

# ***Sustainability and Ethics in Integrated Annual Reports – A Preliminary Study***

**Ricardo Alves**, CICET-FCVC ISAG Porto. [ricardoalves110@gmail.com](mailto:ricardoalves110@gmail.com)

**António Oliveira**, CEI-ISACP, CEOS.PP e CICET-FCVC ISAG.  
[antonio.oliveira@isag.pt](mailto:antonio.oliveira@isag.pt)

**Ana Borges**, CICET-FCVC ISAG Porto. [anaborges@isag.pt](mailto:anaborges@isag.pt)

## **Abstract**

**Purpose:** The importance of sustainability (De Villiers *et al*, 2022), as well as the way organizations report on issues related to their social performance (Ibáñez-Forés *et al*, 2023), has been increasing (De Villiers, *et al*, 2022; 2024; Şahin & Çankaya, 2020).

This increase, especially in large European companies (Lock & Seele, 2016; Moneva *et al*, 2023; Tarquinio *et al*, 2018), is related to different objectives, among which we can highlight: legal obligation (Camilleri, 2022), the relationship between ethics, sustainability and financial performance (Kim *et al*, 2023; Thuy *et al*, 2021), or organizational reputation (Odriozola *et al*, 2017).

Nevertheless, different authors (e.g., Elving, 2013; Greenwood & Van Buren, 2013; García-Sánchez *et al.*, 2020; Zhao *et al.*, 2023) have noted problems of lack of trust on the part of stakeholders with regard to the information disclosed (Nguyen *et al.*, 2023), which they refer to as CSR-Scepticism and Green-Scepticism), and the credibility of this information is necessary for business development (Moggi, 2023).

Within the scope of this analysis, behaviors and the reporting of sustainability and ethics are particularly relevant. Aguinis & Glavas (2019) point out that the most common method used to focus on the company and the analysis of its analytical results, but today it focuses on individual analysis (Kim *et al.*, 2023; Marti *et al.*, 2023; Zhao *et al.*, 2023) and it is this reporting process that we propose to analyze.

This analysis aims to contribute to the debate and, increasing prominence, of Sustainability and Ethics in the Integrated Annual Reports of large European companies.

**Methodology:** We adopt post-positivism as philosophical ground and a quantitative approach. In data collection, we used systematic and individual documentary observation. The sample collected consists of 250 Integrated Reports from 25 companies over the period from 2013 to 2022 – 10 years. The 25 companies, 5 per country, were selected based on the Market Capitalization – national MarketCap, at the

date the data was obtained. We selected 5 countries: Germany, France, Italy, Portugal and the United Kingdom and as a MarketCap proxy the main national indices: DAX 40, CAC 40, FTSE MIB, PSI 20 and FTSE 100 respectively. To compute the multiple regression models, we used STATA/SE 13.1.

**Results:** The growing importance of Sustainability and Ethics references for the period under analysis is statistically significant. There is also statistically significant evidence regarding the Corporate Governance effect, the behavior of different countries, different sectors and their annual evolution.

**Research limitations:** From an empirical point of view, the sample was limited to the 5 largest companies from 5 European countries, which limits the generalization of behavior. As this is a preliminary study, more must be carried out.

**Originality:** This analysis is innovative in providing new insights into Sustainability and Ethics reporting in the Integrated Annual Reports of large European companies.

**Keywords:** *Sustainability; Ethic; Integrated Annual Reports.*

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