firms from 2011 to 2017:

Figure 2.6.: G250 companies that include CR's data in AR



Source: KMPG Survey of Corporate Responsibility Reporting 2017, page 21

Stand-alone reports

Additionally to the hierarchy defined by Robertson & Nicholson (1996), firms may use other instruments to send quality signals to the markets: organizations use stand-alone CSR report to underline their commitment to the increasing of reputation (Toms, 2002). It may happen that management parties choose to disclose "unverifiable rhetoric at relatively low cost" in such reports (Toms, 2002, p: 267). Despite the fact that information have to be verifiable in order to add credibility, sometimes the latter can also be emphasized only by voluntary submitting the activities of the organizations to environmental audit (Toms, 2002).

Standalone CSR reports are a largely used across the overall economy; according to Gray (2012) the percentage of the largest 250 companies that are issuing stand-alone CSR reports grew from 35% in 1999 to 80% by 2008, and a recent study made by KPMG (2011) sustains that the number of CSR reports is still growing.

Cho, Michelon, & Patten (2012) argue that the issuance of CSR stand-alone reports may potentially increase the organizational accountability. Nevertheless, standalone reporting is a voluntary commitment for firms and critics argue that, rather than improving accountability, it can be just a tool to enhance the company's image. Hooghiemstra (2000) defines the social reporting as a self-presentation device and his previous researches he also classifies the CSD as self-laudatory.

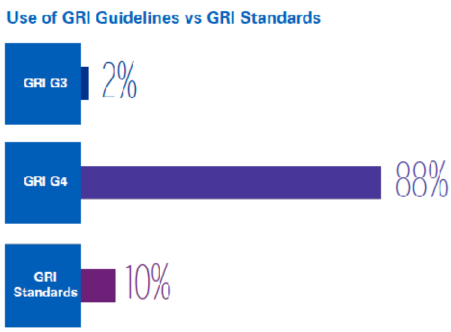
Furthermore, regarding the use of stand-alone reports as a way of communication to disclose social-environmental responsibility, Michelon et al. (2015) deal with symbolic use towards substantial use of CSR disclosure. Michelon et al. (2015) argue that companies that use stand-alone reports usually provide more disclosure (but no higher disclosure quality) than those that provide CSR information in the annual report. The authors interpret this lack of significant relationship between the use of stand-alone reports and the quality of disclosure as evidence that a symbolic approach to CSR is used (Michelon et al, 2015). Michelon et al. (2015) argue that companies use a substantive approach to CSR, when the content of the disclosed information (how many and what information has been communicated), the type of information communicated (the content of the reports), and the managerial orientation (the timing approach used to evaluate information) are associated with higher disclosure's quality. In this way, the substantial approach will naturally show the results obtained by the company in relation to the CSR activities, and the disclosure will be able to provide measurable information (Michelon et al., 2015). On the other hand, if the company uses a symbolic approach to CSR, there will be probably no association between CSR practices and the quality of disclosure (Michelon et al., 2015). Indeed, by using a symbolic approach to CSR, CSR practises "are nothing more than a tool tomanage corporate image, rather than a substantive improvement in the accountability process" (Michelon et al., 2015, pg. 6).

2.7 GRI

Many companies from every sector have published reports that refer to GRI's sustainability reporting guidelines (Global Reporting, 2017). Among these companies, there are also public authorities and non-profit organizations (Global Reporting, 2017). According to Global Reporting (2017), most significant providers of CSR report guidlines include:

- GRI (GRI's Sustainability Reporting Standards)
- The Organisation for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises)
- The United Nations Global Compact (the Communication on Progress)
- The International Organization for Standardizations (ISO 26000,International Standard for social responsibility).
- According to the survey of KPMG (2017) the GRI remains the most popular framework for sustainability reporting: the 74% of N100 and the 89% of G250 companies are using some kind of guidance for their reporting (KPMG, 2017) [1]. Among these "guidance", the GRI framework is the most popular: 63% of N100 and 75% of G250 companies used GRI in their reports (13% of N100 reports and 12% of G250 reports were made by using stock exchange guidelines). The base of the survey includes 2,230 N100 companies that apply the GRI framework.

Figure 2.7 Use of GRI Guidelines vs GRI Standards (KPMG,2017)



[1] KPMG (2017) in its survey analyses the world's 250 largest companies by revenues (G250) and selects for each country desired ? 100 largest companies by revenues (N100). The letters G and N before the number of companies selected stands for "global" and "national" respectively. (KPMG, 2017).

Source: KPMG Survey of Corporate Responsibility Reporting 2017, page 28

2.7.1 What is GRI

GRI is an independent international organization that was established in Boston in 1997 and it is based in Amsterdam It has pioneered CSR reporting since 1990s (Global Reporting, 2017). GRI transforms sustainability reporting from a niche practice into a popular practice (adopted from the majority of organisations) (Global Reporting, 2017). Today, the GRI reporting standing is the most trusted and widespread in the world: it serves a global audience by producing GRI reports in more than 100 countries (Global Reporting, 2017). GRI has identified 4 focus area to implement (https://www.globalreporting.org/information/about-gri/Pages/default.aspx) in the next years:

1. “Create standards and guidance to advance sustainable development”;
2. “Harmonize the sustainability landscape”: make GRI the central focus for sustainability reporting documents and initiatives;
3. “Lead efficient and effective sustainability reporting”: enhance the quality of CSR disclosures by using GRI standards;
4. “Drive effective use of sustainability information to improve performance”: improve efficiency and transparency by working with policy makers, stock exchanges, regulators and investors.

2.7.2 GRI Sustainability Reporting Standards

Generally GRI Standards facilitate organisations, governments to comprehend and to disclose the impact of business on sustainability topics (Global Reporting, 2017). GRI Standards are the first and the most broadly adopted global standards for sustainability reporting (Global Reporting, 2017): according to the KPMG’s survey of Corporate Responsability Reporting (2015), the 92% of the world’s bigger organizations use GRI Standards to set their sustainability reports.

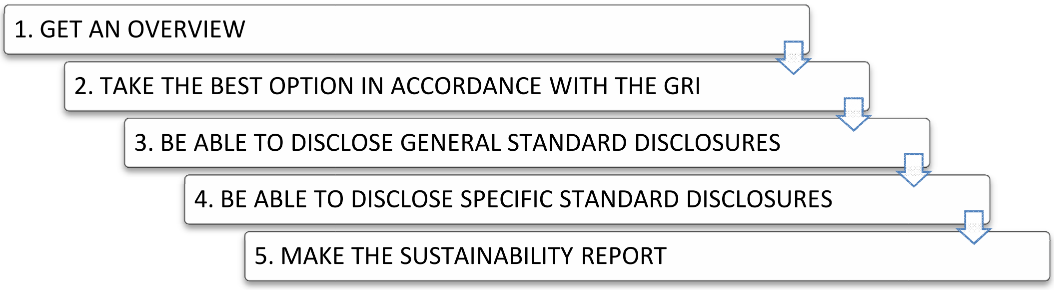
GRI Standards involve a wide range of stakeholders (organisations, employees, accountants, investors, academics, governments, local community, CSR reporters). Among the numerous stakeholders that benefits from the use of GRI Standards we may also find public entities. It is no coincidence that GRI works with governments (GRI Standards are guidances to create sustainability reports in 35 countries), international organizations (they collaborate with 20 international organizations such as UNGC, OECD) and capital market (Global Reporting, 2017).

2.7.3 The use of GRI Guidelines

Using the GRI guidelines to prepare a sustainability report

Creating a sustainability report using the GRI is an iterative process made by various phases (see the Figure below) (Global Reporting Initiative, 2017).

Figure: 2.8.: The process to create a sustainability report



Source: Personal elaboration of Global Report Initiative (2017) pages 7-8

The first phase concerns analysing the reporting principles, the standard disclosures and the criteria that organizations shall apply to make the CSR report in accordance with GRI (Global Reporting Initiative, 2017). The second phase regards choosing the best option between the option Core (the core option inludes the essential element of the CSR reports, it provides the circumstances in which the organization communicate its environmental, economic, social and governance impacts) and the option Comprehensive (it is built on the previous one – Core option, by adding more material aspects such as strategy analysis, governance, performance communication) (Global Reporting Initiative, 2017). The third phase concerns to identify the general disclosure standards: it implies basically to choose the GRI to adopt (G3, G4, GRI Standards etc.); those "kind" of GRI are available at the webpage www.globalreporting.org/reporting/sector-guidance (Global Reporting Initiative, 2017). The fourth phase entails identifying the specific standard disclosures in relation to the categories and aspects listed in the following Figure (Global Reporting Initiative, 2017).

The *Figure 2.10* describes the content of sustainability reports as proposed by the GRI (2007). The information reported belong to three main groups: environmental, economic and social.

(Global Reporting Initiative, 2017). Since economic information are just disclosed into firms' reports, the novelty of GRI consists of the development of the environmental and social dimensions.

Figure 2.9 Categories to set CSR Report defined by GRI

TABLE 1: CATEGORIES AND ASPECTS IN THE GUIDELINES

Category	Economic	Environmental
Aspects III	• Economic Performance • Market Presence • Indirect Economic Impacts • Procurement Practices	• Materials • Energy • Water • Biodiversity • Emissions • Effluents and Waste • Products and Services • Compliance • Transport • Overall • Supplier Environmental Assessment • Environmental Grievance Mechanisms

Category	Social			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects III	• Employment • Labor/Management Relations • Occupational Health and Safety • Training and Education • Diversity and Equal Opportunity • Equal Remuneration for Women and Men • Supplier Assessment for Labor Practices • Labor Practices Grievance Mechanisms	• Investment • Non-discrimination • Freedom of Association and Collective Bargaining • Child Labor • Forced or Compulsory Labor • Security Practices • Indigenous Rights • Assessment • Supplier Human Rights Assessment • Human Rights Grievance Mechanisms	• Local Communities • Anti-corruption • Public Policy • Anti-competitive Behavior • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society	• Customer Health and Safety • Product and Service Labeling • Marketing Communications • Customer Privacy • Compliance

Source: Global Reporting Initiative (2017), page 9

The last phase concerns the preparation and the communication of the CSR Report: to present the information through electronic, paper and web-based reporting (Global Reporting, 2017).

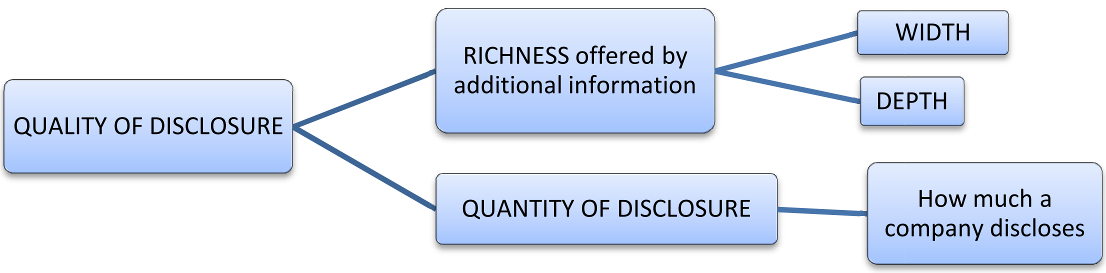
Another important aspect to underline related to GRI is the "request for notification of use": when an organization is using GRI, it is obliged to notify that its report is made in accordance with the GRI Standard Disclosure and whether it is constructed following the Core or

Comprehensive option (Global Reporting, 2017). Then, once the report is ready, a copy of it should be registered in database.globalreporting.org. (Global Reporting, 2017).

2.8 Quantitative versus Qualitative disclosure

We mentioned earlier that the CSR disclosure is a voluntary commitment for business association: organizations are free to choose what and how to disclose. According to Berretta & Bozzolan (2008), the quality of disclosure is more important than the mere quantity. However, the quality and the quantity of disclosures are related concepts: the quality of CSR information depends on the quantity of data communicated and on the value of the additional disclosure (Berretta & Bozzolan, 2008). The quantity of information describes the amount of communications that the company releases; the richness of extra information concerns what and how the company discloses. Richness could be divided into width (the breadth of disclosure on various arguments concerning the organization's business model and the value creation policies) and depth (the wisdom of the disclosure relative to the occurrence into a company's potential performance) (Berretta & Bozzolan, 2008).

Figure 2.10: Content analysis of the quality of disclosure



Source: Personal elaboration from Berretta & Bozzolan (2008)

Additionally to the quality and quantity analysis, Berretta and Bozzolan (2008) analyze also the managerial orientation of the CSR information, i.e. the time orientation of the data divulgated. In the empirical part of this thesis, there is a division between forward looking and backward looking information. Starting from the work of Berretta & Bozzolan (2008), Michelon *et al.* (2015) we formulate a study that suggests how the practice of CSR reporting is not always connected to the mere utilization of upper level of quality disclosure. Furthermore, the research of Michelon *et al.* (2015) reveals that disclosing CSR information with stand-alone reports implies disclosing a higher quantity of information than companies that use other communication instruments, but this higher information quantity could not be translated into better quality: the information is mitigated by other irrelevant information. For this reason, in the empirical part of this thesis there is a qualitative analysis of the information found in annual reports and stand-alone reports by the categorization of the information in accordance to the GRI's classification.

2.8.1 Quantity vs Quality in valuing environmental disclosures

The paradigm "quality versus quantity" could be adapted to evaluate CSR disclosure: according to Hasseldine et al. (2005) in valuing environmental disclosures, the mere volume is insufficient (quality is more important than quantity). Hence, we need to make a distinction between firms that use corporate social disclosure only to impress the public and companies that are involved for real in CSR activities. Sometimes companies use CSR reporting to mislead stakeholders about what are the goals and the commitments of the firm. For instance, corporations can minimize bad news or further boost good news. It is important to understand the aims of the firms that lay behind the disclosure of information: the firm is managing reputation or it is showing its way of working to the public.

Looking at the results of the study of Hasseldine et al. (2005), they highlight the importance of the quality disclose variable: there is a "good evidence" that qualitative disclosures have a greater impact on reputation than the mere quantity. Moreover, the "quantitative" environmental disclosure has no increasing effect on the stakeholders' perception of CSR reputation. On the opposite side, quality disclosures are strongly significant in all models. In conclusion, the article of Hasseldine et al. (2005), as the article of Toms (2002) suggest to the managers to pay attention to the quality of the disclosure.

2.9 How to analyse CSR disclosure

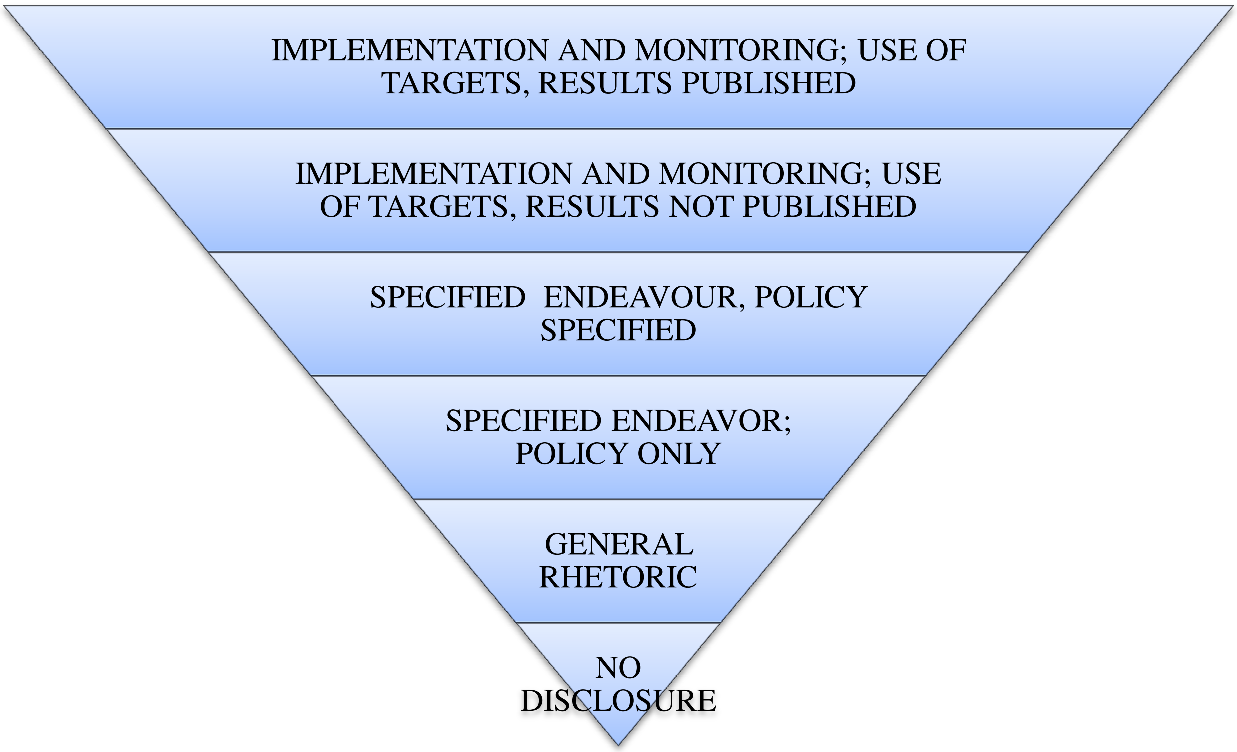
Regarding how to define the disclosures set by firms we could refer to the researches proposed by Robertson & Nicholson (1996). They submitted a pilot questionnaire to managers and analysts andbased on their answers the authors created a classification or rating system of disclosures, where the low rating was the "non quantified information" and the high one was "externally monitored environmental report". Hence, according to the investments professionals' perception of quality environmental disclosures, the disclosures types (from the most important to the less relevant) are the following:

1. Externally-monitored environmental report;
2. Quantified environmental performance in annual report;

3. Specified policies;
4. Publication of an environmental policy;
5. Volume of information available in reports;
6. Non-quantified information.

From this classification, once again, based on the results linked to the pilot questionnaire, Robertson and Nicholson (1996) proposed a "rating method for corporate environmental disclosures".

Figure 2.11: Rating method for corporate environmental disclosures



Source: Robertson and Nicholson (1996)

At the base of the pyramid, we found the case of absence of disclosure; we have no information about the CSR activities implemented by firms. In the following stage, there is the "general rhetoric"; i.e. disclosures on CSR, which are seen as a part of regular activity. We have no specific disclosures on CSR. Then in the third step, firms apply policies to comply with high standards and practices (these practices are not focused on CSR, they are general practises to minimize adverse effects of operations). Subsequently, we have the case of policy focused on CSR; these policies comply with all relevant environmental standards. Finally, there are the last two stages: both concern the establishment of baseline data, targets, objectives to set up the firm's position; the first does not include the publication of the results, the top one involves the presentation of the results. As we can note the hierarchy in both table penalizes the quantity of information over the quality of disclosures.

2.10 Disclosure rankings

2.10.1 Environmental disclosure classification

In the model tested by Toms (year) there is a variable "DISC" concerning the environmental disclosure score. This variable assumes values from 0 (in case there is no disclosure, in the bottom of the "hierarchy of disclosures" pyramid) to 5 (if there is high quality disclosure). In the research of Toms (2002) every environmental disclosure measure was tested separately as part of a sub-group of information level using a dummy variable equal to 1 if the disclosure was accomplished, 0 in the opposite case.

In the survey of Toms (2002), environmental disclosures were recognized in reference to the content of the annual reports. Whenever there was a separate environmental report, the separate report was considered as part of the annual report. In may be possible that by using the scoring system (0-5 hierarchy scheme) of Robertson et al. (1996); the overall quality of disclosure might be misrepresented. It happens if managers disclose quantified and verifiable information relative to a small part of their business.

In conclusion from the study of Toms (2002) it emerges the fact that environmental disclosure's quality is consistently associated with high CER in all models; where CER is a measure of corporate environmental reputation. In the forth table of the article of Toms (2002) "*Determinants of community and environmental reputation for UK companies*" there is the statement that an improvement in reputation could be generated "from a move up the hierarchy policy and disclosure".

In the work of Hasseldine, Salama, & Toms (2005) the environmental disclosure variable is composed by a quantitative measure and an hybrid measure. The qualitative indicator (QUAL) is built up as the one used by Toms (2002): it has a range from 0 (no disclosure) to 5 (high quality disclosures).

The quantitative indicator is based on content analysis. It is measured by counting the sentences related to the environmental disclosure. It considers the percentage of total amount of environmental disclosure for each company obtained by dividing TES by TESA; where:

- TES: the total number of environmental sentences in each report;

- TESA: the number of approximated total sentences in the corporate annual reports, it means the percentage of each report devoted to environmental disclosure.

Then all the sentences were coded and the data set was spread to create a quality-adjusting disclosure's measure the Quality Weighted Environmental Disclosure (QWED).

The results obtained by Hasseldine et al. (2005) were similar to the ones found by Toms (2002): qualitative disclosures have a stronger impact on reputation compared with the mere quantity. The effect of quantitative disclosure is limited relative to the effect of qualitative disclosures.

2.10.2. CSR disclosure rankings

Michelon (2011, p. 83) proposes the content analysis method: "a line of research widely adopted to ensure reliability and valid inference from narrative data in compliance with their contexts". Following the method of Michelon (2011) in this thesis there is the analysis of narrative information through a quantitative and qualitative evaluation. The quantitative evaluation considers how many sentences, paragraphs or pages refer to CSR parameters compare to how many sentences, paragraphs or pages are included in the CSR reports. The qualitative evaluation considers the content analysis (in this thesis it follows the GRI guidelines), the information are classified according to the content (if the paragraph contains forward or backward looking information, if the data refers to environment, to working condition or other categories).

In the article of Michelon (2011) the single sentences was considered as the recording unit, other authors consider paragraphs or pages as recording unit to measure CSR disclosures. In the empirical part of this work, the method to measure the quality and quantity of CSR disclosures elaborated by Michelon is better explained (a similar method is going to be used in the empirical research).

CHAPTER 3: IMPRESSION MANAGEMENT

Nowadays organizations realize that the CSR communication to audiences and the CSR commitment have the same importance (Tata & Prasad, 2015). There may be no incongruence between the CSR image perceived by the public and the CSR desired image of the firm, since, usually, firms use CSR communication to reduce this CSR image incongruence (Tata & Prasad, 2015).

While the previous chapter concerned CSR disclosure, this chapter refers to impression management, and to be specific, how communication is used to reduce the gap among current and desired CSR images. CSR image could be considered as a projection of the firm's CSR identity (Tata & Prasad, 2015).

Impression management researches imply that organizations and managers may choose certain elements to present, the picture presented tend to reflect their self-vision: managers usually provide a "self-serving view" of the firm's performance (Neu et al., 2008). Impression management also concerns the endeavour to guarantee that the view perceived by the public is accurate (Goffman, 1959).

3.1 What is impression management?

Impression management theory comes from social psicology: in his book, Goffman (1959) compares the ordinary social interaction between inviduals to a theater, and he links individuals to actors. The audience is composed by individuals that observe the scene and that react to the actors' performances.

According to Goffman (1959) impression management is a process through which individuals and *organizations try to influence the perceptions of other persons* about individual, experiences, occasions, goals; they persuade the beliefs of others by controlling information in social interaction.

People use to manage information by communicating more information than necessary (over-communication) and by hiding some other information (under-communication) (Goffman, 1959).

The aim of impression management is to move individual towards the desired objective: it could be the case of a company involved into an environmental disaster that uses communication to change the impression of people about its way of carrying out business.

3.2. The relationship between CSR and impression management practises

The organization's success depends both on the observance of CSR principles and on the ability to communicate to the public the CSR actions. The aim of the firms is to converge the audience's CSR perception with the organization's CSR identity.

Organizations use impression management to reinstate legitimacy subsequent to a harmful event or controversy, to enhance acceptance of some practices, to construct specific image, to reach some desired goals (Tata & Prasad, 2015). Moreover organizations utilizes impression management to reduce the difference between their identity (how they privately look like) and their image (how they publicly appear) (Tata & Prasad, 2015). The impression management allows people to be portrayed as pleasant, agreeable, capable, ethical, moral (Jones & Pittman, 1982); it permits individuals to improve the desired results and to avoid undesired results (Schlenker, 1980).

In corporate reports managers have the opportunity to "set the stage" and point up the information they prefer (Goffman 1959 referred to by Neu 1998). Hence, by following the perspective of Neu et al. (2008) companies may choose what arguments to disclose to affect the public image and "to send the right message to relevant public". The word "relevant public" is significant: Bebbington (2008) explains how the "strategic" social responsible disclosure is linked to "particular" groups of stakeholders. As we mentioned in the previous chapters, CSR reporting is a voluntary commitment for firms, it means that when organizations disclose CSR information, these information are focused to a specific audience. For example, CSR announcements about health, safety, training, development and equal opportunities may be adressed to internal audiences (such as employees); CSR communications relative to the impact on the environment and on the community could be directed toward external audiences (Tata & Prasad, 2015).

This thesis focuses on impression management because of the importance of impression management in reporting activities concerning the CSR image: due to this "impressive" communication an organization could explain, legitimate and rationalize its actions (Tata & Prasad, 2015). Consequently firms could improve their reputation, create trasmit and maintain a certain image and identity, be social responsible to a target public (Tata & Prasad, 2015).

Moreover managers recognize the correspondence among companies' behaviors and the public opinion can impact the organization's survival. The impact on organizations' survival and the possibility to regulate information brings to the use of corporate social disclosure as communication instrument to influence corporate image reputation (Neu et al., 2008).

Impression management practices could be direct and indirect. The former occurs when organization's own characteristics are presented (f.e. a report about the firm's action in the preceding fiscal year, an overview about the abilities of the company), indirect impression management takes place when organizations enhance their image by presenting themselves in association with other parties (f.e. by comparing the organization's positive feature with the characteristics of others firm, by underlining the negative aspects of direct competitors (Cialdini, 1989) (Mohamed, Gardne, & Paolillo, 1999) (Tata & Prasad, 2015). Organizations tend to use direct impression management when they are highly motivated to communicate CSR data and when they want to empathize their own features; otherwise firms may use indirect impression management when they are less motivated to reduce the divergence among CSR image and identity, hence focusing on the characteristics of the other organizations associated (Tata & Prasad, 2015).

Favourability in impression management communication

According to Tata & Prasad (2015, pg: 772) "Favourability refers to the extent to which the current CSR image depicts the organization as socially responsible or socially irresponsible". The impression management scheme implies that "unfavourable images are related to image-threatening situations". In other words, circumstances in which the organizations and managers judge the level of responsibility for negative episode assigned to them to be too high. Conversely, "favourable images are linked to image-enhancing situations", represent situations where managers consider the credit given to their own actions to be too low (Tata & Prasad, 2015, pg: 772; Gardner & Martinko, 1988).

Engaging in impression management after unfavourable events is more common according to Schlenker (1980): negative events have a stronger impact on individuals than positive events. Unfavourable occurrences cause more complex emotional and cognitive responses than favourable events: negative events need more resources for the damage to be minimized (Tata & Prasad, 2015).

Anticipatory versus reactive CSR communication

Organizations use both preventive and reactive communication: they use anticipatory CSR communication when they forecast a potential divergence among existing and wanted images; they use reactive CSR communication when the divergence among existing and wanted images took place or seems to take place (Tata & Prasad, 2015). Firms highly motivated to minimize the difference between image and identity use to predict future risks, hence they benefit from anticipatory communication, on the contrary, firms that have lower level of motivation are less concentrated in future changes, and thus they may react when the fact has already happened (the so-called reactive communication) (Tata & Prasad, 2015).

Assertive versus protective CSR communication

Impression management could be assertive or protective: in the former case, it is used to enhance corporate image, conversely impression management may be regarded as protective if it is employed to reduce an image's damage (Mohamed, Gardne, & Paolillo, 1999; Schlenker, 1980). Organization could use both techniques, however it depends from the need of the organization: a situation wherein the organization needs to make its CSR image less unfavourable may require the use of the assertive approach, whereas, a situation where the organization needs defensive technique may lead to the use of the protective approach (Tata & Prasad, 2015).

CHAPTER 4: EMPIRICAL INVESTIGATION

In the previous chapters the concepts of corporate reputation, CSR disclosure and impression management have been analyzed. The aim of this section is to understand the association between CSR disclosure quality and corporate reputation.

4.1 Sample definition

From a population of 100 companies, defined by the reputational index Harris Poll Reputation Quotient 2015, 78 companies have been selected as sample based on adherence with the following criteria:

- listening on a stock exchange index;
- stand-alone CSR report or a portion of its annual report devoted to CSR issues;
- companies' data available in database Asset 4 (EIKON).

In accordance with the criteria described above, private companies (not listed on the stock exchange), those that did not have disclosure specifically related to CSR and those not present in the EIKON database, were eliminated from the population of 100 companies.

Figure 4.1 How the sample was selected

RQ15	RQ15_SC	COMPANY	EXPLANATION	RQ15	RQ15_SC	COMPANY	EXPLANATION
1	83,96	**AMAZON.COM**		51	74.09	**TYSON FOOD**	
2	83.03	**APPLE**		52	73.97	**GENERAL ELECTRIC**	
3	82.97	**GOOGLE**		53	73.37	**HOBBY LOBBY**	no data available in ASSET4, privately held company
4	81.27	**USAA**	privately held company	54	72.93	**HP**	
5	81.18	**THE WALT DINSEY COMPANY**		55	72.80	**THE ALLSTATE CORPORATION**	
6	80.94	**PUBLIX SUPERMARKETS**	no data available in ASSET4, privately held company	56	72.76	**DELL**	privately held company
7	80.44	**SAMSUNG**		57	72.73	**STATE FARM INSURANCE**	no data available in ASSET4
8	80.37	**BERKSHIRE HATHAWAY**		58	72.40	**MACY'S**	
9	80.23	**JOHNSON & JOHNSON**		59	72.22	**PEPSICo**	
10	79.92	**KELLOGG COMPANY**		60	72.09	**FACEBOOK**	
11	79.76	**THE VANGUARD GROUP**	no data available in ASSET4	61	71.67	**DISCOVER FINANCIAL SERVICES**	no data available in ASSET4
12	79.60	**FEDEX CORPORATION**		62	71.67	**STARBUCKS CORPORATION**	
13	79.53	**COSTCO**		63	71.50	**TOYOTA MOTOR CORPORATION**	
14	79.40	**THE CLOROX COMPANY**		64	71.00	**CHIPOTLE**	
15	79.39	**PROCTER & GAMBLE CO.**		65	70.88	**SAFEWAY**	privately held company
16	79.18	**GENERAL MILLS**		66	70.86	**UNITED STATES POSTAL SERVICE**	privately held company
17	79.16	**HONDA MOTOR COMPANY**		67	70.30	**VERIZON COMMUNICATION**	
18	78.96	**THE COCA COLA COMPANY**		68	70.28	**21st CENTURY FOX**	
19	78.83	**NESTLE**		69	69.74	**AT&T**	
20	78.57	**MICROSOFT**		70	69.73	**WELLS FARGO & COMPANY**	
21	78.50	**MEIJER'S**	no data available in ASSET4	71	69.20	**CHEVRON**	
22	78.22	**UPS**		72	69.09	**WALMART**	
23	78.18	**CHICK-FIL-A**	no data available in ASSET4	73	68.46	**T-MOBILE**	
24	77.98	**NETFLIX**		74	68.24	**ROYAL DUTCH SHELL**	
25	77.94	**THE KRAFT HEINZ COMPANY**	no data available in ASSET4	75	68.13	**DELTA AIR LINES**	

26	77.65	**LOWE'S**		76	67.93	**JPMORGAN CHASE & CO.**	
27	77.58	**SONY**		77	67.64	**J.C. PENNEY**	no data available in ASSET4
28	77.50	**NIKE**		78	67.47	**CAPITAL ONE FINANCIAL CORP.**	
29	77.49	**ALDI**	no CSR report, or part of AR dedicated to CSR	79	67.16	**BURGER KING**	no data available in ASSET4
30	77.23	**WHIRPOOL CORPORATION**		80	67.02	**COX ENTERPRISES**	privately held company
31	76.51	**EBAY**		81	66.27	**GENERAL MOTORS**	
32	76.46	**BEST BUY**		82	66.07	**FIAT CHRYSLER AUTOMIBILES**	
33	76.37	**BMW**		83	65.99	**UNITED AIRLINES**	
34	76.26	**FIDELITY INVESTMENTS**	no data available in ASSET4	84	65.78	**MC DONALD'S**	
35	75.68	**THE KROGER COMPANY**		85	65.42	**EXXONMOBIL**	
36	75.64	**SOUTHWEST AIRLINES**		86	65.32	**KOCH INDUSTRIES**	no data available in ASSET4
37	75.58	**NORDSTROM**		87	65.18	**SPRINT CORPORATIONS**	no data available in ASSET4
38	75.55	**THE HOME DEPOT**		88	64.89	**TIME WARNER CORPORATION**	
39	75.53	**AMERICAN EXPRESS**		89	64.80	**CITIGROUP**	
40	75.43	**IBM**		90	64.78	**CHARTER COMMUNICATION**	
41	75.32	**LG CORPORATION**		91	64.69	**SEARS HOLDINGS CORPORATION**	
42	75.04	**KOHL'S**		92	64.26	**BANK OF AMERICA**	no data available in ASSET4
43	75.00	**YUM! BRANDS**		93	62.22	**DISH NETWORK**	
44	74.88	**WHOLE FOODS MARKET**	no data available in ASSET4	94	61.15	**AIG**	
45	74.88	**CVS (CVS HEALTH)**		95	60.44	**GOLDMAN SACHS**	
46	74.83	**KAISER PERMANENTE**	no data available in ASSET4	96	60.43	**MONSANTO**	
47	74.82	**UNILEVER**		97	60.21	**COMCAST**	
48	74.69	**WALGREENS**		98	59.13	**BP**	
49	74.24	**TARGET**		99	56.26	**HALLIBURTON**	
50	74.10	**FORD MOTOR COMPANY**		100	54.75	**VOLKSWAGEN GROUP**	

Source: Harris Poll (2016) retrieved from: http://www.theharrispoll.com/reputation-quotient

Every year the Harris Poll publishes a summary report that evaluates the best companies in terms of reputation in the U.S. market. This thesis analyses the best 100 companies according to the survey of 2015 of Harris Poll (Harris Poll, 2015). Originally, Harris Poll used to evaluate 60 companies per year, while in 2015 100 companies were analyzed. The results refer to RQ ratings of october 2014-december 2014 (Harris Poll, 2015). Harris Poll survey consists of the analyses of the costumers rate perceptions relative to 20 attributes, categorized into 6 macro classification of firm's reputation (see the *Figure 4.2*) (Harris Poll, 2015).

- Vision & Leadership (it includes market opportunities, excellent leadership, clear vision for the future);
- Social responsibility (it includes supports good causes, environmental responsibility, community responsibility);
- Emotional appeal (it includes feel good about, admire and respect, trust);
- Product and services (high quality, innovative, value for money, stands behind);
- Workplace environment (rewards employee fairly, good place to work, good employees);
- Financial performance (outperforms competitors, record of profitability, low risk investment, growth prospects)

The first column in the table describing the sample (see below) concerns the position in the reputational ranking of Harris Poll (2015), for this purpose it is named "RQ15". This classification provides for a numbering from 0 to 100, some numbers of the interval are obviously missing because not all companies in the population are part of the sample. The second column presents the scores of Harris Poll reputational indexes 2015. It is not, as before, the position of the companies within the ranking, it is the score assigned to each company in the sample.

Figure 4.2 Firms' sample

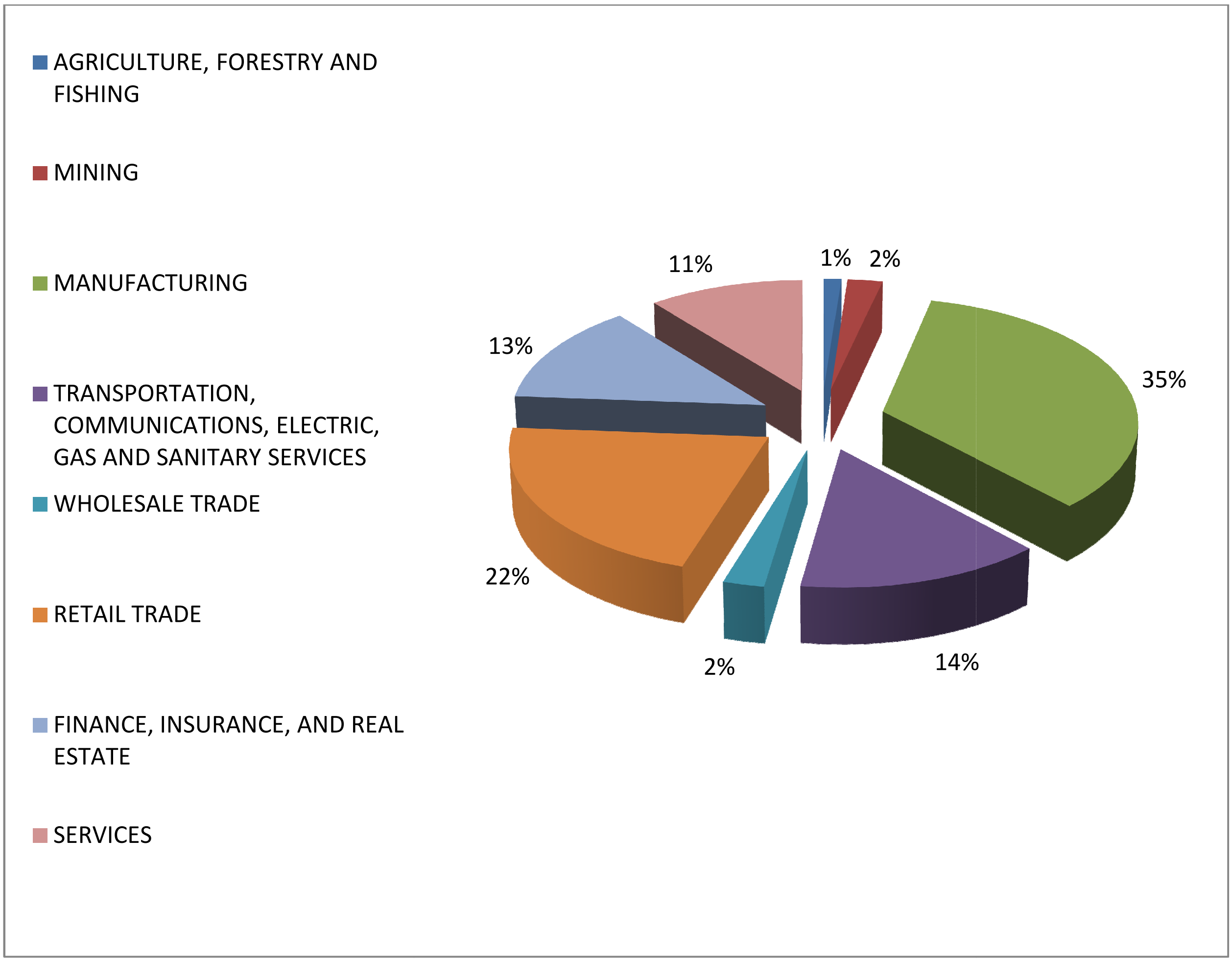
RQ15	RQ15_SC	COMPANY	RQ15	RQ15_SC	COMPANY	RQ15	RQ15_SC	COMPANY
1	83,96	AMAZON.COM	36	75,64	SOUTHWEST AIRLINES	71	69,2	CHEVRON
2	83,03	APPLE	37	75,58	NORDSTROM	72	69,09	WALMART
3	82,97	GOOGLE	38	75,55	THE HOME DEPOT	73	68,46	T-MOBILE
5	81,18	THE WALT DISNEY COMPANY	39	75,53	AMERICAN EXPRESS	74	68,24	ROYAL DUTCH SHELL
7	80,44	SAMSUNG	40	75,43	IBM	75	68,13	DELTA AIR LINES
8	80,37	BERKSHIRE HATHAWEY	41	75,32	LG CORPORATION	76	67,93	JPMORGAN CHASE & CO.
9	80,23	JNJ	42	75,04	KOHL'S	78	67,47	CAPITAL ONE FINANCIAL CORP.
10	79,92	KELLOGG COMPANY	43	75	YUM! BRANDS	81	66,27	GENERAL MOTORS
12	79,6	FEDEX	45	74,88	CVS HEALTH	82	66,07	FIAT CHRYSLER AUTOMIBILES
13	79,53	COSTCO	47	74,82	UNILEVER	83	65,99	UNITED AIRLINES
14	79,4	CLOROX	48	74,69	WALGREENS	84	65,78	MC DONALD'S
15	79,39	P&G	49	74,24	TARGET	85	65,42	EXXONMOBIL
16	79,18	GENERAL MILLS	50	74,1	FORD MOTOR COMPANY	88	64,85	TIME WARNER CORPORATION
17	79,16	HONDA MOTOR COMPANY	51	74,09	TYSON FOODS	89	64,8	CITIGROUP
18	78,96	THE COCA-COLA COMPANY	52	73,97	GENERAL ELECTRICS	90	64,78	CHARTER COMMUNICATION
19	78,83	NESTLE	54	72,93	HP	91	64,69	SEARS HOLDINGS CORPORATION
20	78,57	MICROSOFT	55	72,8	THE ALLSTATE CORPORATION	93	62,22	DISH NETWORK
22	78,22	UPS	58	72,4	MACY'S	94	61,15	AIG
24	77,98	NETFLIX	59	72,22	PEPSICo	95	60,44	GOLDMAN SACHS
26	77,65	LOWE'S	60	72,09	FACEBOOK	96	60,43	MONSANTO
27	77,58	SONY	62	71,67	STARBUCKS CORPORATION	97	60,21	COMCAST
28	77,5	NIKE	63	71,5	TOYOTA MOTOR CORPORATION	98	59,13	BP
30	77,23	WHIRPOOL CORPORATION	64	71	CHIPOTLE	99	56,26	HALLIBURTON
31	76,51	EBAY	67	70,3	VERIZON COMMUNICATION	100	54,75	VOLKSWAGEN GROUP
32	76,46	BEST BUY	68	70,28	21st CENTURY FOX			
33	76,37	BMW	69	69,74	AT&T			
35	75,68	THE KROGER COMPANY	70	69,73	WELLS FARGO & COMPANY			

Source: Harris Poll (2016) retrieved from: http://www.theharrispoll.com/reputation-quotient

For each company in the sample information about size, industry, quantity and quality of the disclosure, ESG values, profitability (ROE) and leverage (debit/equity ratio) were hand-collected.

Regarding the industry, each company has been classified according to the SIC CODE categorization presented in the Appendix.

Figure 4.3 Sample companies sorted by industry



Source: Personal elaboration of data

Afterwards the industries have been further classified as sensitive and non-sensitive: according to Adams et al. (1998) and Gray et al. (1995) industry sensitivity is one of the factors that most influences CSR disclosure and corporate reputation. Business activity could be defined as sensitive when it can be harmful to the environment, for example due to the use of harmful materials or substances. Therefore, the more the industry is considered harmful to the environment, the more the sector is considered sensitive and therefore has greater interest for the various stakeholders.

Companies such as financing bank and service firms usually emphasize the social aspects in their reports, their businesses have no particular repercussions in the environment and therefore they are considered non-sensitive. The classification of companies according to the industry sensitivity is based on the studies of Jenkins & Yakovleva (2006); Line, Hawley, & Krut (2002); Ness & Mirza (1991); Bowen (1953); Hoffman (1999). Jenkins & Yakovleva (2006); Line, Hawley, & Krut (2002); Ness & Mirza (1991) define as sensitive the companies that use chemicals (oil, mining, chemical industries); Line, Hawley, & Krut (2002) identifies ‘sensitive’ heavy industries as regards the environmental impacts their activities have. These classifications are confirmed by Bowen (1953) and Hoffman (1999) who indicates industries such as mining, metal, chemicals, water, power generation, paper, pulp, resource industries as sensitive. Summarizing the sectors considered sensitive are the activities involving oil, gas, electricity, mining, chemicals, paper, pulp, metal. This is due to the fact that these industries have a greater negative environmental impact, therefore they are considered sensitive. The sample of companies was divided into sensitive and non-sensitive as follows:

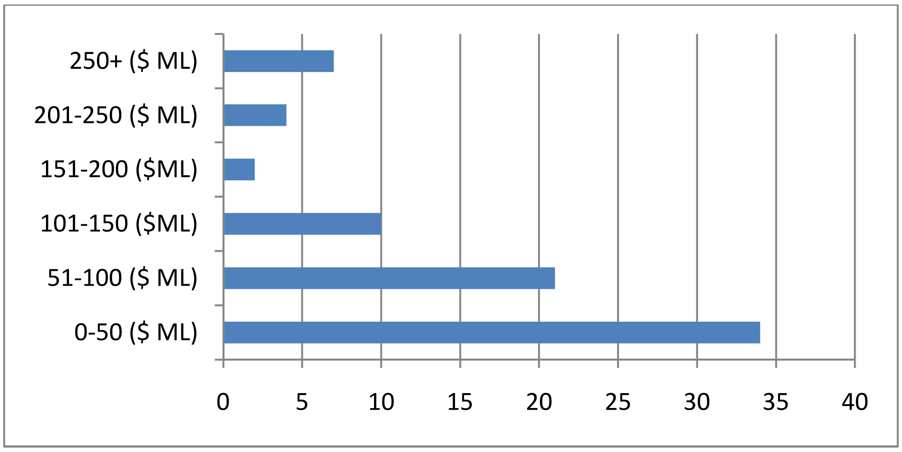
Figure 4.4 Sensitive and non sensitive industry classification

SIC CODES	**SENSITIVE**	**SIC CODES**	**NON SENSITIVE**
01-09	AGRICULTURE, FORESTRY AND FISHING	**50-51**	WHOLESALE TRADE
10-14	MINING	**52-59**	RETAIL TRADE
15-17	COSTRUCTION	**60-67**	FINANCE, INSURANCE, AND REAL ESTATE
20-39	MANUFACTURING	**70-89**	SERVICES
40-49	TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS AND SANITARY SERVICES	**91-99**	PUBLIC ADMINISTRATION

Source: Personal elaboration of data from the works of Bowen (1953), Hoffman (1999)

The sample of companies in addition to differing for the industry, whether sensitive or not; it also differs in terms of company size. Some studies, such as Cho et al. (2007) have highlighted how the entity of disclosure is related to the company size. Further explanations regarding the relationship between company size, reputation and disclosure are provided in Chapters 1 and 2, in the sections devoted to the determinants. The following chart shows the sample of companies sorted by size, where size is related to the amount of sales in 2015.

Figure 4.5 Sample companies sorted by sales



Source: Personal elaboration of data

The sample was also analyzed in terms of leverage (debt/equity ratio), profitability (measured by ROE), GRI adoption and ESG estimate. These data comes from the Thomson Reuter EIKON database.

Many studies agree in identifying a significant relationship between CSR disclosure and leverage; however, there are discordant opinions about the sign. According to Jenkins & Yakovleva (2006) firms with high leverage have more monitoring costs, often they disclose more information to reduce these costs: there is a positive relationship between CSR disclosure and leverage. Belkaoui (1989) and Webb (2005) argue there is no significant relationship between CSR disclosure and leverage. The leverage variable is going to be analyzed in the sample of companies with reference to the debt/equity ratio found in EIKON.

As already discussed in the previous theoretical chapters, corporate profitability can have an impact on disclosure and consequently in corporate reputation. Roberts (1992) describes a positive relationship between the variables, Neu et al. (1998) identify a negative relationship between corporate profitability and environmental disclosure.

4.2 Content analysis process to define the "quality of disclosure"

Once the sample companies, the reputation index and the relationships among the variables were defined, it is useful to shift the attention to the method used to define the quality of the disclosure.

As already explained in the initial chapters, scholars have proposed various methods of analyzing disclosure. In particular, the quality vs. quantity of disclosure paradigm has been the subject of many investigative works: Hasseldine et al. (2005) stressed that the mere volume is insufficient to assess the environmental disclosure: Hasseldine has shown that disclosure quality has a greater impact on the reputation compared to the disclosure quantity. In accordance with the previous statement, Toms (2002) agrees that managers should pay attention to the quality of disclosure. This concept is linked to the issue of impression management: companies often use corporate disclosure as a way to impress the public, focusing on quantity rather than quality.

In this empirical part, to measure the quality of the disclosure the work of Michelon (2015) has been considered: narrative information was assessed both qualitatively and quantitatively. The quantitative evaluation consists of counting how many sentences refer to CSR parameters compared to how many sentences are present within each CSR report (the single sentences was considered as the recording unit). The qualitative evaluation considers the content analysis (in this thesis it follows the GRI guidelines), the information are classified according to the content (if the paragraph contains forward or backward looking information, if the data refers to environment, to working condition or other categories).

Each sentence has then been classified and reported in Excel in a schematic form (see *fig. 4.6*). A value in "PRESENCE" has been assigned to every sentence, according to whether it contains (value equal to 1) or does not contain (value equal to 0) CSR information. If it contains relevant information, a code according to the GRI classifications has been assigned (following more detailed classification examples will be provided); this code has been shown in our Excel database under the heading "CODE". The same sentence has been catalogued according to the time-orientation of the content. If the sentence refers to the future it would be listed as "COMMITMENT, EXPECTATIONS, CONTEXT" or "GOAL"; if the sentence refers to the present-past it would be classified as "ACTIONS" or "RESULTS" depending on whether the content is an action carried out by the company or a result (positive / negative) obtained. Finally, the content of the sentence would be referred to as "QUALITATIVE", "QUANTITATIVE" and "FINANCIAL"; according to whether the sentence deals with qualitative, quantitative (numeric) or financial information.

Figure 4.6 Example of reports' coding in Excel

	A	B	C	D	E	F	G	H	I	J	K	L	M
1			NESTLE 2014										
2			csr report	1									
3			GRI	1	Pagine:	53							
4				Forward Looking Info		Backward Looking Info					Type		
5				Commit ment-Expectati	Goals	Actions	Results						
6		CODE	Presence				Good news	Bad news	Value 2013	Value 2014	Qualitative	Quantitativ	Financial
7	1		0										
8	2		0										
9	3		0										
10	4		0										
11	5		0										
16	10		0										
17	11		0										
18	12	SP18	1		1							1	
19	13	SP19	1		1							1	
20	14	SP18	1		1							1	
21	15	SP18	1				1						1
22	16	SP18	1				1						1
23	17	SP19	1				1					1	
24	18	SP19	1				1					1	
25	19	SP19	1				1						1
26	20		0										
27	21	SP22	1				1					1	

IBM / 5230 / BAC / 7203 / VOWG / BMWG / YUM / MON / LUV / WMT / UPS / NESN / FCHA / F / BBY / SONY / GOOGLE / PUS

Pronto

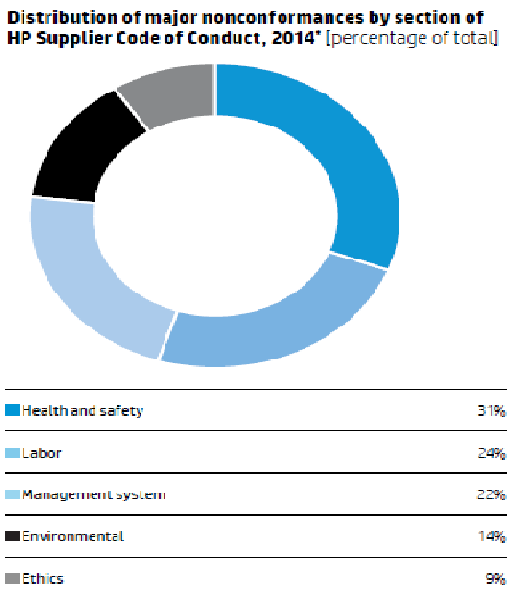
Not only the sentences are considered, but also tables and graphs are classified (their classification follows a particular method). An example of evaluation has been proposed below.

Figure 4.7.-P&G Sustainability Report 2014 p.42

	Totals (absolute units x 1,000)		
	2014	**2013**	**2012**
Production (metric tons)			
Product Shipped[2]	**28,331**	26,570	25,618
Raw Materials from Recycled Sources[3]	**859**	592	618
Waste (metric tons)			
Generated Waste	**909**	*933*	*977*
Percent Recycled/Reused Waste	**87%**	*82%*	*79%*

Each table's row containing relevant CSR information should be considered as a sentence. In this case the relevant information will be 12.

Figure 4.8 - HP Sustainability Report 2014, pg. 19



The “health and safety” category is the most significant section in the most significant section of the graph: the most significant information will therefore be considered as a single sentence if more than one CSR information is reported.

Following the indications of Michelon et al. (2015) the quality of the disclosure depends essentially on four dimensions: quantity, breadth, accuracy and managerial orientation. More specifically, by quantity, we mean how much information referred to CSR is present in the CSR report, and it has been therefore calculated as the ratio between the CSR sentences divided by total sentences. The second dimension concerns the number of GRI macro-categories involved in the analysis: the categories are environment, labour practices, human rights, social community and product responsibility and safety. If each of them is powered we will have an index equal to 1 , obtained by dividing 5 out of 5, if instead only one category is present we will have an index equal to 0.20, obtained by dividing 1 out of 5. The third dimension denominated "accuracy" refers to how information is disclosed: that is, whether it is qualitative information or whether it is quantitative-financial information. The fourth dimension concerns the time orientation of information and assumes different values depending on whether the sentences refer to goals and commitments (forward looking information) or actions, results (backward looking information).

In general, quantitative evaluation considers how many sentences, paragraphs or pages are included in the CSR reports; in this work the single sentence has been chosen as the object of investigation, because it was considered more reliable than pages and paragraphs (Michelon et al., 2015). Single sentence means a set of words followed by a full stop (.). Analyzing, however, only the phrases meanwhile neglecting all the graphs would be senseless. In case of table each row is considered as a sentence, in case of graphs the most important information is considered a sentence. Following there are some examples of analysis.

Figure 4.9. Example of coding

Disclosure	**Categorization**
"We committed to another round of compaction in our liquid laundry detergents, pledging to 25% less water in every dose of detergents sold in North America by 2018." Retrieved from: *P&G Sustainability Report 2014 pg. 8*	E3 water Commitment Quantitative information
"Through our Anti-corruption Compliance Program, we promote compliance with relevant laws and regulations, including the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, and similar national laws" Retrieved from: *HP Sustainability Report 2014, pg. 19*	SP14 corruption Action Qualitative information
In the U.S., the Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) regulate smog-forming tailpipe emissions, including hydrocarbons, nitrogen oxides, carbon monoxide and particulate matter. Retrieved from: *Ford Sustainability Report 2014, pg.216*	E5 emission Context Qualitative information
"Since they must be 23 years or younger, Toyota selects its participants from new hires and trains them at the Homi Training Center in the case of Japan" Retrieved from: *Toyota Sustainability Report 2014, pg. 27*	SP4 training and education Action Qualitative information
"The Foundation provides grants totalling 3.0 billion to 4.5 billion yen annually to programs designed to eliminate disparities in mobility, contribute to the sound development of automobile industries in developing countries, and to develop next-generation mobility in developed countries." Retrieved from: *Toyota Sustainability Report 2014, pg. 140*	SP13 local communities Action Financial information

To count how many sentences refer to CSR information with respect to the total sentences, following the work of Michelon et al.(2015), the value 0 has been assigned to sentences that do not provide CSR information and value 1 to sentences that refer to CSR. Thus categorizing each phrase in this way, the "QUANTITY" variable mentioned above could be calculated for each report.

$$Quantity\ (QUANT) = \frac{Number\ of\ CSR\ sentences}{Total\ sentences}$$

Quantity ratio's values vary from 0 to 1, where values close to 1 means high presence of CSR sentences on the total sentences: lower dilution of information.

After identifying the sentences containing CSR information, the type of CSR information in the sentence remains to be evaluated. For each sentence, therefore, the content will be categorized according to the 32 themes of disclosure identified by G3 guidelines (see the Appendix) into 5 macro-categories (environment, labour practises, human rights, social community and product responsibility-customer health & safety). By determining how many of the 5 macro-categories are present in the report it could be possible to calculate the "BREADTH" variable.

Breadth ratio varies between 0 to 1. It assumes values equal to:

- 0 if there is no information belonging to any of the 5 macro-categories;
- 0.2 if there are CSR information classified in only one category;
- 0.4 if the topics referred to 2 macro-categories were treated;
- 0.6 if contents related to 3 macro-categories have been identified;
- 0.8 if the treated themes coincide with 4 macro categories;
- 1 if all the categories have been powered.

$$Breadth\ (BRDTH) = \frac{Number\ of\ macrocategories}{5}$$

The CSR information present in each sentence could then be classified as follows: if it is a commitment, expectation, contest, goal you will have a forward looking information, or if it is an action, good/bad result you will have backward looking information. Besides the "MANOR" variable could be constructed as a total of the backward looking information divided by the total of the CSR sentences. This index has been defined by Michelon (2015) based on the work proposed by Beretta and Bozzolan (2004): the authors have developed indexes able to capture the extension of the time orientation of the CSR information presented in each sentences. For each sentence the type of information has been identified:

- forward looking information consists on
    - commitments (a promise, a commitment that the company makes with reference to the future);
    - expectations (company's expectation toward future outcomes);
    - context (phrases not specifically related to the company, but related to the environment in which the company operates);
    - goals (objectives and purposes of the company;
- backward looking information consist on
    - actions (company's actions, what the company did);
    - good / bad results (good/bad results resulting from company activities).

MANOR ratio varies between 0 to 1; each ratio must be standardized equally in values between 0 and 1 to have equal weight in the formation of the independent variable and to avoid scale effects (Berretta and Bozzolan, 2004).

$$Managerial\ TimeOrientation\ (MANOR) = \frac{Total\ backward\ looking\ info}{Total\ CSR\ sentences}$$

According to Wiseman (1982) each sentence is going to be analyzed according to whether the content is qualitative, financial, quantitative: giving different weight to qualitative information (value equal to 1), quantitative (value equal to 2) and financial information (value equal to 3). The variable "ACCURACY" reflects this difference in weights.

$$Accuracy\ (ACC) = \frac{(Qualitative\ info * 1) + (Quantitative\ info * 2) + (Financial\ info) * 3}{Total\ CSR\ sentences}$$

The index varies between 0 and 3: the more a value is close to 3, the more the information disclosed is reliable and verifiable.

4.2.1 Definition of dependent, independent and control variables definitions

The dependent variable is constructed on the basis of the companies' position and score in the reputational index of Harris Poll 2015. It has been decided to utilize the simple RQ Score 2015 in *Model 3* and the RQ Position 2015 in *Model 1, 2* and *4*.

The independent variable selected to be part of the regression models is the variable that measures the quality of disclosure. This variable is obtained from the sum of four variables: quantity ratio, breadth ratio, accuracy ratio and manor ratio as defined from Michelon et al. (2015)

$$Quality\ of\ disclosure = QUANTs + BRDTHs + ACCs + MANORs.$$

Among the independent and control variables chosen to build the OLS model there are leverage calculated as debt/equity ratio (Michelon, 2011), profitability represented by ROE (Michelon, 2011), estimated company size as natural logarithm of sales in 2015 (Michelon , 2011), governance value exported from Thomson Reuter EIKON database, ES variable estimated as average between environment and social parameters retrieved from Thomson Reuter EIKON database.

It has been decided to consider leverage (LEV_2014) and return on equity (ROE_2014) as control variables since some previous studies have shown that financial performance measured by leverage and profitability index is correlated both to perceived reputation and to environmental disclosure (Cho, Michelon, & Patten, 2012; Webb, 2005; Belkaoui, 1989; Neu, Warsame, & Pedwell, 1998; Roberts, 1992; Roberts and Dowling, 2002).

The governance variable is going to be part of the model as a control variable because Roberts & Dowling (2002) show as a good business strategy and good business management help to establish and maintain a good reputation.

To calculate the control variable for social and environmental performance an average was made between the social and environment parameters present in Thomson Reuter EIKON database.

Figure 4.10 Summary of all variables

Type of variables:	Name:	Variable:	Retrieved from:
Dependent	Reputation	RQ Score 2015	2016 Harris

variable	(REP)	RQ Position 2015	and Poll RQ summary report
Independent variables	Quality of disclosure (QUAL)	$Quality\ of\ disclosure = = QUANTs + BRDTHs + ACCs + MANORs$	Personal elaboration of data from companies' CSR reports
Control variables	Leverage	LEV_2014 → $Leverage = \frac{Debt}{Equity}$	Thomson Reuter EIKON database
	Return on equity	ROE_2014	Thomson Reuter EIKON database
	Size	$Size = \ln(Revenues\_2015)$	Thomson Reuter EIKON database
	Governance	GOV_2014	Thomson Reuter EIKON database
	GRI	GRI=0 ; GRI=1	Personal elaboration of data from companies' CSR reports
	Socio environmental parameters	$\frac{Environmental\ Score + Social\ Score}{2}$	Thomson Reuter EIKON database
Independent variable	Industry	IND=0; IND=1	Personal elaboration of data from companies' CSR reports in accordance with SIC Codes Classification

Besides having described all the variables and the methods used to calculate them, the analysis goes through the description of the multivariable regression model. In the next section there is a description of the two models used on the entire sample of selected companies.

4.3 Empirical models

In this section, four different regression models are going to be presented. The models differ by the type of dependent variable chosen, by the presence or absence of industry as an independent variable, by the analysis of the single variables that constitute the quality of the disclosure or by the aggregated quality variable (defined by the sum of density, breath, accuracy and managerial time-orientation).

The dependent variable identifying corporate reputation could be the company's position within the "*Harris Poll RQ 2015 100 most visible companies"* or the ratings assigned to the company by Harris Poll for the year 2015. Based on analyses and robustness tests performed on the model, the dependent variable identified with the position in the reputational index is considered to be more robust than the "reputational score" variable.

The first 3 models presented use "QUAL" as an aggregate variable that defines the corporate disclosure (therefore, we will not analyze individual density, breath, accuracy and managerial time-orientation). The fourth model, on the other hand, uses the individual components of the quality of disclosure (density, breath, accuracy and managerial time-orientation) as independent variables in the regression. The second model differs from the first model due to the absence of the "INDUSTRY" variable; this variable is removed from the model to understand if the regression model is more / less significant depending on the absence / presence of the industry classification. Then there is the third model, which does not present the industry variable (like the second), but differs from the latter for the different dependent variable (reputational index scores and not the reputational index positions). Finally, the fourth model uses reputation index position as a dependent variable, does not present the industry variable as a control variable and studies the individual components of the quality of disclosure: "QUANTITY", "BREATH", "ACCURACY" and "MANOR" are part of the model regression as independent variables.

Model 1

$$Rep = \beta_0 + \beta_1 QUAL + \beta_2 LEV\_2014 + \beta_3 ROE\_2014 + \beta_4 SIZE + \beta_5 GOV\_2014 + \beta_6 ES\_2014 + \beta_7 GRI + \beta_8 INDUSTRY$$

Model 1: the first OLS model has been created to investigate the relationship between corporate reputation and quality of disclosure, considering industry as independent variable and using the position of companies within the selection of the Harris Poll Survey 100 best performing companies of 2015 as dependent variable.

Model 2

$$Rep = \beta_0 + \beta_1 QUAL + \beta_2 LEV\_2014 + \beta_3 ROE\_2014 + \beta_4 SIZE + \beta_5 GOV\_2014 + \beta_6 ES\_2014 + \beta_7 GRI$$

Model 2: the second OLS model has been created to investigate the relationship between corporate reputation and quality of disclosure, eliminating industry as an independent variable and using the position of companies within the selection of the Harris Poll Survey 100 best performing companies of 2015 as dependent variable. This second model differs from the *Model 1* only in the "industry" (variable missing in *Model 2*).

Model 3

$$Rep = \beta_0 + \beta_1 QUAL + \beta_2 LEV\_2014 + \beta_3 ROE\_2014 + \beta_4 SIZE + \beta_5 GOV\_2014 + \beta_6 ES\_2014 + \beta_7 GRI$$

Model 3: the third OLS model has been created to investigate the relationship between corporate reputation and quality of disclosure, avoiding industry as independent variable and using the ratings of companies within the selection of the Harris Poll Survey 100 best performing companies of 2015 as dependent variable.

This model differs from the *Model 1* and *Model 2* for the type of dependent variable used: here the ratings of each company are considered as "rq15" variables. The values of the dependent variable are included in a range between 54.75 (Volkswagen Group) and 83.96 (Amazon).

Model 4

$$Rep = \beta_0 + \beta_1 QUANTITY + \beta_2 BREATH + \beta_3 ACCURACY + \beta_4 MANOR + \beta_5 LEV\_2014 + \beta_6 ROE\_2014 + \beta_7 SIZE + \beta_8 GOV\_2014 + \beta_9 ES\_2014 + \beta_{10} GRI$$

Model 4: the forth model differs from *Models 1, 2* and *3* because it studies the individual components of the disclosure's quality: "QUANTITY", "BREATH", "ACCURACY" and "MANOR". They are part of the regression model as independent variables. The *Model 4* uses reputation index position as a dependent variable (because from the comparison of *Models 1*, 2 and *Model 3* the models with reputational positions are better) and does not present the industry variable as independent variable (because comparing the *Models 1* and *2*, it emerged that this variable is destabilizing for the model).

Figure 4.11 Descriptive statistics

Variables	N. Obs.	Mean	Std. Dev.	Min	Max
rq15 (position H&P)	78	50.61	29.54	1	100
rq15 (ratings H&P)	78	72.54	6.67	54.75	83.96
qual	78	3.42	0.44	1.78	4.17
quantity	78	0.44	0.18	0.003	0.77
breath	78	0.87	0.18	0.2	1
accuracy	78	1.38	0.21	1	2
manor	78	0.73	0.12	0.28	1
lev2014	78	3.34	16.19	0	143.06
roe2014	78	0.21	0.48	-1.23	3.86
size	78	11.12	1.75	8.41	19.11
gov2014	78	64.34	20.19	8.33	98.33
gri	78	0.68	0.47	0	1
es2014	78	73.56	15.97	0	93.75
industry	78	0.56	0.50	0	1

Source: Personal elaboration of data

From the table it is possible to identify the average value of the dependent variable (reputation). It could be identified by the position in the reputational index Harris Poll, hence the value is equal to 50.61, the variable varies in a range between 1 and 100 (this is explained by the contents of the index: 100 most visible companies of 2015). The variable reputation (rq15) can also be estimated according to the ratings proposed by Harris and Poll for the 100 best companies in 2015: in this case the average value of rq15 is equal to 72.54 and varies within a minimum value equal to 54.75 and a minimum value equal to 83.96. Amazon occupies the highest position (1), while the lowest position (100) belongs to Volkswagen Group. With regard to profitability, the minimum value of ROE is represented by the Return On Equity of Charter Communication of 2014, the Clorox ROE provides the maximum value. Similar evaluations could be computed for the other variables. The independent governance variable assumes an average value of 64.34; the minimum and maximum values are relative to the companies Dish Network (value equal to 8.33) and General Electric (98.33). The independent variable “leverage” is equal to 3.34 on average (it is calculated as the ratio between debt and equity). The variable es2014 indicates an environmental-social parameter that takes values between 0 and 94 in the sample; it has an average value equal to 73.56. The industry variable has an average value of 0.56. It indicates that among the companies analyzed, most are companies that work in "sensitive" industries. As regards the quality of the disclosure, the "QUAL" variable calculated as the sum of the density, breath, accuracy and manor assumes an average value equal to 3.42 in the sample. Looking at the determinants of the quality of the disclosure, "QUANTITY" presents a value of 0.44 which means that on average in a report of 1000 sentences, only 440 refer to the CSR themes (the information on average is very diluted). Regarding the content of the information (how many GRI macro-categories were fed), the average value of "BREATH" is equal to 0.87 this means that on average the topics contained in the reports belonged to all the macro-categories GRI (environment, labor, human right, social, customer and product responsibility). Relatively to the “ACCURACY” of the information (if qualitative, quantitative or financial) the variable assumes an average value equal to 1.38. The index varies between 0 and 3, therefore a value equal to 1.38 means that the disclosed information is not very reliable and verifiable. With regard to the time orientation of the disclosed information, the average value assumed by the "MANOR" variable is equal to 0.73. It means that on average the information referred to the past: it is constituted by actions and results.

4.4. Empirical evidence

The following paragraphs refer to the investigation of the sample of 78 companies. The main characteristics of the data that have been worked to build the model are described. The presentation of the dependent, independent and control variables used in the empirical survey follows, indicating the fundamental statistics (mean, standard error, minimum and maximum values). Afterwards, the OLS models used to study the sample are presented; it is given indication of the correlation, multicollinearity test and the commented results of the regression for each model exposed.

4.4.1. Descriptive results

The *Figure 4.12* presents descriptive statistics of the sample, reporting information about all the variables studied, to the individual parameters used to compose the variables for the OLS model.

Data shows that the 46% of the sentences reported by the company refer to CSR: on average the companies disclose 416 sentences with CSR references on a total of 904 sentences. This result confirms the reflection made by Michelon et al. (2015): CSR information are often diluted with other irrelevant information. Regarding the length of the CSR reports (represented by the number of pages of each CSR reports) analyzed we find an average value equal to 73 pages. The range of pages referred to the CSR disclosure varies between a minimum of 2 pages (from the *sustainability part of Netflix annual report)* and a maximum value of 603 pages (*Ford's 2014-2015 sustainability report*). Regarding the type of disclosed information: 54% of the CSR sentences is represented by actions, followed by commitments (19,2%), good results (18,2%), goals (6%) and bad results (2%). Differentiating CSR sentences according to the quality of information: 65% of the CSR phrases provide qualitative indications, 30% quantitative and 5% financial.

Figure 4.12 Descriptive statistics

Variable	**N. of Obs.**	**Mean**	**Std. Dev.**	**Min**	**Max**
Tot. sentences	78	904.2564	914.2475	27	5887
Tot. CSR sentence	**78**	**416.0641**	**422.3869**	**1**	**2503**
Pages	78	73.19231	89.32911	2	603
Commitments	78	79.58974	85.78793	0	563
Goals	78	25.30769	34.43847	0	169
Actions	**78**	**223.4359**	**284.2241**	**0**	**1594**
Good results	78	80.20513	84.0217	0	374
Bad results	78	7.448718	14.70458	0	80
Qualitative info	**78**	**271.9615**	**270.5568**	**0**	**1629**
Quantitative info	78	125.7821	157.023	0	820
Financial info	78	18.35897	21.04107	0	109

Source: Personal Elaboration of data

Looking at the correlation matrix it is possible to deduce the following information. The numbers 1 indicate that the correlation is maximum between a variable and itself, this is obvious as the increase of "qual" increases "qual" in the same way (they are the same variable). So it is good to exclude the 1 from the evaluation, as useless in the analysis. The correlation is not present for values between -0.4 and 0.4, the correlation is light for values between ׀ 0.4 - 0.6 ׀, the correlation is strong if included between ׀ 0.6 - 0.8 ׀ and it is very high if included between | 0.8 - 1 |. In *Model 1, 2* and *3*, there is a strong positive correlation between governance and environmental-social parameter, this means that as the governance index increases, the environmental-social quality improves.

Figure 4.13 Correlation Analysis of Model 1,2,3

(obs = 78)

	rq15	qual	lev2014	roe2014	size	gov2014	gri	es2014	industry
rq15	1								
qual	0.0727	1							
lev2014	0.1580	-0.1178	1						
roe2014	-0.2273	0.0238	-0.2438	1					
size	-0.1381	0.1849	-0.1514	-0.1699	1				
gov2014	-0.1764	0.3728**	-0.1672	0.1136	0.3282**	1			
gri	-0.0484	0.3280**	0.0838	0.0151	0.1180	0.2376	1		
es2014	0.0084	0.3893**	-0.3131**	0.1275	0.2234	**0.6078*** **	0.2254	1	
industry	-0.1344	0.2442	-0.1171	0.1510	0.2840*	0.3213**	0.1921	0.2550*	1

With regard to the correlation matrix, in *Model 4* there is a strong positive correlation between governance and environmental-social parameter, it means that as the governance index increases, the environmental-social quality improves (this correlation has been found also in the 3 previous models). Furthermore, unlike *Model 1, 2* and *3*, a slight positive correlation between quantity and governance has been found, a slight positive correlation between quantity and socio-environmental parameter, a slight positive correlation between breath and socio-environmental parameter and a positive correlation strong between breath and quantity. The positive correlation between quantity and governance means that as the governance increases, the number of sentences referring to CSR increases. It explains that companies with higher governance ratios tend to report less diluted information (it means that there are more sentences referred to CSR on the total sentences). The positive correlation between breath and socio-environmental parameter means that as the social and environmental parameter increases, the number of GRI macro categories involved in the analysis also increases. This result is comforting: it explains that the data gathered through the analysis of the reports confirm the data collected in the database related to the environment and society. The positive correlation between breath and quantity expresses the following concept: with the increasing number of sentences referring to CSR compared to the total sentences, the number of GRI macro-categories involved in the analysis also increases. This backs up what has been explained in the theory: less diluted reports (higher quantity values), offer information whose contents are consistent with GRI classifications and which cover more macro-categories.

Figure 4.14 Correlation Analysis of Model 4

(obs = 78)

	rq15	lev 2014	roe 2014	gov 2014	gri	es 2014	quant.	breath	accur.	manor	size
rq15	1										
lev2014	0.1580	1									
roe2014	-0.2271	-0.2441	1								
gov2014	-0.1753	-0.1672	0.1174	1							
gri	-0.0484	0.0808	0.0213	0.2517 *	1						
es2014	0.0091	-0.3110 **	0.1248	**0.5902** ***	0.2085	1					
quantity	-0.0944	-0.2114	-0.0684	**0.4533** ***	0.0896	**0.4712** ***	1				
breath	0.1077	-0.2480	0.1507	0.2853 *	0.2349	**0.4816** ***	**0.5673** ***	1			
accuracy	0.0570	0.1124	0.0068	0.2372	0.3239 **	0.0640	0.1650	-0.1105	1		
manor	0.1146	0.1131	-0.0888	-0.2098	0.0745	-0.2104	0.0243	0.0759	0.2600 *	1	
size	-0.1380	-0.1506	-0.1715	0.3196**	0.1076	0.2219	0.1663	0.1619	0.1235	-0.0538	1

4.4.2 Multivariate analysis

MODEL 1

Model 1: the first OLS model has been created to investigate the relationship between corporate reputation and quality of disclosure, considering industry, quality of disclosure, leverage, size, profitability, governance, environmental social parameter, GRI adoption as independent variables and using the position of companies within the selection of the Harris Poll Survey 100 best performing companies of 2015 as dependent variable.

$$Rep = \beta_0 + \beta_1 QUAL + \beta_2 LEV\_2014 + \beta_3 ROE\_2014 + \beta_4 SIZE + \beta_5 GOV\_2014 + \beta_6 ES\_2014 + \beta_7 GRI + \beta_8 INDUSTRY$$

In this OLS analysis to test multicollinearity, the VIF (Variance Inflator Factor) value is considered. Some researchers (Kennedy, 1992; Marquardt, 1970; Neter, 1989) argue that low VIF values are desirable, as high VIF values negatively affect the results associated with multivariable regression. A VIF value greater than 10 is usually associated with a multicollinearity capable of influencing the least square estimate: VIF values up to 10 are considered acceptable from the literature (Kennedy, 1992; Marquardt, 1970; Neter, 1989). In this case the maximum VIF value found was equal to 1,803: multicollinearity is therefore not a problem of the *Model 1*. The statistical program used to test the model also provides indication of tolerance. The utility of VIF, despite tolerance, is that the VIF specifically identifies the extent, the effect of inflation in the standard errors associated with a particular weight caused to multicollinearity.

Differently from VIF that measures multicollinearity, R-squared is used as a measure of the goodness of a multiple regression model. R-squared is called coefficient of determination and it varies between 0 and 1 and expresses the fraction of variance explained by the regression model on the total variance of the study phenomenon. In this *Model 1*, a R-squared value of 0.1520 indicates that the OLS model used explains 15,20% of the total variability of Rep.

To evaluate the significance of the model as a whole, the statistical test F is used. It represents the relationship between variance explained by the model and residual variance. If the observed p-value is lower than the theoretical p-value (usually 0.05), it means that the model explains a significant amount of variance of the phenomenon. In this case, Prob> F is equal to 0,1578. The model could not be defined statistically significant; it cannot explain the significant part of variance.

Regarding the evaluation of the statistical significance of a predictor within the model, the t-test is engaged. If the observed p-value is lower than the theoretical p-value (0.05) the predictor explains a significant proportion of the variance of Rep. It is therefore appropriate to keep it in the model. In this way it is possible to evaluate which are the variables within the model that explain a significant part of the variance of Rep. An initial analysis of the results obtained from the regression shows the variable roe2014 as able to explain the model at a level of significance of 10%.

$$\begin{aligned} Rep = {} & 39.65 + 10.41QUAL + 0.24LEV_{2014} - 12.84ROE_{2014} - 2.22SIZE - 0.34GOV_{2014} \\ & + 0.39ES_{2014} - 4.02GRI - 3.61INDUSTRY \end{aligned}$$

The variable able to explain the variance in reputation significantly is profitability. With regard to profitability, ROE has been identified as a parameter in our analysis. It is a determinant of corporate reputation that can also influence disclosure positively (Roberts, 1992) or negatively (Neu et al., 1998). In the *Model 1*, profitability has a significant negative influence in reputation. According to Neu et al. (1998), in *Model 1* profitability is a determinant of corporate reputation that influences it negatively. As far as the relationship between corporate reputation and profitability is concerned, Fombrun (1996) supports a positive relationship between the variables: building and maintaining a strong image, companies create an intangible asset that distinguishes them from competitors and thus ensures them a competitive advantage. The author therefore considers the construction of a good corporate reputation as a means to obtain positive financial results (Fombrun, 1996). This survey demonstrates the ability of the profitability to explain the variation in the reputation, the profitability is able to explain the variation of Rep in each model studied with a level of significance equal to 10%. For every additional point of roe index, the expected reputation decreases by 12.84.

Figure 4.15 Regression results

Variables	**Model (1)**
Qual	10.41705 [8.484149]
lev2014	0.237502 [0.2239385]
roe2014	**-12.8373*** [7.356678]
size	-2.22857 [2.116743]
gov2014	-0.3442044 [0.2143317]
gri	-4.022252 [7.570236]
es2014	0.3933566 [0.2720295]
industry	-3.611974 [7.254364]
Constant	39.65458 [33.70743]
Observations	78
R-squared	0.1520
F	1.55

P-values in brackets
* p < 0.1
** p < 0.05
*** p < 0.01

MODEL 2

Model 2: the second OLS model has been created to investigate the relationship between corporate reputation and quality of disclosure, eliminating industry as independent variable (to see if the model improves by eliminating this variable) and using the position of companies within the selection of the Harris Poll Survey 100 best performing companies of 2015 as dependent variable.

$$Rep = \beta_0 + \beta_1 QUAL + \beta_2 LEV_{2014} + \beta_3 ROE_{2014} + \beta_4 SIZE + \beta_5 GOV\_2014 + \beta_6 ES\_2014 + \beta_7 GRI$$

This second model differs from the *Model 1* only for the “industry” (variable missing in *Model 2*). Regarding the descriptive analysis (average, number of observations, standard error, minimum and maximum values) of the variables “rq15”, “qual”, “lev2014”, “roe2014”, “size”, “gov2014”. “gri”, “es2014” just refer to *Figure 4.11*.

Any explanations regarding the Variance Inflator Factor used to test the results associated with the OLS model, just refer to *Model 1*. In this case the maximum VIF value found was equal to 1,784: multicollinearity is therefore not a problem of the *Model 2*. The statistical program used to test the model also provides indication of tolerance. The utility of VIF, despite tolerance, is that the VIF specifically identifies the extent, the effect of inflation in the standard errors associated with a particular weight caused to multicollinearity.

To find out any possible explanations regarding the meaning and interpretation of R-squared, F-test and T-test refer to the indications in the paragraph concerning *Model 1*. In this *Model 2*, a R-squared value of 0.1489 indicates that the OLS model used explains 14,89% of the total variability of Rep.

The significance of the model as a whole is represented by the value of F-test: in this case, Prob> F is equal to 0,11. This implies that the model is not statistically significant at a level of significance. Therefore, it is evident that by removing the "industry" variable from the model, the model is much more able to explain the variance (F is equal to 1.75, higher than F in *Model 1*). The F test is useful, in fact, to evaluate the introduction/elimination of a model predictor.

$$Rep = 43.35 + 9.97 QUAL + 0.24 LEV_{2014} - 13.45 ROE_{2014} - 2.47 SIZE - 0.354 GOV_{2014} + 0.39 ES_{2014} - 4.27 GRI$$

Regarding the evaluation of single parameters from a first observation it is possible to notice that variables roe2014 and gov2014 explain the model at a level of significance of 10%. In this second analysis, the relationship between profitability and reputation is negative, as *Model 1*, which presented a negative relationship between the variables reputation and profitability. It means that for every additional point in ROE index, the expected reputation value decreases by 13.45. This second model sustains the hypothesis of Neu et al. (1998) which supported profitability as a determinant of corporate reputation that influences it negatively. Furthermore, the authors Toms (2002) and Fombrun (1996) also identify a relationship between reputation and profitability (positive relation according in the work of Fombrun, 1996). Unlike *Model 1*, governance also has a negative impact on reputation. This means that for every additional point of governance index, the expected reputation decrease by 0.35 on average, holding all other variables constant. This does not confirm the hypothesis of Reisnick (2004) who argued that a good governance system favours the creation and maintenance of a good corporate reputation. If this does not happen, in fact, the company is unable to survive for long in the reference market. *Model 2* embraces the second hypothesis: the governance index negatively affects reputation.

Figure 4.16 Regression results

Variables	*Model (1)*	***Model (2)***
Qual	10.41705 [8.484149]	9.971133 [8.391303]
lev2014	0.237502 [0.2239385]	0.2367 [0.2227]
roe2014	**-12.8373*** [7.356678]	**-13.44508*** [7.215621]
size	-2.22857 [2.116743]	-2.4727 [2.048041]
gov2014	-0.3442044 [0.2143317]	**-0.35482*** [0.21211]
gri	-4.022252 [7.570236]	-4.269165 [7.513286]
es2014	0.3933566 [0.2720295]	0.386636 [0.270203]
industry	-3.611974 [7.254364]	
Constant	39.65458	43.35942

	[33.70743]	[32.6988]
Observations	78	78
R-squared	0.1520	0.1489
F	1.55	1.75

P-values in brackets
* p < 0.1
** p < 0.05
*** p < 0.01

MODEL 3

Model 3: the third OLS model has been created to investigate the relationship between corporate reputation and quality of disclosure, using the ratings of companies within the selection of the Harris Poll Survey 100 best performing companies of 2015 as dependent variable.

$$Rep = \beta_0 + \beta_1 QUAL + \beta_2 LEV_{2014} + \beta_3 ROE_{2014} + \beta_4 SIZE + \beta_5 GOV_{2014} + \beta_6 ES_{2014} + \beta_7 GR\,I$$

This model differs from the *Model 1* and *Model 2* for the type of dependent variable used: here the ratings of each company are considered as “rq15” variables. The values of the dependent variable are included in a range between 54.75 (Volkswagen Group) and 83.96 (Amazon). Here the industry variable is not present in the OLS model, as in *Model 2* (by looking at F test, industry variable seems to make the model worse). Regarding the descriptive analysis (average, number of observations, standard error, minimum and maximum values) of the variables “rq15”, “qual”, “lev2014”, “roe2014”, “size”, “gov2014”. “gri”, “es2014”, “industry” just refer to *Figure 4.11*.

Any explanations regarding the Variance Inflator Factor used to test the results associated with the OLS model, just refer to *Model 1*. In this case the maximum VIF value found was equal to 1,784: multicollinearity is therefore not a problem of the *Model 3*. The statistical program used to test the model also provides indication of tolerance. The utility of VIF, despite tolerance, is that the VIF specifically identifies the extent, the effect of inflation in the standard errors associated with a particular weight caused to multicollinearity.

To find out any possible explanations regarding the meaning and interpretation of R-squared, F-test and T-test refer to the indications in the paragraph concerning *Model 1*. In this *Model 3*, a R-squared value of 0.1458 indicates that the OLS model used explains 14.58% of the total variability of Rep. By comparing the value of R-squared with the R-square values of the 2 previous models, it is possible to analyze how the goodness of the model has decreased respect the *Model 1* and *2* (in *Model 1* R-squared it was 15.20, in *Model 2* R-squared was equal to 14.89). It means that the models in which the dependent variable is equal to the company's position (within the classification proposed by H&P) give better results than those in which the reputational rating of each company is used. It also means that the models in which the industry variable is not present seem to be better (this is confirmed by the F test that follows).

The significance of the model as a whole is represented by the value of F-test: in this case, Prob> F is equal to 0,1216. This implies that the model is not statistically significant at a level of significance. Therefore, it is evident that by removing the "industry" variable from the model, the model is much more able to explain the variance than in Model 1 (F is equal to 1.71, higher than F in *Model 1*). The F test is useful, in fact, to evaluate the introduction/elimination of a model predictor.

$$Rep = 75.69 - 2.46QUAL - 0.05LEV_{2014} + 2.51ROE_{2014} + 0.46SIZE + 0.10GOV_{2014} - 0.09ES_{2014} + 0.15GR\,I$$

Regarding the evaluation of single parameters from a first observation it is possible to notice that variables roe2014 is no more able to explain the model at a statistical significant level (as in *Models 1* and *2)*. The variables gov2014 continues to explain the model at a level of significance of 5% (the variables present better values than *Model 2*). In the third model the opinion of Resnick (2003) is confirmed: a good corporate governance favours the creation and maintenance of a good corporate reputation. Indeed, for every additional point of governance index, the expected reputation increases by 0.10 on average, holding all other variables constant.

Figure 4.17 Regression Results

Variables	*Model (1)*	*Model (2)*	***Model (3)***
Qual	10.41705	9.971133	-2.463023
	[8.484149]	[8.391303]	[1.897366]

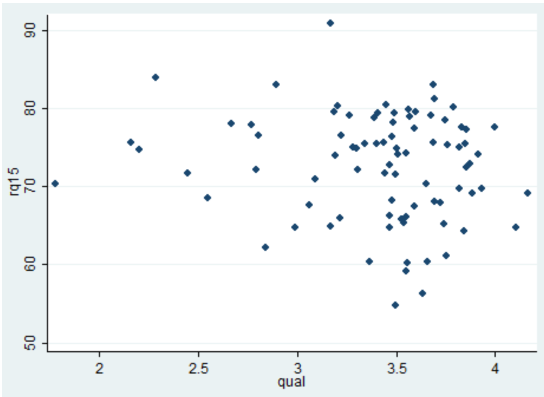
lev2014	0.237502 [0.2239385]	0.2367 [0.2227]	-0.047417 [0.05036]
roe2014	**-12.8373*** [7.356678]	**-13.44508*** [7.215621]	2.515506 [1.63153]
size	-2.22857 [2.116743]	-2.4727 [2.048041]	0.457060 [0.46308]
gov2014	-0.3442044 [0.2143317]	**-0.35482*** [0.21211]	**0.10133**** [0.047962]
gri	-4.022252 [7.570236]	-4.269165 [7.513286]	0.15494 [1.69883]
es2014	0.3933566 [0.2720295]	0.386636 [0.270203]	-0.09251 [0.06109]
industry	-3.611974 [7.254364]		
Constant	39.65458 [33.70743]	43.35942 [32.6988]	75.6949*** [7.393558]
Observations	78	78	78
R-squared	0.1520	0.1489	0.1458
F	1.55	1.75	1.71

P-values in brackets

*	p < 0.1
**	p < 0.05
***	p < 0.01

What follows next a discussion about the first three models studied is a comparison between the models. According to the results of the R squared (which involve the whole model), Models *1* and *2* have R-squared value slightly higher than Models *3*. It means that the goodness of Models *1* and *2* is higher, they are more able to explain the overall variability of Rep. These models use the position within the Harris Poll Reputation Quotient Survey 2015 as a dependent variable. In general, however, the 3 models do not explain much about the variables studied because 15% is a low value of R squared, at all times the adjusted squared R values are even lower. As for the F test, the models to be considered best are those in which the industry variable is not part of the model. The industry variable refers to two macro-categories: sensitive sectors (industry classification SIC from 1 to 49) and non-sensitive sectors (industry classification SIC from 50 to 99). Toms (2002) argues that membership in a specific sector has no impact on corporate reputation if such companies have worked hard to create and maintain reputation through disclosure activities. This is confirmed by the data, because unlike the industry the quality of the disclosure is considered statistically significant in explaining the reputation variance (this is evident from the results obtained in Model *3*, where the quality of disclosure is able to explain the reputation variance). The graph (based on the sample) explains the relationship between reputation and quality of the disclosure in *Model 3*.

Figure 4.18 Relationship between reputation and quality in Model 3



An analysis of the relationship between reputation and the other variables follows. The governance variable is related with reputation (in *Model 2* with 10% significance, in *Model 3* with 5% significance). People translate the corporate governance as the exercise of authority, direction and control of an organization with the fundamental purpose of ensuring the achievement of the short and long-term objectives; it is a set of rules, processes and procedures, which helps to conduct the ordinary business. An efficient corporate governance favours the establishment of a good corporate reputation; in the absence of the latter, in fact, a company is unlikely to be able to survive long in its reference market (Resnick, 2003). Corporate governance is therefore an essential determinant for the construction and maintenance of a good level of corporate reputation.

Another variable able to explain the variance in reputation is profitability. With regard to profitability, ROE has been identified as a parameter in our analysis. It is a determinant of corporate reputation that can also influence disclosure positively (Roberts, 1992) or negatively (Neu et al., 1998). As far as the relationship between corporate reputation and profitability is concerned, Fombrun (1996) supports a positive relationship between the variables: building and maintaining a strong image, companies create an intangible asset that distinguishes them from competitors and thus ensures them a competitive advantage. The author therefore considers the construction of a good corporate reputation as a means to obtain positive financial results (Fombrun, 1996). This survey demonstrates the ability of the profitability to explain the variation in the reputation, the profitability is able to explain the variation of Rep in the first two models studied with a level of significance equal to 10%.

Concerning the relationship between leverage and reputation, they are not related at significant levels. Companies with high levels of indebtedness have more monitoring costs that persuade them to invest more in corporate communications (Jensen and Mecking, 1976); it may positively influence the company's reputation indirectly through disclosure. Some authors (Belkaoui and Karpik, 1989) found evidence to the contrary (negative relation between reputation and leverage): a company with higher leverage values is not interested in the social disclosure. In my opinion, a company with high leverage values may need to be sold to the public in order to achieve a better reputation (impression management). A positive relationship between leverage and disclosure could also justify any "expensive" investments made by the company to be "more sustainable", more attentive to the needs of consumers and their employees.

With regard to the size of companies, no significant association was found between company's size and reputation. Given the opinion of many scholars, I would have expected a positive relationship between size and reputation: larger companies are usually engaged in more activities and therefore they attract more people than smaller companies (Kelly, 1981; Trotman and Bradley, 1981; Cowen et al., 1987; Belkaoui and Karpik ,1989; Patten, 1991-1992; Hackston and Milne, 1996). They therefore benefit from a better reputation by being more "known".

MODEL 4

Model 4: the forth model differs from *Models 1, 2* and *3* because it studies the individual components of the disclosure's quality: "QUANTITY", "BREATH", "ACCURACY" and "MANOR". They are part of the regression model as independent variables. The *Model 4* uses reputation index position as a dependent variable (because from the comparison of *Models 1*, *2* and *Model 3* the models with reputational positions are better) and does not present the industry variable as a control variable (because comparing the *Models 1* and *2*, it emerged that this variable is destabilizing for the model).

$$Rep = \beta_0 + \beta_1 QUANTITY + \beta_2 BREATH + \beta_3 ACCURACY + \beta_4 MANOR + \beta_5 LEV\_2014 + \beta_6 ROE\_2014 + \beta_7 SIZE + \beta_8 GOV\_2014 + \beta_9 ES\_2014 + \beta_{10} GRI$$

Any explanations regarding the Variance Inflator Factor used to test the results associated with the OLS model, just refer to *Model 1*. In this case the maximum VIF value found was equal to 2.21: multicollinearity is therefore not a problem of the *Model 4*. The statistical program used to test the model also provides indication of tolerance. The utility of VIF, despite tolerance, is that the VIF specifically identifies the extent, the effect of inflation in the standard errors associated with a particular weight caused to multicollinearity.

Looking at the significance of the whole model (measured by the statistical test F), *Model 4* is certainly the model most able to explain the relationship between the variance explained and the residual variance. It has a value of 2.27, almost twice the F value of the first model and in any case much higher than the first three models. Decomposing the quality of disclosure into its components quantity, breadth, accuracy, manor seems to have led to better results. Better results are also observed with regard to the goodness of the regression model: *Model 4* is able to explain 25.36% of total reputation variability. The value of R-squared is in fact much greater when compared with the previous models analyzed.

$$Rep = 8.93 - 61.91 QUANTITY + 62.76 BREATH + 38.38 ACCURACY - 2.17 MANOR + 0.18 LEV_{2014} - 20.46 ROE_{2014} - 3.38 SIZE - 0.22 GOV_{2014} + 0.35 ES_{2014} - 11.85 GRI$$

We have various predictors able to explain a significant part of the reputation variance. A significant negative relationship emerges at 1% between profitability and reputation (as in *Model 2).* This confirms the hypothesis of Neu et al. (1998) profitability negatively affects corporate reputation: a less profitable company, has a greater corporate reputation. In *Model 4*, if profitability increased by 1, the value of reputation decreased by 20.46 point. However, great reputation often implies better financial results. Fombrun, Gardberg, & Sever (2000, p. 243) deem corporate reputation as “depicting the firm’s ability to render valued results to stakeholders”. It may contribute to reduce transaction costs by diminishing uncertaintly. Reduced costs, in turn, may signify increasing revenues due to either the quality of the product or lower market prices. Eventually this may converge into an improved overall financial performance. Having a positive reputation with regards to CSR practises is vital for an organization to operate.

With regard to the size of companies, a negative significant association was found between company's size and reputation (with level of significance equal to 10%). If size increased by 1, the value of reputation decreased by 3.38, holding all other variables constant. Given the opinion of many scholars, I would have expected a positive relationship between size and reputation: larger companies are usually engaged in more activities and therefore they attract more people than smaller companies (Kelly, 1981; Trotman and Bradley, 1981; Cowen et al., 1987; Belkaoui and Karpik ,1989; Patten, 1991-1992; Hackston and Milne, 1996). Usually companies benefit from a better reputation by being more "known", in *Model 4* there is an opposite evidence: the larger a company is, the less reputation it acquires.

The study of the results of this fourth OLS model shows no significant relationship between the adoption of GRI and the company's reputation. As in other models no relationship has been found between GRI and corporate reputation, this result is in line with what is claimed by Michelon et al. (2015, pg.6): they argue that "Assurance and the use of the GRI guidelines are not associated with the quality or quantity of disclosure". Finally, in *Model 4*, very encouraging results emerged regarding the relationship between corporate reputation and the quality of discloure (the main topic of this thesis). Since company’s reputation is built on its social and environmental performance, companies with higher reputation will disclose more information Ullmann (1995). On the contrary, firms with lower reputation could avoid to disclose social and environmental information without consequences; they can also use CSR disclosure to create positive reputation without doing responsible actions (Adams et al. 1995 and Neu et al. 1998). Nevertheless, companies with strong reputation use disclosure to reflect their behaviour, they do not communicate false information to avoid negative effect on reputation. Analyzing the variables that make up the quality of the disclosure emerges a first significant negative relationship (at 5%) between reputation and amount of disclosure. This means that the greater the amount of disclosure, the more it reduces corporate reputation. For every additional unit of quantity, the expected value of reputation decreases. This is also confirmed by Hasseldine et al. (2005), by evaluating the environmental disclosure, they argue that the mere quantity is insufficient (quality is more important than quantity). The authors in their study claim there is good evidence that the quality of disclosure has a greater impact on reputation than mere volume (Hasseldine et al., 2005). Toms (2002) also highlights the same concept: he stresses that the amount of disclosure has no increasing effect on stakeholders' perception of CSR reputation. This very important result emerged in this fourth model is linked to the fact that it is necessary to make a distinction between companies that use CSR disclosure only to impress the public and companies that are really involved in CSR activities (this theme was analyzed in the third chapter, referred to impression management). Always with regard to a variable that makes up the quality of disclosure: there is a very significant positive relationship (at 1%) between breath and reputation. This result is also consistent with what has been studied in the first theoretical chapters. The breath variable could be considered an index capable of evaluating the "quality of content" of the sentences in the reports. This variable arises, in fact, from the analysis of the content of each sentence in the reports in accordance with the themes identified by the GRI macro-categories. The relationship is significantly positive, which implies that a higher quality of the disclosure (identified as content of the sentences) is associated with a greater corporate reputation. A positive 5% relationship between accuracy and reputation also emerges. “Accuracy” is a variable concerning the quality of corporate disclosure. This relation suggests that the more reliable and verifiable information (more quantitative-financial information than qualitative information) is, the more the corporate reputation increases. This underlines once again the positive relationship between the quality of disclosure and reputation, in accordance with the thought of Toms (2002) and Hasseldine (2005).

Figure 4.19 Regression Results

Variables	*Model (1)*	*Model (2)*	*Model (3)*	***Model (4)***
Qual	10.41705 [8.484149]	9.971133 [8.391303]	-2.463023 [1.897366]	
lev2014	0.237502 [0.2239385]	0.2367 [0.2227]	-0.047417 [0.05036]	0.182931 [0.21646]
roe2014	**-12.8373*** [7.356678]	**-13.44508*** [7.215621]	2.515506 [1.63153]	**-20.46717***** [7.285445]
size	-2.22857 [2.116743]	-2.4727 [2.048041]	0.457060 [0.46308]	**-3.386409*** [1.985411]
gov2014	-0.3442044 [0.2143317]	**-0.35482*** [0.21211]	**0.10133**** [0.047962]	-0.2159062 [0.2170866]
gri	-4.022252 [7.570236]	-4.269165 [7.513286]	0.15494 [1.69883]	-11.84748 [7.649665]
es2014	0.3933566 [0.2720295]	0.386636 [0.270203]	-0.09251 [0.06109]	0.3529121 [0.2762348]

industry	-3.611974 [7.254364]			
quantity				**-61.91847**** [25.54784]
breath				**62.76405***** [21.81813]
accuracy				**38.38081**** [18.6668]
manor				-2.170059 [28.56382]
Constant	39.65458 [33.70743]	43.35942 [32.6988]	75.6949*** [7.393558]	8.934991 [36.62478]
Observations	78	78	78	78
R-squared	0.1520	0.1489	0.1458	**0.2534**
F	1.55	1.75	1.71	**2.27****

P-values in brackets
* $p < 0.1$
** $p < 0.05$
*** $p < 0.01$

4.5. Limitations of the model proposed

Regarding the limitations related to the proposed models, surely a limit encountered in assessing the relationship between the quality of disclosure and reputation is represented by the fact that companies do not always use CSR report to communicate the results obtained, commitment, actions related to the environment, social, human rights, customers, labour. This is the reason why the surveys are still less satisfying than they should be. To make a much more explicative survey, a sample of companies should be taken in which all the companies have communicated through CSR report or every company should be evaluated on the basis of all the CSR related disclosure (which is impracticable in reality) as a company can use websites, press and any other device to disclose information. According to Toms (2002), the most used channel for reporting is the annual report; however, there are other means of communication such as quality kite-mark, press-realises through which companies communicate. This variety of means of communication is reflected in the variable quality of disclosure: this variable analyzes reports in which very diluted CSR information and reports of different length (with more or less pages). It would be impossible and very long (in terms of time) to analyze all the present disclosure. For this purpose, the method of analysis of the disclosure proposed by Michelon (2015) has been adopted.

Another limit is certainly the subjectivity of the evaluation. Although the information has been codified according to the classifications proposed by GRI, it is up to the author to decide whether information on, for example, the employment of disabled workers can be classified as SP5 (equal and diversity opportunity referring to working practices) or as SP7 (not discrimination related to human rights). To evaluate the author's ability to analyze the proposed reports, a test was performed and the results were compared with a previous analysis. Given the adherence of the analyses (and classifications), data collection continued. In addition, to limit the subjectivity of the evaluation, reference has not made to the individual GRI categories, but to the five proposed macro categories: environment, labour practices, human rights, social community and product responsibility and safety (see appendix).

CONCLUSIONS

The objective of this thesis was to demonstrate whether there is a relationship between corporate reputation and disclosure regarding the CSR theme. Today's companies have various possibilities to disclose information to the public, they can use their own company website, the annual report, stand-alone reports, the press and others media. This analysis obviously did not take into account every means of communication available to the company, rather, just the most widespread ones were considered: annual report (the part dedicated to CSR) and stand-alone reports (referred to CSR or sustainability). Companies have essentially two ways to reach a better reputation. In communicating their CSR activities to the public, companies can increase their corporate reputation by demonstrating what has been done by the company (in reality), thus offering a measurable and informative disclosure. On the other hand, companies can use disclosure to increase corporate reputation through a non-informative, but "scenic" disclosure. By pursuing these goals, companies try to influence public perceptions (this technique is called impression management). Organizations use impression management to reinstate legitimacy subsequent to a harmful event or controversy, to enhance acceptance of some practises, to construct specific image, to reach some desired goals (Tata & Prasad, 2015). This thesis deals with the theme of impression management because firms could improve their reputation, create transmit and maintain a certain image and identity by disclosing "impressive" communication.

Hence, after exploring the issues related to reputation, disclosure and impression management, the following questions arise: what is the link between disclosure and reputation? Some studies claim that corporate social disclosure may be a tool that companies use to manage reputation. Laufer (2003) defined the so-called "greenwashing" as the attempt of companies to manage the stakeholders' view of the firm (reputation) by employing effective communication methods that can seriously deviate the perception of the company's operation. While other part of literature argue that sustainability reporting permits companies to be more transparent regarding the risks and opportunity thy face on various sustainability issues (by showing to internal and external actors the "social" responsibilities they undertake), without the purpose of influencing the reputation that the various investors have towards the company. Pursuing these goals (to account for social and environmental obligations or to manage reputation) emerges the need to communicate with stakeholders both qualitatively and quantitatively. Given the fact that there is a significant difference between the quality and quantity of the disclosure, how can the quality of the disclosure be assessed? How can the amount of disclosure be measured? How to distinguish companies that disclose information for the sole purpose of impressing the public, from companies that use reports to report what they actually did in relation to CSR? Furthermore, what is the impact of a disclosure rich in contents, compared to a disclosure large in volume but whose contents are diluted on the reputation? These questions have emerged writing this thesis. Questions to which the empirical part tried to answer.

The studies of Michelon et al. (2015) and Berretta et al. (2008) were very useful for setting the quantitative-qualitative analysis of disclosure. Data were classified based on the presence, or not, of relevant CSR information (a quantitative index was calculated based on the number of sentences relative to CSR, compared to the total sentences). Information were classified based on the content (each information was classified with reference to the subject treated, based on GRI classifications). Analyses consider the temporal orientation of sentences (if referred to the present, past or future) and the type of information (qualitative if it was textual information, quantitative if it was numerical and financial in case of monetary information). This classification of information led to the construction of variables that allow the investigation on the relationship between disclosure and reputation through an OLS regression model.

The work of collecting data was long and laborious, it consists of analyzing and coding each sentence in the CSR report 2014 or in the part dedicated to CSR of the annual report of each company in the sample. I spent a several weeks collecting all the qualitative and quantitative data (the longest CSR reports I found were those of Ford, which in 2014 presented a CSR report of more than 600 pages and Sony whose report was about 400 pages). Many companies have instead proposed a much shorter disclosure in terms of number of pages (Tyson Food and General Electric had about ten pages as CSR disclosure). The other data, relating to the company size, profitability, leverage, governance, social and environmental parameters were hand-collected from EIKON - Thomson Reuter database provided by DSEA. It has been decided to use the single sentence as object of analysis and not the number of pages, to have a more precise and informative analysis with respect to the variables studied.

Regarding the relationship between disclosure and reputation, the empirical analysis revealed a significant negative relationship between the amount of disclosure and reputation. This confirms what Toms (2002), Hasseldine et al. (2005) argue: the amount of disclosure has no increasing effect on stakeholders' perception of CSR reputation; the mere volume is insufficient to determine the quality of disclosure. Positive association indeed is between the quality of disclosure and reputation. More precisely, there is a significant 1% positive relationship between the content of disclosure (more detailed and specific information content) and reputation. There is a positive significant (5%) relationship even between the accuracy of the content of the disclosure (intended as measurability and reliability of information) and reputation.

Furthermore, by analyzing the descriptive statistics of the individual variables, it appears that the CSR information relating to the reports is very diluted: on average, 46% of the sentences contained in the reports refer to CSR topics. This means that on average, more than half of the sentences in the reports determine volume and have no CSR contents. The fact that companies continue to invest in a quantitatively consistent disclosure, before investing in the quality of information could lead to the ineffectiveness of quantity in determining corporate reputation. Moreover, even there could be a negative impact of the amount of the disclosure on reputation (this empirical survey shows a very significant negative relationship between the amount of disclosure and corporate reputation, as the amount of disclosure increases by an additional unit, the company reputation decreases, holding all other variables constant).

On the other hand, unlike the amount of disclosure, a quality disclosure has a positive impact on reputation. It is confirmed in the empirical analysis carried out in this paper: there is a significant positive relationship between information content (measured by breath variable) and reputation; furthermore, there is a significant positive relationship between reliability, accuracy of information (measured by accuracy variable) and reputation. Despite the thesis focuses on the relationship between disclosure and reputation, there were other variables studied in the empirical survey: size, profitability, leverage, governance, environmental-social parameter, gri adoption. They are determinant of disclosure. Determinants of disclosure other than reputation have been used in the OLS models proposed in the empirical analysis as control variables. There are statistically significant relationships between governance and reputation, between profitability measured by ROE and reputation in more than one model. In *Model 4*, a statistically significant negative relationship emerged between size and reputation. No other significant relationships emerged between GRI and reputation, leverage and reputation, industry and reputation.

This thesis and this empirical analysis was therefore able to confirm the hypotheses supported by Hasseldine, Salama, & Toms (2005) in reference to the quality vs. quantity of the disclosure paradigm (the mere volume of information is insufficient to increase the corporate reputation).

The question that seems to have not yet been answered is the following: in this sample of companies how many have used disclosure in order to impress the public and how many in order to communicate what has been done in reference to CSR? On average, the companies of the sample communicated 403 sentences referred to CSR, on an average total of 874 sentences. The 10 companies in the sample whose report content is less diluted are Apple (whose ratio between CSR sentences and total sentences is 77%), Microsoft (75%), The Home Depot (72%), Whirpool (68%), Ebay (66%), Kohl's (66%), Sony (65%), Macy's (64%), Lowe's (63%), Starbucks (61%). Each report contained on average 262 sentences related to qualitative, 122 quantitative and 19 financial data. Regarding the accuracy and reliability of the information provided by the first 5 companies whose content was less diluted: Apple communicated 163 qualitative, 150 quantitative and 0 financial; Microsoft has communicated 417 qualitative, 141 quantitative and 17 financial; The Home Depot communicated 48 qualitative, 38 quantitative and 5 financial; Whirpool disclosed 130 qualitative, 80 quantitative and 6 financial; Ebay disclosed 49 qualitative, 20 quantitative and 2 financial. Except for Microsoft, companies whose report content is less diluted also offer more verifiable information. Looking at the position obtained by these companies within the reputational index used (Harris Poll 2015), the companies that have communicated information, paying more attention to the quality of the content compared to the quantity, are those that have obtained a better reputation.

ANNEX

EUROPEAN DIRECTIVE 2014/95

In this thesis, it is necessary to cite the European directives aimed at a more transparent corporate disclosure, and to coordinate its contents because the empirical part of this thesis concerns the analysis of the disclosure. Data on quantity, quality and type of disclosure have been recovered through a work of analysis on CSR reports. The length of the disclosures found during the analysis was very different in the sample (with length I refer to the number of pages in the reports), a coordination of the disclosure could improve future analysis and the ability of investors to evaluate the business activity.

The European directive 2014/95, passed on October 22, 2014, with 599 votes for, 55 votes against, and 21 abstentions (Marx, 2017). This Directive amended a previous one (2013/34/EU) made to uniform CSR reports among various European States (DIRECTIVE 2014/95/EU)[2].

The scope of Directive 2014/95/EU

In the first paragraph of 2014/95/EU, the European Commission recognizes the need of transparency in CSR Communication:

> [...]*The Commission identified the need to raise to a similarly high level across all Member States the transparency of the social and environmental information provided by undertakings in all sectors. This is fully consistent with the possibility for Member States to require, as appropriate, further improvements to the transparency of undertakings' non-financial information, which is by its nature a continuous endeavour.*[3]

Aside from the need of transparency in the following paragraph (2) of directive 2014/95/EU, the European Commission underlines the necessity to improve CSR communication:

[2] Directive 2014/95/EU available at: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[3] Paragraph (1) of 2014/95/EU available at page 1 of : http://eur-lex.europa.eu/eli/dir/2014/95/oj

The need to improve undertakings' disclosure of social and environmental information, by presenting a legislative proposal in this field, was reiterated in the Commission communication entitled 'A renewed EU strategy 2011-14 for Corporate Social Responsibility', adopted on 25 October 2011.[4]

In the section (3) of 2014/95/EU the European Commission highlights the importance of CSR communication and defines the divulgation of socially responsible information as a way to measure the companies' results and effects on the society.

[...] *'Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth' and 'Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery', the European Parliament acknowledged the importance of businesses divulging information on sustainability such as social and environmental factors, with a view to identifying sustainability risks and increasing investor and consumer trust. Indeed, disclosure of non- financial information is vital for managing change towards a sustainable global economy by combining long-term profitability with social justice and environmental protection. In this context, disclosure of non-financial information helps the measuring, monitoring and managing of undertakings' performance and their impact on society.*[5] [...]

The theme of coordination is investigated in the following paragraph (4) of 2014/95/EU:

The coordination of national provisions concerning the disclosure of non-financial information in respect of certain large undertakings is of importance for the interests of undertakings, shareholders and other stakeholders alike. Coordination is necessary in those fields because most of those undertakings operate in more than one Member State.[6]

[4] Paragraph (2) of 2014/95/EU available at page 1 of : http://eur-lex.europa.eu/eli/dir/2014/95/oj

[5] Paragraph 3 of 2014/95/EU available at page 1 of : http://eur-lex.europa.eu/eli/dir/2014/95/oj

[6] Paragraph 4 of 2014/95/EU available at page 2 of : http://eur-lex.europa.eu/eli/dir/2014/95/oj

Then, the paragraph (5) of 2014/95/EU concerns the need to establish a certain minimum legal requirement regards the coverage of CSR information:

> *It is also necessary to establish a certain minimum legal requirement as regards the extent of the information that should be made available to the public and authorities by undertakings across the Union. The undertakings subject to this Directive should give a fair and comprehensive view of their policies, outcomes, and risks.*[7]

In the following sections of the Directive there is a description of non-financial information (environmental social, human rights, anti-corruption, employee-related matters).

Amendment of 2013/34/EU (Art. 1 of 2014/95/EU)

Art. 1 of Directive 2014/95/EU concerns the amendment of Directive 2013/34/EU[8].

The Article 19a is incorporated in the Directive 2013/34/EU. It regards non-financial statement:

> *"Large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall include [...]:*
>
> *(a) a brief description of the undertaking's business model;*
>
> *(b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;*
>
> *(c) the outcome of those policies;*
>
> *(d) the principal risks related to those matters [...];*
>
> *(e) non-financial key performance indicators relevant to the particular business.*

[7] Paragraph 5 of 2014/95/EU available at page 2 of : http://eur-lex.europa.eu/eli/dir/2014/95/oj

[8] Art. 1 of 2014/95/EU available at page 4 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

> *Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so".*[9]

The art. 20 of 2013/34/EU is amended by adding:

> *"the description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period"*[10].

Regarding consolidated non-financial statement, the article 29a was added (it has a content similar to article19a, but it concerns public-interest entities)[11].

Art. 2 of 2014/95/EU concerns "*Guidance on reporting*" [12]: the Commission provides (by 6 December 2016) non-binding guidelines to explain how to report non-financial information[13].

Art. 3 of 2014/95/EU named "*Review*"[14], regards the submission to the European Parliament and to the Council of implementation on the directive 2014/95/EU concerning the scope, the level of guidance, methods for reporting non-financial information[15].

Art. 4 of 2014/95/EU regards the requirement for Member States to adopt the Directive by 6 December 2016 and the necessity to indicate a reference to this Directive[16].

[9] Art. 19a of 2013/34/EU available at page 4-5 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[10] Art. 20 of 2013/34/EU available at page 5 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[11]Art. 29 of 2013/34/EU available at page 6 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[12] Art. 2 of 2014/95/EU available at page 8 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[13] Art. 2 of 2014/95/EU available at page 8 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[14] Art. 3 of 2014/95/EU available at page 8 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[15] Art. 3 of 2014/95/EU available at page 8 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[16] Art. 4 of 2014/95/EU available at page 8 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

Then, the last two articles (article 5 and article 6 of 2014/95/EU) are about the entry into force "[...] *on the twentieth day following the publication in the Official Journal of European Union"*[17] and the addresses[18]

[17] Art. 5 of 2014/95/EU available at page 8 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

[18] Art. 6 of 2014/95/EU available at page 9 of: http://eur-lex.europa.eu/eli/dir/2014/95/oj

APPENDIX

SIC CODE CLASSIFICATION

Source: https://www.naics.com/sic-codes-industry-drilldown/

INDUSTRY TITLE	SIC-	INDUSTRY
AGRICULTURE, FORESTRY AND FISHING	01	Agricultural Production - Crops
	02	Agricultural Production - Livestock and Animal Specialties
	07	Agricultural Services
	08	Forestry
	09	Fishing, Hunting and Trapping
MINING	10	Metal Mining
	12	Coal Mining
	13	Oil and Gas Extraction
	14	Mining and Quarrying of Nonmetallic Minerals, Except Fuels
COSTRUCTION	15	Building Cnstrctn - General Contractors & Operative Builders
	16	Heavy Cnstrctn, Except Building Construction - Contractors
	17	Construction - Special Trade Contractors
MANUFACTURING	20	Food and Kindred Products
	21	Tobacco Products
	22	Textile Mill Products
	23	Apparel, Finished Prdcts from Fabrics & Similar Materials
	24	Lumber and Wood Products, Except Furniture
	25	Furniture and Fixtures
	26	Paper and Allied Products
	27	Printing, Publishing and Allied Industries
	28	Chemicals and Allied Products
	29	Petroleum Refining and Related Industries
	30	Rubber and Miscellaneous Plastic Products
	31	Leather and Leather Products
	32	Stone, Clay, Glass, and Concrete Products
	33	Primary Metal Industries
	34	Fabricated Metal Prdcts, Except Machinery & Transport Eqpmnt
	35	Industrial and Commercial Machinery and Computer Equipment
	36	Electronic, Elctrcl Eqpmnt & Cmpnts, Excpt Computer Eqpmnt
	37	Transportation Equipment
	38	Mesr/Anlyz/Cntrl Instrmnts; Photo/Med/Opt Gds; Watchs/Clocks
	39	Miscellaneous Manufacturing Industries
TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS AND SANITARY SERVICES	40	Railroad Transportation
	41	Local, Suburban Transit & Interurbn Hgwy Passenger Transport
	42	Motor Freight Transportation
	43	United States Postal Service
	44	Water Transportation
	45	Transportation by Air
	46	Pipelines, Except Natural Gas
	47	Transportation Services

	48	Communications
	49	Electric, Gas and Sanitary Services
WHOLESALE TRADE	50	Wholesale Trade - Durable Goods
	51	Wholesale Trade - Nondurable Goods
RETAIL TRADE	52	Building Matrials, Hrdwr, Garden Supply & Mobile Home Dealrs
	53	General Merchandise Stores
	54	Food Stores
	55	Automotive Dealers and Gasoline Service Stations
	56	Apparel and Accessory Stores
	57	Home Furniture, Furnishings and Equipment Stores
	58	Eating and Drinking Places
	59	Miscellaneous Retail
FINANCE, INSURANCE, AND REAL ESTATE	60	Depository Institutions
	61	Nondepository Credit Institutions
	62	Security & Commodity Brokers, Dealers, Exchanges & Services
	63	Insurance Carriers
	64	Insurance Agents, Brokers and Service
	65	Real Estate
	67	Holding and Other Investment Offices
SERVICES	70	Hotels, Rooming Houses, Camps, and Other Lodging Places
	72	Personal Services
	73	Business Services
	75	Automotive Repair, Services and Parking
	76	Miscellaneous Repair Services
	78	Motion Pictures
	79	Amusement and Recreation Services
	80	Health Services
	81	Legal Services
	82	Educational Services
	83	Social Services
	84	Museums, Art Galleries and Botanical and Zoological Gardens
	86	Membership Organizations
	87	Engineering, Accounting, Research, Management & Related Svcs
	89	Services, Not Elsewhere Classified
PUBLIC ADMINISTRATION	91	Executive, Legislative & General Government, Except Finance
	92	Justice, Public Order and Safety
	93	Public Finance, Taxation and Monetary Policy
	94	Administration of Human Resource Programs
	95	Administration of Environmental Quality and Housing Programs
	96	Administration of Economic Programs
	97	National Security and International Affairs
	99	Nonclassifiable Establishments

THE 32 CATEGORIZATIONS OF DISCLOSURE (ACCORDING TO GRI G3)

Environment

E1	Materials
E2	Energy
E3	Water
E4	Biodiversity
E5	Emission, effluents & waste
E6	Climate
E7	Products & Services
E8	Compliance
E9	Transport
E10	Initiatives for environmental protection & improving
Labour practices	
SP1	Employment
SP2	Labour/management relation
SP3	Occupational health & safety
SP4	Training & education
SP5	Diversity & equal opportunity
Human rights	
SP6	Investment & Procurement practices
SP7	Non discrimination
SP8	Freedom of association & collective bargaining
SP9	Child labour
SP10	Prevention of forced and compulsory labour
SP11	Security practices
SP12	Indigenous rights
Social community	
SP13	Local community
SP14	Corruption
SP15	Public policy
SP16	Anti-competitive behavior
SP17	Compliance
Product responsibility, customer health and safety	
SP18	Customer health & safety
SP19	Product & service labeling
SP20	Marketing communication
SP21	Customer privacy
SP22	Compliance

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